



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)

THIRD QUARTERLY RESULTS ANNOUNCEMENT FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2020

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GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

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This announcement, for which the directors (the “Directors”) of China Digital Culture (Group) Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (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 the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Hsu Tung Chi (*Chairman*)

Zhang Jing

Lai Kwok Fai, Franki (*resigned on
13 March 2020*)

Independent Non-executive Directors

Kwok Chi Sun, Vincent

Wong Tak Shing

Gou Yanlin

CHIEF EXECUTIVE OFFICER

Jiang Chao (*appointed on
23 December 2019*)

AUDIT COMMITTEE

Kwok Chi Sun, Vincent

Wong Tak Shing

Gou Yanlin

REMUNERATION COMMITTEE

Kwok Chi Sun, Vincent

Hsu Tung Chi

Gou Yanlin

NOMINATION COMMITTEE

Kwok Chi Sun, Vincent

Hsu Tung Chi

Wong Tak Shing

COMPANY SECRETARY

Tung Sze Ho, Dicky

COMPLIANCE OFFICER

Hsu Tung Chi

AUTHORISED REPRESENTATIVES

Hsu Tung Chi

Tung Sze Ho, Dicky

AUDITOR

Elite Partners CPA Limited

Certified Public Accountants

10/F, 8 Observatory Road

Tsim Sha Tsui

Kowloon

Hong Kong

REGISTERED OFFICE

Victoria Place, 5th Floor

31 Victoria Street

Hamilton HM 10

Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Unit 17B, 17/F

United Centre

95 Queensway

Hong Kong

BERMUDA PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Ocorian Management (Bermuda)
Ltd

Victoria Place, 5th Floor

31 Victoria Street

Hamilton HM 10

Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Standard Limited

Level 54, Hopewell Centre

183 Queen's Road East

Hong Kong

PRINCIPAL BANKER

Standard Chartered Bank (Hong Kong)
Limited

Nanyang Commercial Bank, Limited

Bank of Communications Co., Ltd

WEBSITE ADDRESS

www.cdculture.com

STOCK CODE

08175

THIRD QUARTERLY RESULTS (UNAUDITED)

The board of Directors (the "Board") of the Company is pleased to present the unaudited condensed consolidated financial statements of the Company and its subsidiaries (together the "Group") for the three months and nine months ended 30 September 2020 together with the comparative figures for the corresponding period in 2019, as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months and the nine months ended 30 September 2020

	Note	Three months ended 30 September		Nine months ended 30 September	
		2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Revenue	4	22,252	35,102	52,584	169,447
Cost of services rendered		(16,958)	(31,706)	(31,093)	(111,349)
Gross profit		5,294	3,396	21,491	58,098
(Loss)/gain on disposal of subsidiaries	3	-	-	(4,826)	60,532
Gain on disposal of joint venture		-	-	809	-
Other income/(expense)		432	650	781	2,289
Administrative and other expenses		(19,862)	(16,453)	(49,647)	(57,414)
Finance costs		(6,407)	(8,645)	(23,488)	(25,337)
Share of results of a joint venture		-	(147)	(562)	(903)
(Loss)/profit before taxation		(20,543)	(21,199)	(55,442)	37,265
Income tax expense	5	(1,135)	3,365	(1,049)	(5,104)
(Loss)/profit for the period		(21,678)	(17,834)	(56,491)	32,161

	Note	Three months ended 30 September		Nine months ended 30 September	
		2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Other comprehensive loss for the period					
Foreign currency translation differences		2,275	(4,129)	3,776	(5,371)
Total comprehensive (loss)/income for the period		(19,403)	(21,963)	(52,715)	26,790
(Loss)/profit attributable to:					
– Equity holders of the Company		(21,561)	(17,750)	(55,766)	32,408
– Non-controlling interest		(117)	(84)	(725)	(247)
		(21,678)	(17,834)	(56,491)	32,161
Total comprehensive (loss)/income attributable to:					
– Equity holders of the Company		(19,302)	(21,839)	(52,043)	27,124
– Non-controlling interest		(101)	(124)	(672)	(334)
		(19,403)	(21,963)	(52,715)	26,790
Dividends	6	–	–	–	–
Earnings per share	7				
– Basic		HK(1.07) cents	HK(0.91) cents	HK(2.76) cents	HK1.67 cents
– Diluted		HK(1.07) cents	HK(0.91) cents	HK(2.76) cents	HK1.67 cents

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the nine months ended 30 September 2020

	Attributable to equity holders of the Company														
	Reserves													Non-controlling interests	Total
	Share capital	Share premium	Special reserve	Capital reserve	Foreign currency translation reserve	Share option reserve	Statutory reserve	Convertible bonds reserve	FV TOCI reserve	Accumulated losses	Total reserves	Subtotal			
HK\$'000	HK\$'000	HK\$'000 (Note a)	HK\$'000 (Note b)	HK\$'000	HK\$'000	HK\$'000 (Note c)	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
2019															
At 1 January 2019	77,607	948,417	10,034	(20,749)	(5,291)	3,932	8,731	60,928	(19,067)	(292,269)	694,666	772,273	1,248	773,521	
Profit for the period and total comprehensive income for the period	-	-	-	-	(5,284)	-	-	-	-	32,408	27,124	27,124	(334)	26,790	
Disposal of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	(4,890)	(4,890)	
Equity-settled share-based payment	-	-	-	-	-	4,103	-	-	-	-	4,103	4,103	-	4,103	
At 30 September 2019	77,607	948,417	10,034	(20,749)	(10,575)	8,035	8,731	60,928	(19,067)	(259,861)	725,893	803,500	(3,976)	799,524	
2020															
At 1 January 2020	80,807	955,457	(23,600)	(20,749)	(9,521)	7,230	8,731	51,872	(17,425)	(701,682)	250,313	331,120	(5,740)	325,380	
Loss for the period and total comprehensive loss for the period	-	-	-	-	3,723	-	-	-	-	(55,766)	(52,043)	(52,043)	(672)	(52,715)	
Shares issued upon placing	12,000	1,800	-	-	-	-	-	-	-	-	1,800	13,800	-	13,800	
Equity-settled share-based payment	-	-	-	-	-	1,190	-	-	-	-	1,190	1,190	-	1,190	
At 30 September 2020	92,807	957,257	(23,600)	(20,749)	(5,798)	8,420	8,731	51,872	(17,425)	(757,448)	201,260	294,067	(6,412)	287,655	

Notes:

- The special reserve represents the difference between the nominal amount of shares and share premium of the subsidiaries acquired and the nominal amount of the Company's shares issued as consideration pursuant to the Group reorganisation which took place in 2003.
- The capital reserve represents the share of net liabilities of additional interest in subsidiaries acquired without change in control.
- Statutory reserve comprises statutory surplus reserves fund of the subsidiaries in the People's Republic of China ("PRC") and forms part of shareholders' fund. According to the Articles of Association of certain subsidiaries, the subsidiaries are required to transfer 10% of the profit after tax to the statutory surplus reserves fund until the fund balance reaches 50% of the registered capital. The transfer to the funds must be made before distributing dividends to shareholders.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands and continued in Bermuda. The Company's shares are listed on the GEM. The registered office of the Company is located at Victoria Place, 5th Floor, 31 Victoria Street, Hamilton HM 10, Bermuda and its principal place of business is located at Unit 17B, 17 Floor, United Centre, 95 Queensway, Hong Kong.

The Group is principally engaged in the business of licensing and sales of entertainment, sports and music content, operating E-sports and webcast celebrity businesses, operating film-based cultural parks and tourism focused projects, planning and design of concerts and providing marketing and promotional services for professional athletes.

2. STATEMENT OF COMPLIANCE

These condensed consolidated financial statements have been prepared in accordance with all applicable accounting principles generally accepted in Hong Kong, Hong Kong Accounting Standards and Interpretations and Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the disclosure requirements of Chapter 18 of the GEM Listing Rules. These condensed consolidated financial statements also comply with the applicable disclosure requirements under the GEM Listing Rules.

These condensed consolidated financial statements have been prepared on a basis consistent with the accounting policies adopted in the preparation of financial statements for the year ended 31 December 2019. The adoption of the new/revised HKFRSs that are relevant to the Group and effective from the current period had no significant effects on the results and financial position of the Group for the current and prior periods.

3. DISPOSAL OF SUBSIDIARIES

The Group disposed of its entire interest in a subsidiary, namely Digital Culture and Creative Company Limited to an independent third party at an aggregate cash consideration of US\$1 on 12 June 2020. The calculation of the consideration is based on the following data:

	<i>HK\$'000</i>
Net assets disposed of:	
Property, plant and equipment	4,396
Goodwill	470
Right-of-use assets	3,378
Accounts and other receivables	607
Bank balances and cash	109
Accounts and other payables	(724)
Lease liabilities	(3,402)
	4,834

Consideration:

Cash consideration received	8
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Analysis of net inflow of cash and cash equivalents in respect of disposal of subsidiaries:

	<i>HK\$'000</i>
Cash consideration	8
Cash and cash equivalents disposed of	(109)
Net outflow of cash and cash equivalents	(101)

Loss on disposal of subsidiaries:

Consideration received	8
Net assets disposed of	(4,834)
	(4,826)

4. REVENUE

Revenues were derived from the following business activities of the Group:

	Three months ended		Nine months ended	
	30 September		30 September	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Entertainment	18,578	32,991	43,296	123,606
Sports	2,436	922	4,050	36,208
Theme Park	1,238	1,189	5,238	9,633
Total revenue	22,252	35,102	52,584	169,447

5. TAXATION

Hong Kong Profits Tax has been provided at the rate of 16.5% (30 September 2019: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. The income tax provision in respect of operations in the PRC is calculated at the applicable tax rates on the estimated assessable profits for the period based on existing legislation, interpretations and practices in respect thereof.

	Three months ended		Nine months ended	
	30 September		30 September	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Current				
– Hong Kong	1,387	(1,728)	1,805	5,478
– PRC	–	(1,386)	–	379
Deferred tax	(252)	(251)	(756)	(753)
	1,135	(3,365)	1,049	5,104

6. DIVIDENDS

The Directors do not recommend the payment of a dividend for the nine months ended 30 September 2020 (nine months ended 30 September 2019: Nil).

7. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share attributable to equity holders of the Company is based on the following data:

(a) Basic earnings per share

	Three months ended 30 September		Nine months ended 30 September	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
(Loss)/profit attributable to equity holders of the Company	(21,561)	(17,750)	(55,766)	32,408
	Number of shares		Number of shares	
	2020	2019	2020	2019
Shares				
Weighted average number of ordinary shares in issue during the period	2,022,248,939	1,940,176,170	2,022,248,939	1,940,176,170
Basic earnings per share	HK(1.07) cents	HK(0.91) cents	HK(2.76) cents	HK1.67 cents

(b) Diluted earnings per share

	Three months ended		Nine months ended	
	30 September		30 September	
	2020	2019	2020	2019
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
(Loss)/profit attributable to equity holders of the Company	(21,561)	(17,750)	(55,766)	32,408
	Number of shares		Number of shares	
	2020	2019	2020	2019
Shares				
Weighted average number of ordinary shares in issue during the period	2,022,248,939	1,940,176,170	2,022,248,939	1,940,176,170
Effect of dilutive potential ordinary shares:				
Convertible bonds	-	-	-	-
Options	-	-	-	-
Weighted average number of shares for the purpose of calculating diluted earnings per share	2,022,248,939	1,940,176,170	2,022,248,939	1,940,176,170
Diluted earnings per share	HK(1.07) cents	HK(0.91) cents	HK(2.76) cents	HK1.67 cents

8. CONVERTIBLE BONDS

On 19 June 2017, the Company issued convertible bonds (“CB”) with the aggregate principal amount of HK\$412,500,000 issued in denomination and integral amount of HK\$412,500,000 in nominal amount for the aggregate cash consideration of HK\$412,500,000. The holders of the CB will be able to convert the outstanding principal amount of each of the CB in whole or in part (in multiples of HK\$1,000,000) into ordinary shares of the Company at a conversion price of HK\$0.55 per conversion share (subject to customary anti-dilutive adjustments) at any time following the date of issue until the maturity date (18 June 2022). The CB bear interest at 5.5 per cent per annum, payable annually. Also, the Company has an option to early redeem the CB at an amount equal to 105% of the principal amount any time after the issue date but before the maturity date. None of the CB have been converted into ordinary shares of the Company up to the date when the consolidated financial statements are authorised for issue.

The fair value of the liability component was calculated using a discounted cash flow approach. The key unobservable input of the valuation is the discount rate adopted of 8.7% which is based on market interest rates for a number of comparable convertible bonds denominated in Hong Kong dollars and certain parameters specific to the Group’s liquidity risk. The equity component is recognised initially as the difference between the fair value of the bonds and the fair value of the liability component and is included in convertible bonds reserves in equity. Subsequently, the liability component is carried at amortised cost.

9. EVENTS AFTER REPORTING PERIOD

There have been no material subsequent events from 30 September 2020 up to the date of this announcement.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the nine months ended 30 September 2020, the Group recorded revenue of approximately HK\$52,584,000 (nine months ended 30 September 2019: approximately HK\$169,447,000) and loss attributable to equity holders of the Company of approximately HK\$55,766,000 (nine months ended 30 September 2019: profit attributable to equity holders of the Company of approximately 32,408,000). The business of the Group includes the sports, entertainment and theme park segments.

I. Sports Segment

The sports segment includes the licensing and sale of sports content and marketing and promotional services for professional athletes which are operated by Socle Limited (“Socle”) and Nova Dragon International Limited (“Nova Dragon”).

Nova Dragon is principally engaged in assisting professional athletes with marketing and promotional activities worldwide. Socle is principally engaged in the business of licensing and sale of sports content and is one of the foremost providers of sports and entertainment content in the PRC.

During the nine months ended 30 September 2020, the sports segment recorded revenue of approximately HK\$4,050,000 (nine months ended 30 September 2019: approximately HK\$36,208,000). The decrease in revenue from the sports segment is primarily attributable to the decrease in revenue from sale of sports licenses stemming from the economic contraction caused by Novel Coronavirus (the “COVID-19”) pandemic.

II. Entertainment Segment

The entertainment segment includes the licensing and sale of music and entertainment content which is primarily operated by Far Glory Limited and Orient Digital Entertainment Limited respectively. The entertainment segment also includes the planning and design services for concerts, management and operations of the Group's E-sports teams and management of the Group's webcast celebrities.

For the nine months ended 30 September 2020, the entertainment segment recorded revenue of approximately HK\$43,296,000 (nine months ended 30 September 2019: approximately HK\$123,606,000). The decrease in revenue is primarily attributable to the decrease in the sale of television and movie content stemming from the economic contraction caused by the COVID-19 pandemic.

III. Theme Park Segment

The theme park segment includes the film-based cultural theme park business and tourism focused projects which are operated by Dream World Holdings Limited ("Dream World") and its subsidiaries (together the "Dream World Group").

Dream World Group is principally engaged in the management and operations of film-based cultural theme parks and tourism focused projects. Dream World is currently operating the Huaqiao Dream World Movie and Cultural Theme Parks located in the Kunshan Huaqiao Economic Development Zone in the junction of Shanghai and Suzhou of the PRC.

For the nine months ended 30 September 2020, the theme park segment recorded revenue of approximately HK\$5,238,000 (nine months ended 30 September 2019: approximately HK\$9,633,000). The decrease in revenue is primarily attributable to the decrease in consultancy revenue.

On 7 May 2020, the Company received a writ of summons with statement of claim dated 21 April 2020 (the "Claim Documents") issued in the Court of First Instance of the High Court of Hong Kong on 7 May 2020 by the solicitors acting for Hangzhou Liaison Interactive Information Technology Co., Ltd as the plaintiff (the "Plaintiff") against the Company as defendant. Based on the Claim Documents, the Plaintiff is seeking various reliefs against the Company for the restitution of benefit under a subscription agreement dated 8 February 2017 relating to convertible bonds in aggregate of HK\$412,500,000 issued by the Company during the year ended 31 December 2017 ("Subscription Agreement") in the sum of (i) HK\$372,843,493 on the ground of misrepresentation; or alternatively (ii) HK\$437,300,856 as a result of breach of the Subscription Agreement, the bond instrument (the "Instrument") dated 19 June 2017 and the terms and condition of the convertible bonds contained in the Instrument; or alternatively (iii) HK\$105,718,493 under certain clause of a supplement deed dated 16 May 2019 and related interest. For details of the case, please refer to the Company's announcements dated 5 June, 22 April 2020 and 15 October 2020.

The Company filed an acknowledgment of service of writ of summons indicating that the Company intends to contest the proceedings and had filed the defence on 2 July 2020.

Outlook

The Group will continue to expand the E-sports business. However, the Group will look to sell less cost-effective assets and focus on investments in businesses that are cost-effective and high-performing. The Group will continue to build on the aggressive expansion of the E-sports industry in the PRC and be committed to creating an ecosystem that surrounds the E-sports industry including businesses in education, e-commerce, event operations and real estate development.

FINANCIAL REVIEW

For the nine months ended 30 September 2020, the Group recorded revenue of approximately HK\$52,584,000 as compared to approximately HK\$169,447,000 during the same period in 2019. The decrease in revenue is primarily attributable to the economic contraction caused by the COVID-19 pandemic.

The Group reported net loss attributable to equity holders of the Company of approximately HK\$55,766,000 for the nine months ended 30 September 2020, compared to net profit attributable to equity holders of the Company of approximately HK\$32,408,000 during the corresponding period in 2019. The profit in 2019 was due to the one-time gain on disposal of subsidiaries.

Administrative and other expenses for the nine months ended 30 September 2020 amounted to approximately HK\$49,647,000 (nine months ended 30 September 2019: approximately HK\$57,414,000), representing a decrease of approximately 13.5% compared with the same period of last year. The decrease is primarily due to reduced business activities caused by the COVID-19 pandemic.

SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS OR DISPOSALS

In December 2019, a subsidiary of the Group entered into an agreement with an independent third party to dispose 100% equity interest in a subsidiary, namely Digital Culture and Creative Company Limited, for a cash consideration of US\$1. Such disposal has been completed on 12 June 2020.

Save as disclosed above, the Group did not have any material acquisitions or disposals of subsidiaries or associated companies during the nine month ended 30 September 2020.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 September 2020, the interests and short positions of the Directors and the chief executive of the Company in the shares of the Company (the "Shares"), underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), which were required to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO, including interests or short positions which they were deemed or taken to have under such provisions of the SFO, or which were required, pursuant to section 352 of the SFO, to be entered in the register to therein, or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by directors, to be notified to the Company and the Stock Exchange, were as follows:

(i) Interest in Shares and underlying Shares

Name of director/ chief executive	Nature of interests	Number of ordinary shares in the Company held	Approximate percentage of shareholding in the Company <i>(Note 4)</i>
Mr. Hsu Tung Chi <i>(Note 1)</i>	Beneficial owner and interest of controlled corporation	387,525,782 (L)	16.70%
Ms. Zhang Jing <i>(Note 2)</i>	Beneficial owner and interest of controlled corporation	81,253,659 (L)	3.50%
Mr. Lai Kwok Fai, Franki (resigned on 13 March 2020) <i>(Note 3)</i>	Beneficial owner and interest of controlled corporation	54,129,778 (L)	2.33%
Mr. Jiang Chao <i>(Note 4)</i>	Interest of spouse	78,670,000 (L)	3.39%

(L) denotes long position

Note:

1. Among the 387,525,782 shares held by Mr. Hsu Tung Chi ("Mr. Hsu"), 369,279,559 shares are held directly, and 18,246,223 shares are held through his wholly-owned corporation, Daily Technology Company Limited ("Daily Technology"). Accordingly, Mr. Hsu is deemed to be interested in the shares held by Daily Technology under the SFO.
2. Among the 81,253,659 shares held by Ms. Zhang Jing ("Ms. Zhang"), 53,853,659 shares are held directly, and 27,400,000 shares are held through her wholly-owned corporation, Crown Smart Investment Limited ("Crown Smart"). Accordingly, Ms. Zhang is deemed to be interested in the shares held by Crown Smart under the SFO.
3. Among the 54,129,778 shares held by Mr. Lai Kwok Fai, Franki ("Mr. Lai"), 960,000 shares are held directly, and 22,669,778 shares are held through his wholly-owned corporation, Earn Wise Limited ("Earn Wise"). Accordingly, Mr. Lai is deemed to be interested in the shares held by Earn Wise under the SFO.

Earn Wise holds convertible bonds in the principal amount of HK\$14,640,000 convertible to 30,500,000 shares at the initial conversion price of HK\$0.48 per conversion share. Under the SFO, Mr. Lai is deemed to be interested in the 30,500,000 shares underlying the convertible bonds held by Earn Wise.

4. Cantrust (Far East) Trust Limited, the trustee of the GJ Family Trust, holds the entire issued share capital of Joint Power International Limited ("Joint Power"). Joint Power in turn holds 78,670,000 shares of the Company, representing approximately 3.89% of the issued ordinary share capital of the Company. The GJ Family Trust is a discretionary trust established by the wife of Mr. Jiang Chao ("Mr. Jiang") as the settlor, and the discretionary beneficiaries of which include Mr. Jiang's wife and his children. Accordingly, Mr. Jiang is deemed to be interested in the 78,670,000 shares of the Company held by Joint Power.
5. Based on 2,320,176,170 shares of the Company in issue as at 30 September 2020.

(ii) Interest in underlying Shares of the convertible bonds

Name of director	Nature of interests	Principal amount of the convertible bonds	Number of underlying shares	Approximate percentage of interests <i>(Note 2)</i>
Mr. Lai Kwok Fai, Franki (resigned on 13 March 2020) <i>(Note 1)</i>	Interest of controlled corporation	HK\$14,640,000	30,500,000 (L)	1.31%

(L) denotes long position

Notes:

1. Earn Wise is beneficially owned as to 100% by Mr. Lai. The underlying shares represented the new shares to be issued upon full conversion of HK\$14,640,000 convertible bonds held by Earn Wise, at the initial conversion price of HK\$0.48 per conversion share. Accordingly, Mr. Lai is deemed to be interested in 30,500,000 underlying shares of the Company under the SFO.
2. Based on 2,320,176,170 shares of the Company in issue as at 30 September 2020.

Save as disclosed above, as at 30 September 2020, none of the Directors nor chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO, including interests or short positions which they were deemed or taken to have under such provisions of the SFO, or which were required, pursuant to section 352 of the SFO, to be entered in the register to therein, or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by directors, to be notified to the Company and the Stock Exchange.

SHARE OPTION SCHEME

The Company adopted a share option scheme (the "Scheme") on 27 March 2013 pursuant to an ordinary resolution passed at a special general meeting and amended on 29 September 2014. On 16 November 2018, the Company granted share options to certain eligible participants to subscribe for a total of 140,000,000 ordinary shares of HK\$0.04 each in the share capital of the Company under the Scheme. Details of the movements in the number of share options during the period ended 30 September 2020 under the Scheme are as follows:

Categories of grantees	Outstanding	Granted	Exercised	Lapsed	Outstanding	Exercise	Grant	Exercisable
	as at				at			
	1 January	during	during	during	30 September	price	date	period
	2020	the period	the period	the period	2020	HK\$		
Directors								
Mr. Hsu Tung Chi	16,000,000	-	-	-	16,000,000	0.23	16/11/2018	16/11/2018 – 15/11/2021
Employees (Note 1)	98,000,000	-	-	-	98,000,000	0.23	16/11/2018	16/11/2018 – 15/11/2021
	114,000,000	-	-	-	114,000,000			

Note:

- (1) Employees of the Group (including nominees and/or trustees of any employee benefit trusts established for them) or their associates as the Board determines.

SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

So far as is known to the Directors, as at 30 September 2020, the following substantial shareholders and other persons (not being Directors or chief executive of the Company) had, or were deemed to have, interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under section 336 of the SFO:

(i) Interest in Shares

Name of substantial shareholder	Nature of interests	Number of Shares	Approximate percentage of shareholding in the Company <i>(Note 4)</i>
Ms. Chuang Meng Hua <i>(Note 1)</i>	Interest of a spouse	387,525,782 (L)	16.70%
Best Million Holdings Limited <i>(Note 2)</i>	Beneficial owner	119,976,405 (L)	5.17%
Ms. Ma Hsin-Ting <i>(Note 2)</i>	Interest of controlled corporation	119,976,405 (L)	5.17%
Ease Wing Limited <i>(Note 3)</i>	Beneficial owner	114,816,406 (L)	4.95%
Mr. Ho Chi Sing <i>(Note 3)</i>	Interest of controlled corporation	114,816,406 (L)	4.95%

(L) denotes long position

Notes:

1. Ms. Chuang Meng Hua is the spouse of Mr. Hsu, therefore, pursuant to the SFO, she is deemed to be interested in all the shares in which Mr. Hsu is interested.
2. Best Million Holdings Limited ("Best Million") is wholly and beneficially owned by Ms. Ma Hsin-Ting ("Ms. Ma"). Best Million beneficially owns 119,976,405 shares. Under the SFO, Ms. Ma is deemed to be interested in the 119,976,405 shares held by Best Million.
3. Ease Wing Limited ("Ease Wing") is wholly and beneficially owned by Mr. Ho Chi Sing ("Mr. Ho"). Ease Wing beneficially owns 114,816,406 shares. Under the SFO, Mr. Ho is deemed to be interested in 114,816,406 shares held by Ease Wing.
4. Based on 2,320,176,170 shares of the Company in issue as at 30 September 2020.

Save as disclosed above, as at 30 September 2020, the Directors were not aware of any other person (other than the Directors and the chief executive of the Company) who had, or was deemed to have, interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under section 336 of the SFO.

COMPETING INTERESTS

The Directors believe that none of the Directors, the controlling shareholders (as defined in the GEM Listing Rules) of the Company or any of their respective close associates (as defined in the GEM Listing Rules) had an interest in a business which competes or may compete either directly or indirectly with the business of the Group, or has any other conflict of interests with the Group which would require disclosure under Rule 11.04 of the GEM Listing Rules during the nine months ended 30 September 2020.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the nine months ended 30 September 2020, the Company did not redeem any of its Shares and neither the Company nor any of its subsidiaries purchased, sold or redeemed interests in any of the Company's listed securities.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard of dealings as set out in rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all the Directors, the Company has confirmed the Directors' compliance with such code of conduct and the required standard of dealings regarding securities transactions during the nine months ended 30 September 2020 and thereafter to the date of this announcement.

COMPLIANCE WITH CORPORATE GOVERNANCE PRACTICES

The Company is committed to achieving high standards of corporate governance. The Directors believe that sound and reasonable corporate governance practices are essential for the continuing growth of the Group and for safeguarding and maximising shareholder's interests.

To the best knowledge of the Directors, the Company has adopted the code provisions set out in the Code on Corporate Governance Practices (the "CG Code") according to Appendix 15 of the GEM Listing Rules. The Company has applied the principles of the CG code. The Directors consider that during the nine months ended 30 September 2020 and thereafter to the date of this announcement, the Company has applied the principles and complied with all the applicable code provisions set out in the CG Code.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws or the laws of Bermuda, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

COMPLIANCE WITH CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS' INTERESTS IN COMPETING BUSINESSES

As at 30 September 2020, none of the Directors had an interest in a business (other than those businesses where the Director were appointed as directors to represent the interests of the Company and/or any member of the Group) which are considered to compete or are likely to compete, either directly or indirectly, with businesses of the Group.

EVENTS AFTER REPORTING PERIOD

There has no significant events after the reporting period up to the date of this announcement.

AUDIT COMMITTEE

The Company established an audit committee (the "Audit Committee") with written terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control system of the Group and provide advice and comments on the annual, interim reports and quarterly reports. As at 30 September 2020, the Audit Committee comprises three members, Mr. Kwok Chi Sun, Vincent, Mr. Wong Tak Shing and Mr. Gou Yanlin, all of whom are independent non-executive Directors. The chairman of the Audit Committee is Mr. Kwok Chi Sun, Vincent.

The Group's unaudited quarterly results for the nine months ended 30 September 2020 have not been audited by the Company's independent auditors, but have been reviewed by the Audit Committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirement and that adequate disclosure has been made.

As at the date of this announcement, the executive Directors are Mr. Hsu Tung Chi and Ms. Zhang Jing. The independent non-executive Directors are Mr. Kwok Chi Sun, Vincent, Mr. Wong Tak Shing and Mr. Gou Yanlin.

By order of the Board of
China Digital Culture (Group) Limited
Hsu Tung Chi
Chairman

Hong Kong, 13 November 2020