

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*

*This announcement is for information purpose only and does not constitute an invitation or offer to acquire, purchase or subscribe for securities of the Company.*



**CHINA DIGITAL CULTURE (GROUP) LIMITED**

**中國數碼文化(集團)有限公司**

*(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)*

**(Stock Code: 8175)**

**DISCLOSEABLE TRANSACTION CONCERNING  
THE SUBSCRIPTION OF CONVERTIBLE NOTES  
OF LIGHT CYCLE LIMITED**

**Financial Adviser to the Company**



**WALLBANCK BROTHERS  
Securities (Hong Kong) Limited**

**THE SUBSCRIPTION**

On 11 December 2015 (after trading hours), the Company and Light Cycle entered into the Subscription Agreement in relation to the proposed subscription of the Convertible Notes of Light Cycle. Completion of the Subscription is conditional upon, among others, the Conditions Precedent set out in the Subscription Agreement being satisfied on or before the Long Stop Date.

The Consideration shall be an aggregate sum of up to HK\$30,000,000, to be paid by the Company to Light Cycle in three separate tranches: (i) HK\$5,000,000 on the Initial Tranche Completion Date; (ii) HK\$10,000,000 on the Second Tranche Completion Date; and (iii) HK\$15,000,000 on the Final Tranche Completion Date.

## **LISTING RULE IMPLICATIONS**

As the applicable percentage ratios exceed 5% but are less than 25%, the Subscription constitutes a discloseable transaction on the part of the Company under Chapter 19 of the GEM Listing Rules and is subject to the reporting and announcement requirements but is exempted from the Shareholders' approval requirements under the GEM Listing Rules.

To the best knowledge, information and belief of the Directors of the Company, having made all reasonable enquiries, Light Cycle and its ultimate beneficial owners are Independent Third Parties of the Company.

## **WARNING NOTICE**

**Shareholders and potential investors of the Company should be aware that Completion is subject to certain conditions, as set out in the subsection headed "Conditions precedent" in this announcement, being satisfied, and consequently the Subscription may or may not proceed. Accordingly, they are advised to exercise caution when dealing in the securities of the Company, and if they are in any doubt about their position, they should consult their professional advisers.**

## **PRINCIPAL TERMS OF THE SUBSCRIPTION AGREEMENT**

### **Date**

11 December 2015 (after trading hours)

### **Parties**

Subscriber : China Digital Culture (Group) Limited

Issuer : Light Cycle Limited

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, Light Cycle and its ultimate beneficial owners are Independent Third Parties, save and except Mr. Hsu Tung Chi.

### **Subject Matter**

Pursuant to the Subscription Agreement, Light Cycle has conditionally agreed to issue and the Company has conditionally agreed to subscribe for the Convertible Notes.

## Subscription Consideration and Method of Payment

Subject to the terms and conditions in the Subscription Agreement, the Company conditionally agreed to subscribe the Convertible Notes in three separate tranches in the following manner:

- (i) HK\$5,000,000 (the “**Initial Tranche Notes**”) on the Initial Tranche Completion Date;
- (ii) HK\$10,000,000 (the “**Second Tranche Notes**”) on the Second Tranche Completion Date; and
- (iii) HK\$15,000,000 (the “**Final Tranche Notes**”) on the Final Tranche Completion Date.

### *Accelerated Conversion or Repayment*

In the event after Light Cycle sends the required performance notice (as set out in the subsection headed “Completion”) for the Second Tranche Notes or the Final Tranche Notes, as the case may be, to the Company and the Company fails to pay the relevant subsequent tranche within 10 calendar days after the receipt thereof, Light Cycle shall send a notice to the Company of such payment failure. The Company shall then have 15 calendar days to cure such payment failure by making the relevant subsequent tranche payment. In the event that the Company fails to pay the said subsequent tranche payment after the relevant fifteen-day cure period, it shall constitute a subsequent tranche default and shall result in Light Cycle having the right but not the obligation to:

- (i) automatically convert the Convertible Notes subscribed in the relevant subsequent tranche and any prior tranche at a conversion price adjusted according to the formula below;

$$\text{New Conversion Price} = \frac{\text{Original Conversion Price}}{0.85}$$

or

- (ii) prepay the principal amount of the Convertible Notes subscribed in the relevant subsequent tranche and any prior tranche without any penalty or accrued interest.

For the avoidance of doubt, if a subsequent tranche default is a default in payment of the Second Tranche Notes, such default shall not affect or prejudice the Company’s right to subscribe for the Final Tranche Notes.

The Board considers that the Subscription and the terms and conditions of the Subscription Agreement are fair and reasonable, on normal commercial terms and are in the interests of the Company and the Shareholders as a whole.

## **Basis of Consideration**

The Consideration is determined after arm's length negotiations between the Company and Light Cycle and with reference to the preliminary Valuation Report on Light Cycle prepared and to be finalized by an independent valuer.

## **Conditions Precedent**

Completion is conditional upon the following conditions being fulfilled or, as the case may be, waived, on or before the Long Stop Date:

- 1) Fullpoint having granted or procured its subsidiaries to grant to Light Cycle and its subsidiaries all rights with respect to all of its business activities including the fitness and cycling studios and all other business activities conducted by Fullpoint and its subsidiaries which Fullpoint and its subsidiaries are legally permitted to grant pursuant to all applicable laws and third party contracts (the “**Rights**”) for no less than 40 years or the longest period so permitted, whichever is shorter (the “**Rights Period**”), for Light Cycle and its subsidiaries operation of all relevant business activities in the Greater China region (including the Hong Kong and Macau Special Administration Regions but excluding Taiwan) (the “**Greater China Region**”), and all relevant licences, assignments and legal documents concerning the grant of the Rights having been duly executed and registered;
- 2) Fullpoint having granted or procured its subsidiaries to grant to Light Cycle and its subsidiaries the right to use the licences during the Rights Period for the operation of all relevant business activities in the Greater China Region, and all relevant licences, assignments and legal documents concerning the grant of said rights having been duly executed and registered;
- 3) Fullpoint having granted or procured its subsidiaries to grant to Light Cycle and its subsidiaries the rights, which Fullpoint and its subsidiaries are legally permitted to grant pursuant to all applicable laws and third party contracts, to use patents, trademarks and any other intellectual properties for the operation of all relevant business activities in the Greater China Region during the Rights Period, and all relevant licences, assignments and legal documents concerning the grant of the said rights having been duly executed and registered;
- 4) Light Cycle having obtained all relevant approvals, confirmations, waivers or consents in respect of the Subscription, the execution of the Subscription Agreement and all transactions contemplated thereunder under the applicable laws and regulations from the relevant governmental or regulatory authorities having jurisdiction over Light Cycle or other relevant third parties;

- 5) the board of directors of Light Cycle having approved and authorised the Subscription, the execution of the Subscription Agreement and the transactions contemplated thereunder;
- 6) the shareholders of Light Cycle having approved the Subscription, the Subscription Agreement and the transactions contemplated thereunder (if applicable);
- 7) Fullpoint having executed and delivered the Option Agreement substantially in the form attached in the Subscription Agreement;
- 8) Fullpoint having executed and delivered the Corporate Guarantee in favour of the Company substantially in the form attached in the Subscription Agreement;
- 9) Fullpoint having obtained all relevant approvals, confirmations, waivers or consents in respect of the Subscription, the Subscription Agreement and all transactions contemplated thereunder including but not limited to the execution of the Option Agreement and the Corporate Guarantee under the applicable laws and regulations from the relevant governmental or regulatory authorities having jurisdiction over Fullpoint or other relevant third parties;
- 10) the board of directors of Fullpoint having approved and authorised the Subscription, the execution of the Subscription Agreement and all transactions contemplated thereunder including but not limited to the Option Agreement and the Corporate Guarantee;
- 11) the shareholders of Fullpoint having approved the Subscription, the Subscription Agreement and all transactions contemplated thereunder including but not limited to the Option Agreement and the Corporate Guarantee and the transactions contemplated thereunder (if applicable);
- 12) there having been no breach of any of the representations, warranties and undertakings given by Light Cycle under the Subscription Agreement, and no event has occurred and no matter has arisen rendering any of the said representations, warranties and undertakings untrue, inaccurate or misleading;
- 13) with respect to the Initial Tranche only, the Company having been given the opportunity on or before the date of the Subscription Agreement to conduct due diligence on Light Cycle, each member of the Subsidiaries and the shareholder(s) of Light Cycle as of the date of the Subscription Agreement, including but not limited to their respective businesses, assets, liabilities, operations, financial, legal or other status which is reasonably necessary or appropriate to conduct;

- 14) with respect to the Initial Tranche only, the Company having obtained written legal opinions from the relevant PRC and Taiwan lawyers respectively in the form and substance acceptable to the Company (which shall include and not be limited to the findings of due diligence of Light Cycle and its subsidiaries in relation to the Subscription);
- 15) with respect to the Initial Tranche only, the Company having obtained the Valuation Report prepared by an independent valuer on Light Cycle to the satisfaction of the Company within five business days of the date of the Subscription Agreement;
- 16) the Company having obtained all relevant approvals, confirmations, waivers or consents in respect of the Subscription, the execution of the Subscription Agreement and all transactions contemplated thereunder under the applicable laws and regulations from the relevant governmental or regulatory authorities having jurisdiction over the Company or other relevant third parties including but not limited to those from the Stock Exchange of Hong Kong Limited and the Securities and Futures Commission of Hong Kong;
- 17) the board of directors of the Company having approved and authorized the Subscription Agreement and the transactions contemplated thereunder; and
- 18) any other third-party approval as may be required for the Subscription, the execution of the Subscription Agreement and all transactions contemplated thereunder.

The Company is entitled to waive all or any of the conditions above, apart from (4), (5), (6), (9), (10), (11), (16), (17) and (18) above, at its absolute discretion by way of written notice to Light Cycle.

If any of the above Conditions Precedent has not been fulfilled (or waived by the Company) by the Long Stop Date, the obligations of the Company and Light Cycle under the Subscription Agreement shall forthwith cease and terminate and neither the Company nor Light Cycle shall have any claim against the other party, save for any antecedent breach thereof.

### **The Company's Pre-emptive Right**

In the event that Light Cycle proposes to issue new Equity Securities to any other parties including its shareholder(s) as of the date of this announcement, Light Cycle shall promptly deliver a written notice to the Company informing its intention to issue the offered securities and stating all major terms and conditions of the proposed issue, and the Company shall have a first right to subscribe such new offered securities on the terms and conditions set forth in the said written notice from Light Cycle. Any failure by the Company to exercise its pre-emptive right within 20 calendar days from its receipt of Light Cycle's notice shall be deemed as a waiver of such right.

## **The Company's Information Access Right**

Light Cycle shall, and shall cause its officers, directors and employees to, afford the Company access to all (a) books and records of Light Cycle and its subsidiaries, (b) monthly management accounts of Light Cycle and its subsidiaries, and (c) audited consolidated annual results of Light Cycle and its subsidiaries provided that the Company provides Light Cycle at least 5 Business Days advanced written notice of its desire to exercise its inspection rights. The said information access right of the Company shall survive the termination of the Subscription Agreement and shall remain in full force and effect until the date on which neither the Company nor any of its affiliates holds the Convertible Notes or Light Cycle Shares.

## **Completion**

Subject to the fulfillment (or waiver) of all the Conditions Precedent on or before the Long Stop Date.

- 1) Completion I shall take place within 10 Business Days after the fulfillment of all the Conditions Precedent or such other date as the Company and Light Cycle may agree in writing (the “**Initial Tranche Completion Date**”).
- 2) Completion II shall take place within 10 Business Days from:
  - i. 15 February 2016; or
  - ii. the date on which the Company receives written performance notice with respect to the lease by Light Cycle of three commercial spaces (each a “**Site**”) in Beijing and Shanghai having an aggregate total area of at least 2,000 square meters, and containing the following information and supporting documents:
    - (a) address and area of each Site;
    - (b) letters of intent duly executed by Light Cycle's direct or indirect subsidiaries and each Site's landlord relating to the lease of each such Site, together with documentary evidence of the transfer to the relevant landlord of all deposit amounts as required under each letter of intent, and
    - (c) a signed lease agreement in English and Chinese for at least one Site and a draft lease agreement in English and Chinese for at least one other Site.

whichever date is later (the “**Second Tranche Completion Date**”).

- 3) Completion III shall take place within 10 Business Days from the date on which the Company receives a written performance notice with respect to the opening and renovation of operating cycling studios in China (the “**Final Tranche Completion Date**”) containing the following information and supporting documents:

- (a) notice that a Light Cycle’s direct or indirect subsidiary has opened at least one cycling studio in Beijing or Shanghai, with a total site area of at least 600 square meters, providing services to the public in China;
- (b) notice that a Light Cycle’s direct or indirect subsidiary has at least one other cycling studio under renovation in Beijing or Shanghai with a total site area of at least 600 square meters;
- (c) certified true copies of the relevant tenancy agreements and all applicable licenses and permits; and
- (d) the most recent audited annual financial statements, if any, of the relevant Light Cycle subsidiaries, and unaudited management accounts of the subsidiaries covering the period from either (1) the date of the said financial statements, if available or (2) the first day of the immediately preceding fiscal year, to the end of the month immediately prior to the Final Tranche Completion Date.

## **PRINCIPAL TERMS OF THE CONVERTIBLE NOTES**

<b>Issuer</b>	Light Cycle Limited
<b>Holder</b>	The Company
<b>Principal</b>	Initial Tranche: HK\$5,000,000 Second Tranche: HK\$10,000,000 Final Tranche: HK\$15,000,000
<b>Maturity Date</b>	The fifth anniversary of the date of issue
<b>Interest</b>	(i) Basic Interest  2% per annum and shall be payable monthly



(ii) Additional Interest

Light Cycle shall, if applicable, make an additional payment of interest (the “**Additional Interest**”) (1) within three months of the Holder receiving the audited consolidated financial statements of Light Cycle and its subsidiaries which shall be distributed by the Light Cycle on or before March 31, 2020 or (2) such other dates as Light Cycle and the Holder may from time to time mutually agree in writing.

(i) Additional Interest shall be payable if, and only if, Studio EBITDA is less than:

a. HK\$10,000,000 for the financial year ending December 31, 2018 or HK\$12,000,000 for the financial year ending December 31, 2019; or

b. HK\$22,000,000 for the two years ending December 31, 2019.

(ii) If Additional Interest is payable subject to paragraph (i) above, the amount shall be determined according to the following formula:

$$\text{Additional Interest} = 14\% \times \frac{\text{HK\$22,000,000} - (\text{actual Studio EBITDA for the two years ending December 31, 2019})}{6}$$

**Prepayment**

Light Cycle shall have the right to prepay the aggregate principal amount in the manner as set out in the subsection headed “Accelerated Conversion or Repayment”. Any such prepayment shall be considered a full and complete repayment of all amounts due to the Holder pursuant to the Convertible Note. Other than as expressly provided here, the Light Cycle shall not prepay all or any portion of the principal amount or accrued but unpaid interest on the Convertible Note without the prior written consent of the Holder.

## **Conversion Rights**

- (a) *Optional Conversion.* Subject to paragraph (b) below, at any date on or after the date which is six (6) months from the issue of the Convertible Notes, the Holder shall have the right but not the obligation to convert the Convertible Notes, in whole or in part, into Light Cycle Shares issued at the Conversion Price subject to adjustment from time to time.
- (b) *Additional Conversion Right.* In the event of occurrence of any Liquidity Event, at any time prior to the Maturity Date and upon the Holder receiving written notice from Fullpoint informing the Holder Fullpoint's intention to consummate one or more transactions or knowledge of events which are reasonably likely to constitute a Liquidity Event, the Holder shall have the right but not the obligation to convert the Convertible Notes, in whole or in part, into shares issued at the Conversion Price.
- (c) *Automatic Conversion.* If the Studio EBITDA is greater than (i) HK\$10,000,000 for the financial year ending December 31, 2018, (ii) HK\$12,000,000 for the financial year ending December 31, 2019; or (iii) HK\$22,000,000 for the two years ending December 31, 2019, the Convertible Notes shall be automatically converted, in whole but not in part, without any further action on the part of Light Cycle or the Holder, into shares issued at the Conversion Price.

## **Conversion Price**

HK\$93.5395 per Conversion Share (subject to adjustment)

## **Conversion Shares**

Assuming the Convertible Notes in the principal amount of up to HK\$30,000,000 are converted at the Conversion Price of HK\$93.5395, up to a maximum of 320,724 new Light Cycle Shares will be allotted and issued, representing (a) approximately 16.04% of the existing issued share capital of Light Cycle; and (b) approximately 13.82% of the issued share capital of Light Cycle as enlarged by the Conversion Shares.

**Transferability**

The Convertible Notes cannot be transferred or assigned by the Holder except:

- (a) as previously approved, in writing, by Light Cycle;
- (b) to an affiliate of the Holder in compliance with applicable securities laws;
- (c) to any other party whose business does not compete with that of Light Cycle or its affiliates; or
- (d) if such transfer or assignment would not result in more than two persons other than the Company and its affiliates holding one or more Convertible Notes at any time.

**Ranking**

Conversion Shares issued upon exercise of conversion rights attached to the Convertible Notes shall rank pari passu in all respects with the fully paid Shares in issue on the relevant conversion date and all Conversion Shares shall include rights to participate in all dividends and other distributions the record date of which falls on or after such conversion date.

**PRINCIPAL TERMS OF THE CORPORATE GUARANTEE****Parties**

- (a) Fullpoint Enterprises Limited as guarantor in favour of
- (b) China Digital Culture (Group) Limited

**Guaranteed Liabilities**

All moneys, interests obligations and liabilities owing or payable or expressed to be owing or payable by Fullpoint or Light Cycle to the Company pursuant to any Transaction Document.

**Nature of the Guarantee** The Corporate Guarantee shall be a continuing security and shall cover and secure the ultimate balance from time to time owing to the Company by Fullpoint or Light Cycle under any Transaction Document in any manner whatsoever notwithstanding the bankruptcy, liquidation, incapacity or any change in the constitution of Fullpoint or any intermediate payment or discharge in whole or in part or other matter whatsoever. The Corporate Guarantee is in addition to any other guarantee, lien, bill note, mortgage, charge or other security now or hereafter held by the Company.

## **PRINCIPAL TERMS OF THE OPTION AGREEMENT**

**Parties** (a) Fullpoint Enterprises Limited; and  
(b) China Digital Culture (Group) Limited.

**Put Option Right of the Company** During the Option Period, Fullpoint shall grant to the Company an irrevocable and unconditional option, but not obligation, to require Fullpoint to purchase some or all of the Light Cycle Shares at the Option Purchase Price upon the occurrence of any Liquidity Event.

**Call Option Right of Fullpoint** The Company shall grant to Fullpoint an irrevocable and unconditional option, but not obligation, to require the Company to sell some or all of the Light Cycle Shares at the Option Purchase Price upon the occurrence of either a Public Offering or Company Sale.

**Co-Sale Right of the Company** Subject to the Shareholders' Agreement, if Fullpoint proposes to engage in any transfer of any ordinary shares of Light Cycle, the Company shall be permitted to participate in such transfer on a pro-rata basis on the same terms and conditions as the proposed transfer of the relevant Light Cycle Shares by Fullpoint.

## **PRINCIPAL TERMS OF THE SHAREHOLDERS' AGREEMENT**

**Parties** (a) Fullpoint Enterprises Limited;

- (b) Light Cycle Limited; and
- (c) China Digital Culture (Group) Limited.

**Grant of Rights to  
Light Cycle**

Fullpoint shall grant or procure its affiliates to grant to Light Cycle and its subsidiaries the followings:

- (i) all the Rights with respect to all of its business activities including the fitness and cycling studios and all other business activities conducted by Fullpoint and its affiliates which it and its affiliates are legally permitted to grant pursuant to all applicable laws and third party contracts during the Rights Period, for Light Cycle and its subsidiaries' operation of all relevant business activities in the Greater China Region and all relevant licences, assignments and legal documents concerning the grant of the Rights;
- (ii) the right to use the licences during the Rights Period for the operation of all relevant business activities in the Greater China Region, and all relevant licences, assignments and legal documents concerning the grant of said rights; and
- (iii) the rights, which Fullpoint and its affiliates are legally permitted to grant pursuant to all applicable laws and third party contracts, to use patents, trademarks and any other intellectual properties for the operation of all relevant business activities in the Greater China Region during the Rights Period, and all relevant licences, assignments and legal documents concerning the grant of the said rights.

**Right of First Refusal of  
the Fullpoint**

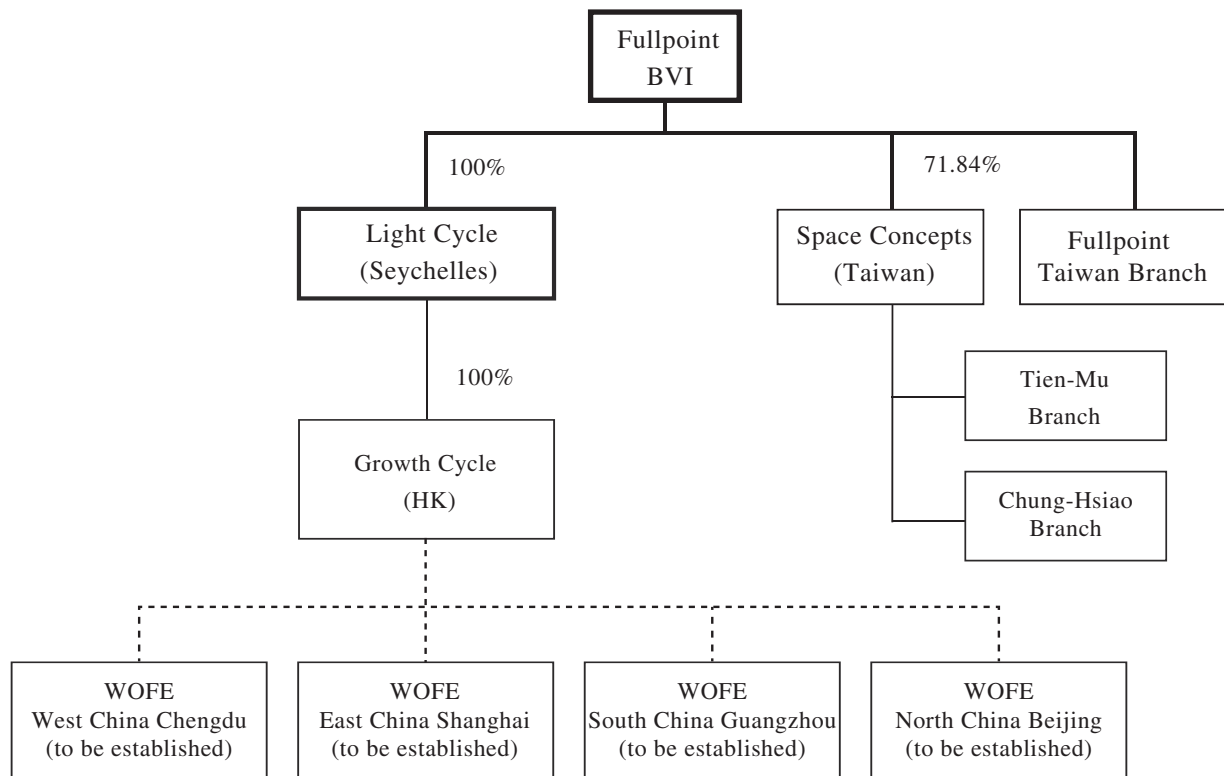
With respect to any allowed transfer by any selling shareholder of Light Cycle, Fullpoint shall have the right of first refusal to purchase all or any part up of the offered Light Cycle Shares. A failure by Fullpoint to exercise its right of first refusal within 20 calendar days shall be deemed a waiver of such right.

**Drag Along Rights of Fullpoint**

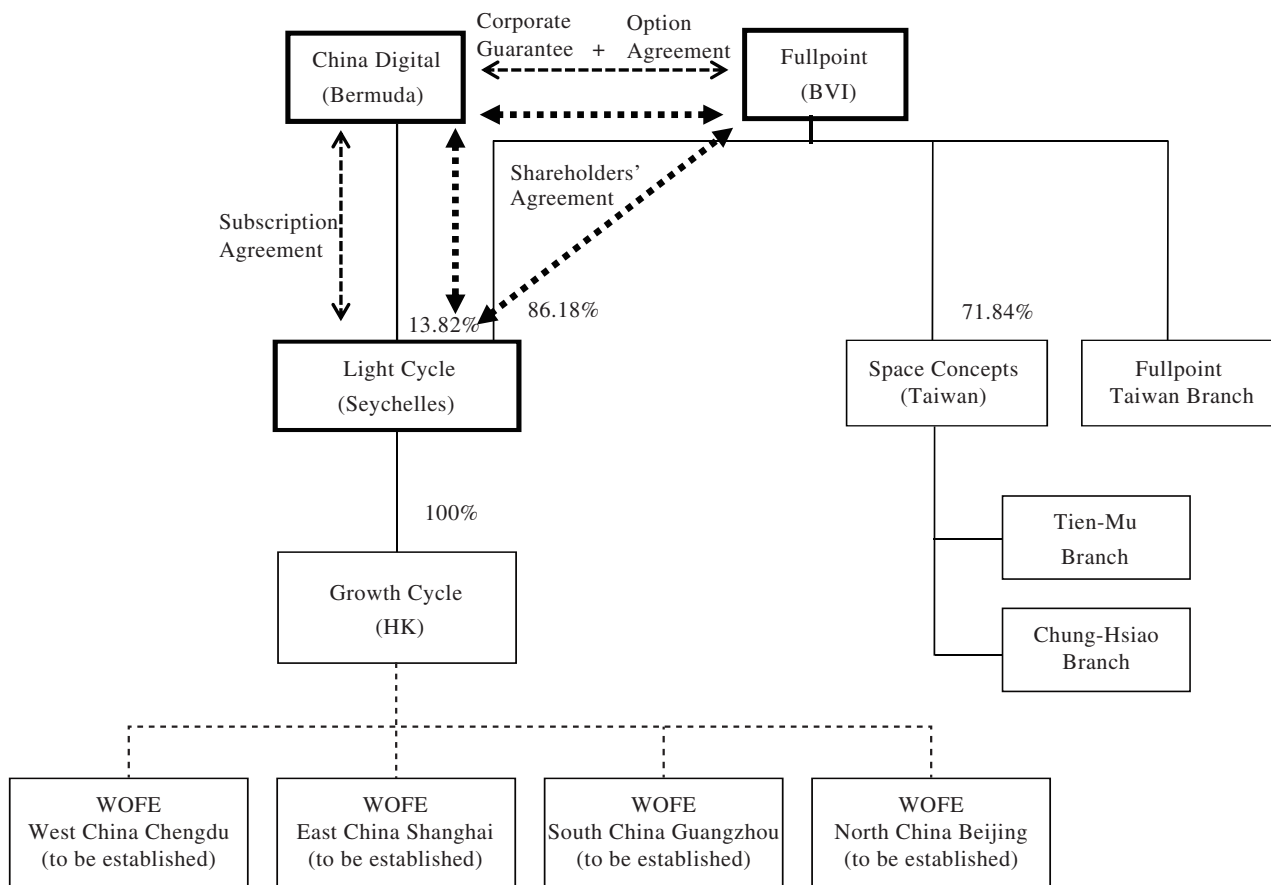
In the event of any direct sale of Light Cycle Shares by Fullpoint, Fullpoint agrees that if such sale of its Light Cycle Shares will result in Fullpoint controlling less than 50% of the voting securities of Light Cycle, Fullpoint shall negotiate the sale by other shareholders of Light Cycle of their Light Cycle Shares on a pro rata basis on the same terms and at the same time of the sale of Fullpoint's own Light Cycle Shares, and the said shareholders shall agree in principle that they will cooperate and participate in such transaction.

**SHAREHOLDING STRUCTURE OF LIGHT CYCLE**

**(a) Shareholding structure of Light Cycle as at the date of this announcement**



**(b) Shareholding structure of Light Cycle immediately after Completion and assuming exercise in full of the Conversion Right under the Convertible Notes**



**INFORMATION ON THE COMPANY**

The Company is a company listed on the Growth Enterprise Market of the Stock Exchange. The principal activity of the Company is the provision of digital copyright management solution and the related consultancy services, the digital content licensing solution, and the distribution of copyright protected items.

**INFORMATION ON FULLPOINT**

Fullpoint Enterprises Limited is a company incorporated in the British Virgin Islands with limited liability. The principal activity of Fullpoint is investment holding and at the date of this announcement is the holding company of Light Cycle and Space Concepts.

Mr. Hsu Tung Chi, executive Director of the Company, holds 2.78% equity interest of Fullpoint.

To the best knowledge, information and belief of the directors of the Company, and having made all reasonable enquiries, Fullpoint and its associates are Independent Third Parties of the Company, save and except Mr. Hsu Tung Chi.

### **INFORMATION ON SPACE CONCEPTS**

Space Concepts Limited\* (觀示苑股份有限公司) is a company incorporated in Taiwan with limited liability. The principal activity of Space Concepts is fitness gym operation in Taiwan, including running of chains of yoga and cycling studios. Space Concepts has been running the fitness gym operation in Taiwan for more than 10 years. The principal activity of Space Concepts is operating boutique fitness centers in Taiwan, which provide group fitness classes focusing on yoga, cycle and barre. Space Concepts has been managing studios in Taiwan for more than 10 years.

Established in March 2005, Space Concepts is recognized as Taiwan's premier yoga and wellness brand. Space Concepts has trained over 700+ yoga teaching professionals, over 100 of whom are currently living in China. The Company has multiple locations offering over 50 yoga classes per day, which account for over 200,000 classes attended per year. Space Concepts has been featured on more than 50 TV channels, 120 print media and numerous websites and blogs, and attracts large numbers of Chinese celebrities, artists and corporate leaders in Taiwan.

To the best knowledge, information and belief of the directors of the Company, and having made all reasonable enquiries, Space Concepts and its associates are Independent Third Parties of the Company, save and except Mr. Hsu Tung Chi.

### **INFORMATION ON LIGHT CYCLE**

Light Cycle Limited is a company incorporated in the Republic of Seychelles with limited liability. As at the date of this announcement, Light Cycle is a direct wholly owned subsidiary of Fullpoint. The principal activity of Light Cycle is investment holding. Light Cycle, through its subsidiaries in Hong Kong and the PRC, is in the process of establishing certain gym and cycling studio projects in Shanghai and Beijing. Light Cycle plans to provide music workouts, featuring group cycle, barre and yoga classes to enhance the workout experience for its students.

To the best knowledge, information and belief of the directors of the Company, and having made all reasonable enquiries, Light Cycle and its associates are Independent Third Parties of the Company, save and except Mr. Hsu Tung Chi.

### **INFORMATION ON GROWTH CYCLE**

Growth Cycle Limited is a company incorporated in Hong Kong with limited liability. As at the date of this announcement, Growth Cycle is a direct wholly owned subsidiary of Light Cycle. The principal activity of Growth Cycle is investment holding. Growth Cycle, through its subsidiaries in the PRC, is in the process of establishing certain gym and cycling studio projects in Shanghai and Beijing. Growth Cycle plans to provide music workouts, featuring group cycle, barre and yoga classes to enhance the workout experience for its students.



To the best knowledge, information and belief of the directors of the Company, and having made all reasonable enquiries, Growth Cycle and its associates are Independent Third Parties of the Company, save and except Mr. Hsu Tung Chi.

## **BUSINESS PLAN OF LIGHT CYCLE**

Light Cycle is a wholly owned subsidiary of Fullpoint and is a sister company of Space Concepts which is principally engaged in the business of operating yoga and cycling studios in Taiwan.

Space Concepts has been operating yoga studios in Taiwan for over 10 years and began its cycling operations in June 2015. Space Concepts currently operates 2 yoga studios, 1 wellness center and 1 cycling studio in Taiwan. Cycling, barre and yoga classes offered by Space Concepts are designed to improve its members' fitness levels by offering a hip, healthy combination of fitness and music around live events, social media and personal training. As Taiwan's premier yoga and wellness brand, classes at Space Concepts are led by experienced and certified yoga instructors, who aim to improve members' health and overall well-being. Space Concepts has established relationships with internationally renowned yoga practitioners, giving Space Concepts an edge in hiring local teachers and maintaining its market leading brand position. The founding principles behind the brand are to provide top-tier service through trained fitness professionals and develop a lasting community for health and fitness enthusiasts. Light Cycle intends to take a similar approach to the business model of Space Concepts and will focus primarily on operating group cycle, barre and yoga classes in the Greater China Region.

Light Cycle will focus on key elements that incorporate fitness, entertainment and community through social fitness. Classes are 45-min and 1 hour, high intensity workouts, with equipment, and music playlists featuring a full body workout. Outside of its studios, Light Cycle will build a community through shared values, social media, music and celebrity endorsements. Light Cycle and its fitness instructors will work with digital music streaming providers (Space Concepts is currently working with KKBOX Inc. in Taiwan) to promote music playlists around different workouts in the Greater China Region. Space Cycle has taken a leading regional role with its mobile application, which provides cycling metrics on power, distance and calories on workouts as well as helping members share on social media and stay connected to the online cycling community.

Light Cycle's primary source of revenue would be from membership fees but Light Cycle intends to further realize revenue from merchandising, provision of private classes and fitness instructor training. The key cost drivers would be fitness instructor costs, wages and fixed overhead such as rents.

Light Cycle is currently in talks with China World Trade Centre (中國國貿中心) and Taikoo Li Sanlitun (三里屯太古里) to open 2 fitness cycling studios in Beijing by the end of 2016, along with its third fitness cycling/yoga studio in Swire property in Shanghai in July 2017.

Further, Light Cycle anticipates opening 2 more fitness cycling/yoga studios within 2017, its sixth studio by the end of 2018 and up to its ninth studio by the end of 2019.

## FINANCIAL INFORMATION OF LIGHT CYCLE

Set out below are certain unaudited consolidated financial information of Light Cycle and its subsidiary for the financial period from 10 August 2015 (date of incorporation) to 30 November 2015:

*HK\$'000*

Turnover	–
Net loss (before tax)	47
Net loss (after tax)	47
	<hr/>
Total Assets	16,531
	<hr/>

## REASONS AND BENEFITS OF THE SUBSCRIPTION

The Group is principally engaged in providing music and sports copyright content to end-users through well-established platforms. In addition, the Group is also engaged in the business of providing marketing services for professional athletes and investing in movies, television and musical productions. The Group has two main business segments: (i) sports and (ii) entertainment. The Board considers that the investment in Light Cycle would strengthen the two business segments of the Group.

Fullpoint, through its subsidiary Space Concepts, is an experienced fitness studio operator that primarily focuses its operations in the yoga and cycling business and has developed a top-tier brand in Taiwan. Its operations includes celebrity endorsements for marketing and music to engage its members. The founder and major shareholder of Fullpoint worked previously as the President and Chief Executive Officer of EMI Music in Asia Pacific, Australia and New Zealand. Prior to that, at Sony Music Entertainment he held the position of Managing Director and Vice President, Greater China. The Board of Directors holds the view that the PRC fitness market currently lacks a high-end yoga and cycling brand and believes that Fullpoint's business model will work well with the current awareness towards health and fitness in the PRC. The Group can also use its resources from its entertainment and sports operations to help Light Cycle's business.

As such, the Board of the Company considers the Subscription and the entering of the Subscriptions Agreement and the transactions contemplated thereunder are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

## **PROFIT FORECAST**

The appraised value of the 13.82% equity interest of Light Cycle under the Valuation Report will be prepared using the income approach based on the discounted cash flow method. As a result, such valuation constitutes a profit forecast under Rule 19.61 of the GEM Listing Rules. Further announcement(s) containing information related to the Valuation Report shall be published in accordance with the GEM Listing Rules.

## **RISK FACTORS**

Set out below are the risk factors which may be associated with the Subscription:

### **Risk of default of repayment by Light Cycle**

The investment in Light Cycle is secured by the Convertible Note, and as such the Company is subject to default risk on both the interest and principal payments.

### **Difficulties in recovery of investment in full upon default**

The investment in Light Cycle by the Company is solely secured by the Corporate Guarantee from Fullpoint, and not secured by any other asset pledges from Fullpoint or its associates. Therefore, the Company may not be able to recover its investment in full in the event of default in payment by Light Cycle and Fullpoint. Further, the realisable assets and value of Light Cycle may not be able to cover the initial investment.

### **New business segment for the Group**

The Subscription constitutes an investment in a new business sector, being gym and cycling studio projects in the PRC, the new business venture may pose significant challenges to the Company's administrative, financial and operational resources. The Company has relatively limited experience to run and manage the new business in the past and may rely heavily on other professionals for technical support.

### **New business environment for Fullpoint**

The principal activities of Fullpoint is mainly in Taiwan, and as such, the current development and future operation of Light Cycle in the PRC constitutes as a new business environment for Fullpoint. Fullpoint has relatively limited business experience in the PRC and may rely heavily on local professionals for support.

### **Further capital investment be required for Light Cycle**

The current development and future operation of Light Cycle shall require further capital investment, and the operation costs may exceed the original budgets and may not achieve the intended economic results or commercial viability. If Light Cycle and/or the Company is unsuccessful in raising additional capital, the business operations and financial conditions of Light Cycle, and in turn, of the Company, may be materially and adversely impaired.

### **Limited control in Light Cycle**

The Company, upon full exercise of the conversion rights attaching to the Conversion Notes, will only have approximately 13.82% of interest in the Light Cycle. As a minority shareholder, the Company will have limited control of Light Cycle and its business operations.

### **Light Cycle's business plan may not be realized**

The business plan of Light Cycle may be varied and/or may not be realized and the assumptions and bases of the relevant business plan may not be valid nor sustainable nor feasible.

### **Light Cycle may incur losses in the future**

As the business of the Light Cycle is still in a relatively preliminary stage, it requires time for improvement in quality and enhancement of market reputation of its business in order to boost sales in the future. Hence, the turnover may stay relatively low and losses may happen in the near future of Light Cycle. In addition, the current development and future operation of Light Cycle's business may require additional capital investment from the Company, as the operation costs may exceed the original budgets and may not achieve the intended economic results or commercial viability. If the Company is unsuccessful in raising additional capital or if new capital funding costs are higher than its prior capital funding costs, Light Cycle's business operations and financial condition may be materially and adversely impaired. This is a potential risk giving rise to a material adverse impact on the Group's business and financial positions.

### **Risk of failure of the business plan of Light Cycle**

As the business of the Light Cycle is still in a relatively preliminary stage with many unforeseen uncertainties as described in this section, including but not limited to requirements of further capital investments, operation in a new business environment, and possible losses in the future, there is a risk of failure of Light Cycle's business plan and a subsequent default of the Convertible Notes.

### **Value of Convertible Notes may be lower than its face value**

Upon Completion, the value of Convertible Notes may be lower than its face value.

### **Assumptions, factors and bases of the preliminary Valuation Report may not be realized**

The preliminary Valuation Report was compiled by the independent valuer based on certain assumptions, factors and bases estimated by the management of the Company, management of Light Cycle and/or their representatives. The said assumptions, factors and bases may not be realized and may affect the evaluation significantly.

### **Adverse impacts on Light Cycle due to the recent downturn of the PRC economy**

Recent downturn of the PRC economy in 2015 may have adverse impacts on Light Cycle. As the operation of fitness studios is highly correlated to the overall economy of PRC, such downturn in the PRC economy may have an adverse impact on the business and financial position of Light Cycle.

### **Possible unidentified risks concerning the Subscription**

Although the Group has conducted preliminary due diligence with respect to the Subscription, the Group may not identify all material risks associated with the Subscription due to inherent limitations of due diligence, including, among other things, unforeseen contingent risks or latent liabilities relating to Light Cycle and its business plan that may not become apparent until in the future. Any such unidentified risk could have a material adverse impact on the Group's business, financial conditions and results of operations after the completion of the Subscription.

### **Uncertainties with respect to interpretation and enforcement of the PRC laws and regulations**

The principal business activities of Light Cycle are in the PRC and are subject to the local laws and regulations. As the PRC legal system continues to evolve, the interpretations and enforcement of many laws, regulations and rules may not be always uniform and the enforcement of these laws, regulations and rules involves uncertainties, which may limit the legal protection available to Light Cycle. Such uncertainties, including the inability to enforce contracts, together with any development or interpretation of the PRC law that may be unfavourable to Light Cycle, could potentially have material adverse effect on the Group's business and operations.

## LISTING RULE IMPLICATIONS

As the applicable percentage ratios exceed 5% but are less than 25%, the Subscription constitutes a discloseable transaction on the part of the Company under Chapter 19 of the GEM Listing Rules and is subject to the reporting and announcement requirements but is exempted from the Shareholders' approval requirements under the GEM Listing Rules.

## WARNING NOTICE

**Shareholders and potential investors of the Company should be aware that Completion is subject to the fulfillment of certain conditions, as set out in the subsection headed "Conditions Precedent" of this announcement, being satisfied, and consequently the Subscription may or may not proceed. Accordingly, they are advised to exercise caution when dealing in the securities of the Company and if they are in any doubt about their position, they should consult their professional advisers.**

## DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise:

"Board"	board of Directors of the Company
"Business Day(s)"	a day (excluding Saturday, Sunday and other general holidays in Hong Kong and any day on which a tropical cyclone warning no.8 or above is hoisted) on which licensed banks in Hong Kong are generally open for business
"Company"	China Digital Culture (Group) Limited, a company incorporated under the laws of the Bermuda with limited liability, the shares of which are listed on GEM
"Completion"	collectively Completion I, Completion II and Completion III
"Completion Date"	collectively the Initial Tranche Completion Date, Second Tranche Completion Date, and Final Tranche Completion Date
"Completion I"	completion concerning the First Tranche

“Completion II”	completion concerning the Second Tranche
“Completion III”	completion concerning the Final Tranche
“Conditions Precedent”	the conditions precedent of the Subscription Agreement, details of which are set out in the subsection headed “Conditions Precedent” in this announcement
“connected person(s)”	has the meaning ascribed thereto under the GEM Listing Rules
“Consideration”	the consideration in relation to the Subscription of the Convertible Notes, the details of which are set out in the subsections headed “Consideration” in this announcement
“controlling shareholder”	has the meaning ascribed thereto under the Listing Rules
“Conversion Price”	HK\$93.5395 per Conversion Share (subject to adjustment)
“Conversion Share(s)”	new Light Cycle Shares to be issued by Light Cycle upon conversion in full by Holders of the conversion rights attaching to the Convertible Notes
“Convertible Notes”	the convertible notes in the aggregate principal amount of up to HK\$30,000,000 to be issued by Light Cycle in favour of the Company in three separate tranches pursuant to the Subscription Agreement
“Corporate Guarantee”	corporate guarantee to be executed by Fullpoint in favour of the Company pursuant to the Subscription Agreement
“Director(s)”	the director(s) of the Company
“Equity Securities”	any ordinary shares, preference shares or other securities including convertible securities of Light Cycle which are being issued by Light Cycle solely for equity or debt financing purposes of Light Cycle

“Fullpoint”	Fullpoint Enterprises Limited, a company incorporated in British Virgin Islands with limited liability, the holding company of Light Cycle, and an Independent Third Party, save and except Mr. Hsu Tung Chi
“Fullpoint Share(s)”	shares of common stock of Fullpoint Enterprise Limited
“GEM”	the Growth Enterprise Market operated by the Stock Exchange
“GEM Listing Committee”	the GEM listing committee of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“Growth Cycle”	Growth Cycle Limited, a company incorporated in Hong Kong with limited liability and an Independent Third Party, save and except Mr. Hsu Tung Chi
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Holder”	holder of the Convertible Notes
“Hong Kong”	The Hong Kong Special Administrative Region of the People’s Republic of China
“Mr. Hsu Tung Chi”	executive Director of the Company and holds 2.78% equity interest of Fullpoint.
“Independent Third Party(ies)”	third party(ies) independent of the Company and its connected persons (as defined under the GEM Listing Rules)
“Last Trading Date”	11 December 2015, the date of the Subscription Agreement
“Light Cycle”	Light Cycle Limited, a company incorporated in the Republic of Seychelles with limited liability and an Independent Third Party, save and except Mr. Hsu Tung Chi
“Light Cycle Share(s)”	shares of common stock of Light Cycle Limited



“Liquidity Event(s)”	means (i) a firmly underwritten public offering and listing of Fullpoint Shares on an internationally recognized stock exchange (a “ <b>Public Offering</b> ”); (ii) any transfer, directly or indirectly, in one or more transactions, whether by sale, merger, consolidation, recapitalization, reorganization, restructuring or other similar business combination, of any of the outstanding Fullpoint Shares resulting in a change of controlling stake in Fullpoint of 35% or more (a “ <b>Company Sale</b> ”); (iii) transfer or lease, directly or indirectly, in one or more transactions, of assets of Fullpoint or its affiliates (the “ <b>Fullpoint Assets</b> ”) that is one-third or more of the total assets of Fullpoint as indicated in its audited financial report of the preceding year; (iv) Light Cycle is unable to pay its debts when they fall due or there is any bankruptcy or insolvency petition presented against Light Cycle; or (v) any event or transaction which causes Fullpoint’s ownership interest in Light Cycle to fall below 50%
“Long Stop Date”	6 months after the date of the Subscription Agreement or such other date(s) as may be agreed in writing by the Parties from time to time on which the Conditions Precedent shall be fulfilled
“Note Instrument(s)”	the note instrument(s) constituting the Convertible Notes to be executed as deed(s) by Light Cycle Limited substantially in the form set out in the Subscription Agreement
“Option Agreement”	the option agreement to be entered into by the Company and Fullpoint substantially in the form set out in the Subscription Agreement
“Option Period”	the period commencing from the Initial Tranche Completion Date and ending on the date the Group ceases to hold any Light Cycle Share

“Option Purchase Price”	means the purchase price for the Light Cycle Shares in the event either the Company or Fullpoint exercises any of their option right pursuant to the Option Agreement with respect to the purchase and sale of any Light Cycle Shares, and shall be determined as follows:
	<ul style="list-style-type: none"> <li>(i) in the case that the Liquidity Event giving rise to the option right is a Public Offering or Company Sale, an amount equal to (i) the aggregate number of Light Cycle Shares in respect of which the option right is being exercised, multiplied by (ii) the price per share paid for shares in such Public Offering or Company Sale, multiplied by (iii) the Revenue Ratio; and</li> <li>(ii) in all other cases, an amount equal to 130% of the original purchase price actually paid by the Company to Fullpoint in consideration for such Light Cycle Shares</li> </ul>
“PRC”	the People’s Republic of China, which for the purpose of this announcement only, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Revenue Ratio”	means the ratio that (i) Light Cycle’s audited net revenues for the annual period ending on the last day of the month immediately preceding a Public Offering or Company Sale, as set forth in Light Cycle’s statement of income, bears to (ii) Fullpoint’s audited net revenues for the same period, as set forth in Fullpoint’s statement of income
“SFC”	The Securities and Futures Commission of Hong Kong
“Shareholders’ Agreement”	the shareholders’ agreement to be entered into by the Company, Fullpoint and Light Cycle Limited substantially in the form set out in the Subscription Agreement
“Space Concepts”	觀示苑股份有限公司(Space Concepts Limited*) is a company incorporated in Taiwan with limited liability and an Independent Third Party, save and except Mr. Hsu Tung Chi

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Studio EBITDA”	for any period, the aggregate audited EBITDA of all studios operated by Light Cycle and all of its direct and indirect subsidiaries in the Greater China Region which have been in operation for more than twelve months
“Subscription”	The proposed subscription of the Convertible Notes by the Company pursuant to the terms and conditions of the Subscription Agreement
“Subscription Agreement”	the subscription agreement dated 11 December 2015 which was entered into between the Company and Light Cycle in respect of the Subscription
“Transaction Document(s)”	<ul style="list-style-type: none"> <li>(a) The Corporate Guarantee;</li> <li>(b) the Note Instrument;</li> <li>(c) the Option Agreement;</li> <li>(d) the Shareholders’ Agreement;</li> <li>(e) the Subscription Agreement; or</li> <li>(f) any other document designated as such by the Company and Fullpoint</li> </ul>
“Valuation Report”	the valuation report prepared by Grant Sherman Appraisal Limited, an independent valuer, and commissioned by the Company in respect of Light Cycle and its subsidiaries
“%”	per cent

By Order of the Board  
**China Digital Culture (Group) Limited**  
**Mr. Hsu Tung Sheng**  
*Chairman*

Hong Kong, 11 December 2015

*As at the date of this announcement, the executive Directors are Mr. Hsu Tung Sheng, Mr. Hsu Tung Chi and Mr. Pang Hong Tao. The independent non-executive Directors are Mr. Wong Tak Shing, Mr. Kwok Chi Sun, Vincent and Mr. Chang Ching-Lien.*

*This announcement, for which the directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (i) the information contained in this announcement is accurate and complete in all material respects and not misleading; (ii) there are no other matters the omission of which would make any statement in this announcement misleading; and (iii) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

*This announcement will remain on GEM website on the “Latest Company Announcements” page for at least 7 days from the date of its posting and on the website of the Company at <http://www.cdcculture.com>.*

\* For identification purposes only