



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 REPORT
2021





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This report, 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 report 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 report misleading.



CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Hsu Tung Chi (*Chairman*)

Zhang Jing

Ng Fung Tai

(*appointed on 9 February 2021*)

Independent Non-executive Directors

Wong Tak Shing

Gou Yanlin

Hong Hui Lung

(*appointed on 1 November 2021*)

Kwok Chi Sun, Vincent

(*resigned on 8 July 2021*)

CHIEF EXECUTIVE OFFICER

Jiang Chao

AUDIT COMMITTEE

Wong Tak Shing

Gou Yanlin

Hong Hui Lung

(*appointed on 1 November 2021*)

Kwok Chi Sun, Vincent

(*resigned on 8 July 2021*)

REMUNERATION COMMITTEE

Hsu Tung Chi

Gou Yanlin

Hong Hui Lung

(*appointed on 1 November 2021*)

Kwok Chi Sun, Vincent

(*resigned on 8 July 2021*)

NOMINATION COMMITTEE

Hsu Tung Chi

Wong Tak Shing

Hong Hui Lung

(*appointed on 1 November 2021*)

Kwok Chi Sun, Vincent

(*resigned on 8 July 2021*)

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 2021 together with the comparative figures for the corresponding period in 2020, as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months and the nine months ended 30 September 2021

	Note	Three months ended 30 September		Nine months ended 30 September	
		2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
Revenue	3	24,505	22,252	40,734	52,584
Cost of services rendered		(18,550)	(16,958)	(28,954)	(31,093)
Gross profit		5,955	5,294	11,780	21,491
Loss on disposal of subsidiaries		-	-	-	(4,826)
Gain on disposal of joint venture		-	-	-	809
Other income/(expense)		122	432	109	781
Administrative and other expenses		(8,005)	(19,862)	(30,489)	(49,647)
Finance costs		(8,774)	(6,407)	(26,830)	(23,488)
Share of results of a joint venture		-	-	-	(562)
Loss before taxation		(10,702)	(20,543)	(45,430)	(55,442)
Income tax expense	4	(109)	(1,135)	(109)	(1,049)
Loss for the period		(10,811)	(21,678)	(45,539)	(56,491)

	Note	Three months ended		Nine months ended	
		30 September		30 September	
		2021	2020	2021	2020
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Other comprehensive loss for the period					
Foreign currency translation differences		810	2,275	(826)	3,776
Total comprehensive loss for the period		(10,001)	(19,403)	(46,365)	(52,715)
Loss attributable to:					
– Equity holders of the Company		(10,735)	(21,561)	(45,252)	(55,766)
– Non-controlling interest		(76)	(117)	(287)	(725)
		(10,811)	(21,678)	(45,539)	(56,491)
Total comprehensive loss attributable to:					
– Equity holders of the Company		(9,923)	(19,302)	(46,060)	(52,043)
– Non-controlling interest		(78)	(101)	(305)	(672)
		(10,001)	(19,403)	(46,365)	(52,715)
Dividends	5	–	–	–	–
Loss per share	6				
– Basic		HK(0.41) cents	HK(1.07) cents	HK(1.74) cents	HK(2.76) cents
– Diluted		HK(0.41) cents	HK(1.07) cents	HK(1.74) cents	HK(2.76) cents

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the nine months ended 30 September 2021

	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	HK\$'000 (Note c)	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
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
2021														
At 1 January 2021	92,749	957,110	(23,395)	(20,749)	509	8,631	8,731	51,872	(71,264)	(1,062,096)	(150,651)	(57,902)	(8,115)	(66,017)
Loss for the period and total comprehensive loss for the period	-	-	-	-	(808)	-	-	-	-	(45,252)	(46,060)	(46,060)	(305)	(46,365)
Issue of shares under subscription	16,000	24,000	-	-	-	-	-	-	-	-	24,000	40,000	-	40,000
At 30 September 2021	108,749	981,110	(23,395)	(20,749)	(299)	8,631	8,731	51,872	(71,264)	(1,107,348)	(172,711)	(63,962)	(8,420)	(72,382)

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 2020. 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. REVENUE

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

	Three months ended 30 September		Nine months ended 30 September	
	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
Entertainment	23,252	18,578	35,779	43,296
Sports	1	2,436	1,188	4,050
Theme Park	1,252	1,238	3,767	5,238
Total revenue	24,505	22,252	40,734	52,584

4. TAXATION

Hong Kong Profits Tax has been provided at the rate of 16.5% (30 September 2020: 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 30 September		Nine months ended 30 September	
	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
Current				
– Hong Kong	109	1,387	109	1,805
– PRC	–	–	–	–
Deferred tax	–	(252)	–	(756)
	109	1,135	109	1,049

5. DIVIDENDS

The Directors do not recommend the payment of a dividend for the nine months ended 30 September 2021 (nine months ended 30 September 2020: Nil).

6. LOSS PER SHARE

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

(a) Basic loss per share

	Three months ended 30 September		Nine months ended 30 September	
	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
Loss attributable to equity holders of the Company	(10,735)	(21,561)	(45,252)	(55,766)
	Number of shares		Number of shares	
	2021	2020	2021	2020
Shares				
Weighted average number of ordinary shares in issue during the period	2,594,194,045	2,022,248,939	2,594,194,045	2,022,248,939
Basic loss per share	HK(0.41) cents	HK(1.07) cents	HK(1.74) cents	HK(2.76) cents

(b) Diluted loss per share

	Three months ended		Nine months ended	
	30 September		30 September	
	2021	2020	2021	2020
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Loss attributable to equity holders of the Company	(10,735)	(21,561)	(45,252)	(55,766)
	Number of shares		Number of shares	
	2021	2020	2021	2020
Shares				
Weighted average number of ordinary shares in issue during the period	2,594,194,045	2,022,248,939	2,594,194,045	2,022,248,939
Effect of dilutive potential ordinary shares:				
Convertible bonds	-	-	-	-
Options	-	-	-	-
Weighted average number of shares for the purpose of calculating diluted earnings per share	2,594,194,045	2,022,248,939	2,594,194,045	2,022,248,939
Diluted loss per share	HK(0.41) cents	HK(1.07) cents	HK(1.74) cents	HK(2.76) cents



7. 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.

8. EVENTS AFTER REPORTING PERIOD

There have been no material subsequent events from 30 September 2021 up to the date of this report.



MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the nine months ended 30 September 2021, the Group recorded revenue of approximately HK\$40,734,000 (nine months ended 30 September 2020: approximately HK\$52,584,000) and loss attributable to equity holders of the Company of approximately HK\$45,252,000 (nine months ended 30 September 2020: profit attributable to equity holders of the Company of approximately 55,766,000). 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 2021, the sports segment recorded revenue of approximately HK\$1,188,000 (nine months ended 30 September 2020: approximately HK\$4,050,000). 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 2021, the entertainment segment recorded revenue of approximately HK\$35,779,000 (nine months ended 30 September 2020: approximately HK\$43,296,000). 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 2021, the theme park segment recorded revenue of approximately HK\$3,767,000 (nine months ended 30 September 2020: approximately HK\$5,238,000). The decrease in revenue is primarily attributable to the decrease in consultancy revenue.



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 2021, the Group recorded revenue of approximately HK\$40,734,000 as compared to approximately HK\$52,584,000 during the same period in 2020. 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\$45,252,000 for the nine months ended 30 September 2021, compared to net loss attributable to equity holders of the Company of approximately HK\$55,766,000 during the corresponding period in 2020.

Administrative and other expenses for the nine months ended 30 September 2021 amounted to approximately HK\$30,489,000 (nine months ended 30 September 2020: approximately HK\$49,647,000), representing a decrease of approximately 38.6% 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

The Group did not have any material acquisitions or disposals of subsidiaries or associated companies during the nine month ended 30 September 2021.

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

As at 30 September 2021, 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:

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
Mr. Hsu Tung Chi (Note 1)	Beneficial owner and interest of controlled corporation	193,304,090 (L)	7.11%
Ms. Zhang Jing (Note 2)	Beneficial owner and interest of controlled corporation	81,253,659 (L)	2.99%
Mr. Ng Fung Tai (appointed on 9 February 2021) (Note 3)	Interest of spouse	2,220,000 (L)	0.08%
Mr. Jiang Chao (Note 4)	Interest of spouse	78,670,000 (L)	2.89%

(L) denotes long position



Notes:

1. Among the 193,304,090 shares held by Mr. Hsu Tung Chi (“Mr. Hsu”), 175,057,867 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. Mr. Ng Fung Tai, the spouse of Ms. Wong Yuk Ling, was deemed to be interested in all the shares in which Ms. Wong Yuk Ling was interested by virtue of the SFO.
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 2.89% 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 2,718,736,170 shares of the Company in issue as at 30 September 2021.

Save as disclosed above, as at 30 September 2021, 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 2021 under the Scheme are as follows:

Categories of grantees	Outstanding	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding	Exercise price HK\$	Grant date	Exercisable period
	as at 1 January 2021				at 30 September 2021			
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 2021, 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 (Note 5)
Ms. Chuang Meng Hua (Note 1)	Interest of a spouse	193,304,090 (L)	7.11%
Best Million Holdings Limited (Note 2)	Beneficial owner	119,976,405 (L)	4.41%
Ms. Ma Hsin-Ting (Note 2)	Interest of controlled corporation	119,976,405 (L)	4.41%
Ease Wing Limited (Note 3)	Beneficial owner	114,816,406 (L)	4.22%
Mr. Ho Chi Sing (Note 3)	Interest of controlled corporation	114,816,406 (L)	4.22%
Asia Special Security Group Limited (Note 4)	Beneficial owner	194,231,692 (L)	7.14%
Mr. Ma Shui Ho Matthew (Note 4)	Interest of controlled corporation	194,231,692 (L)	7.14%

(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. Asia Special Security Group Limited (“Asia Special Security”) is beneficially owned as to 60% by Mr. Ma Shui Ho Matthew (“Mr. Ma”). Asia Special Security beneficially owns 194,231,692 shares of the Company. Under the SFO, Mr. Ma is deemed to be interested in 194,231,692 shares of the Company held by Asia Special Security.
5. Based on 2,718,736,170 shares of the Company in issue as at 30 September 2021.

Save as disclosed above, as at 30 September 2021, 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 2021.

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

During the nine months ended 30 September 2021, 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 2021 and thereafter to the date of this report.



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 2021 and thereafter to the date of this report, the Company has applied the principles and complied with all the applicable code provisions set out in the CG Code, except for the following deviations:

Code Provision A.6.7 stipulates that independent non-executive Directors and other non-executive Directors should attend general meeting and have a fair understanding of the shareholders' opinion. Code Provision E.1.2 stipulates that the chairman of the Board should attend the annual general meeting and also invite the chairmen of the Audit Committee, the Remuneration Committee, the Nomination Committee and any other committee to the meeting. The chairman of the Board and independent non-executive Directors could not attend the annual general meeting held on 30 June 2021 due to extraordinary business activities and unexpected events.

Code Provision A.5.1 stipulates that the nomination committee shall be chaired by the chairman of the board or an independent non-executive director and comprises a majority of independent non-executive directors. Following the resignation of Mr. Kwok Chi Sun, Vincent on 8 July 2021 the Company fails to meet the composition requirement of the nomination committee. Following the appointment of Mr. Hong Hui Lung as an independent non-executive Director and as the chairman of the nomination committee of the Company with effect from 1 November 2021, such deviation has been rectified.



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 2021, 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

Continued Suspension of Trading

As disclosed in the annual report for the financial year ended 31 December 2020 of the Company, the auditors of the Company issued a disclaimer of opinion regarding (a) multiple uncertainties relating to going concern; and (b) impairment assessment of certain intangible assets, deposits and prepayments of the Company (the "Disclaimer of Opinion"). In light of the Disclaimer of Opinion, at the request of the Company, trading in the shares of the Company on the Hong Kong Stock Exchange has been suspended with effect from 1 April 2021 and will remain suspended until further notice.

On 17 June 2021, the Board received a letter (the "Letter") from the Stock Exchange setting out the following guidance (the "Resumption Guidance") for the resumption of trading in shares of the Company:

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- (a) address the issues giving rise to the disclaimer of opinion on the 2020 Annual Results Announcement, provide comfort that the disclaimer of opinion in respect of such issues would no longer be required and disclose sufficient information to enable investors to make an informed assessment of the Company's financial positions as required under Rule 17.49B of the GEM Listing Rules; and
 - (b) announce all material information for the Company's shareholders and investors to appraise the Company's position.

The Stock Exchange indicates that the Company must remedy the issues that may arise from time to time and fully comply with the GEM Listing Rules to the Stock Exchange's satisfaction before trading in its shares is allowed to resume and, for this purpose, the Company has the primary responsibility to devise its action plan for resumption. The Stock Exchange further indicates that it may modify or supplement the Resumption Guidance and/or give further guidance if the Company's situation changes.

Under Rule 9.14A(1) of the GEM Listing Rules, the Stock Exchange may cancel the Company's listing if trading in the Company's shares has been suspended for a continuous period of 12 months.

Under Rule 17.49C of the GEM Listing Rules, as a transitional arrangement for issuers whose securities have been suspended from trading under Rule 17.49B of the GEM Listing Rules, the 12-month period referred to in Rule 9.14A(1) of the GEM Listing Rules is extended to 24 months if the suspension during the 12-month period is only due to a disclaimer or adverse opinion on the issuer's financial statements for the financial years commencing between 1 September 2019 and 31 August 2021, both dates inclusive. Accordingly, in the case of the Company, the 12-month period under Rule 9.14A(1) of the GEM Listing Rules expires on 31 March 2022. This 12-month period will be extended for 12 months under Rule 17.49C of the GEM Listing Rules to 31 March 2023 if the transitional arrangement under Rule 17.49C of the GEM Listing Rules applies.



If the Company fails to fulfil the Resumption Guidance and comply with the GEM Listing Rules to the Stock Exchange's satisfaction and resume trading in its shares by 31 March 2022 or, if the transitional arrangement under Rule 17.49C of the GEM Listing Rules applies, by 31 March 2023, the Listing Division of the Stock Exchange will recommend the GEM Listing Committee of the Stock Exchange to proceed with the cancellation of the Company's listing. Under Rule 9.15 of the GEM Listing Rules, the Stock Exchange also has the right to impose a shorter specific remedial period, where appropriate.

The Company is currently working with its advisers to take the necessary steps to comply with the Resumption Guidance with the aim of resuming trading in its shares as soon as practicable. The Company announced its quarterly updates on 30 June 2021 and 7 October 2021 and will announce its further quarterly updates every 3 months thereafter until resumption or cancellation of listing (whichever is earlier). The Company will also update the shareholders and potential investors of the Company on any further development on the above matters by way of further announcement(s) as and when necessary in accordance with the GEM Listing Rules.

Saved as those disclosed above, there has been no other material events since 30 September 2021 to the date of this report.



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 2021, the Audit Committee comprises two members, Mr. Wong Tak Shing and Mr. Gou Yanlin, all of whom are independent non-executive Directors. Following the appointment of Mr. Hong Hui Lung as an independent non-executive Director of the Company and as the chairman of the Audit Committee with effect from 1 November 2021, the Audit Committee comprises three members, Mr. Hong Hui Lung, Mr. Wong Tak Shing and Mr. Gou Yanlin, all of whom are independent non-executive Directors. The chairman of the Audit Committee is Mr. Hong Hui Lung.

The Group’s unaudited quarterly results for the nine months ended 30 September 2021 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 report, the executive Directors are Mr. Hsu Tung Chi, Ms. Zhang Jing and Mr. Ng Fung Tai. The independent non-executive Directors are Mr. Hong Hui Lung, 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, 12 November 2021