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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 – SUBSCRIPTION OF SHARES IN SUMMER EAGLE

THE AGREEMENT

The Board is pleased to announce that on 11 February 2021 (after trading hours of the Stock Exchange), Summer Eagle (a wholly-owned subsidiary of the Company) and the Investor, entered into the Agreement, pursuant to which the Investor has agreed to subscribe for and Summer Eagle has agreed to allot and issue 67 shares at a consideration of USD4,700,000 (equivalent to approximately HKD36,660,000). Immediately upon the Completion, Summer Eagle will be held as to approximately 59.88% by the Company and as to approximately 40.12% by the Investor.

DEEMED DISPOSAL

Accordingly, upon the Completion, the Company's interest in Summer Eagle will be diluted from 100.0% to approximately 59.88%, which constitutes a deemed disposal of interest in Summer Eagle by the Company under the GEM Listing Rules. Immediately upon the Completion, Summer Eagle will become a non-wholly owned subsidiary of the Company.

GEM LISTING RULES IMPLICATION

As the applicable percentage ratios (as defined under the GEM Listing Rules) in respect of the Deemed Disposal exceed 5% but are below 25%, the Deemed Disposal constitutes a disclosable transaction for the Company and is therefore subject to the reporting and announcement requirements under Chapter 19 of the GEM Listing Rules.

GENERAL

The Agreement shall be conditional upon and subject to the fulfilment and satisfaction of certain conditions precedent. Accordingly, the Deemed Disposal may or may not proceed. Shareholders and potential investors should therefore exercise caution when dealing in the securities of the Company.

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THE AGREEMENT

Date

11 February 2021 (after trading hours of the Stock Exchange)

Parties

- (i) Summer Eagle; and
- (ii) Investor.

The Investor is an international business company incorporated in the Republic of Seychelles and is principally engaged in investment holding. The ultimate beneficial owner of the Investor is Jessica Wang who is an individual investor with experience in the E-sports industry. As at the date of this announcement, to the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, the Investor and its ultimate beneficial owner are Independent Third Parties.

Subscription

The Investor has agreed to subscribe for and Summer Eagle has agreed to allot and issue 67 shares at a consideration of USD4,700,000 (equivalent to approximately HKD36,660,000). The consideration of the Subscription shall be delivered by the Investor at the Completion by wire transfer of immediately available funds of USD4,700,000 to an account designated by Summer Eagle.

The consideration of the Subscription was arrived at after arm's length negotiation between the parties and was determined with reference to (i) the amount of investment made by the Company to Summer Eagle Group; and (ii) the future prospect of Summer Eagle Group derived from the popularity of its E-sports teams and its intellectual property.

Conditions precedent

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

- i. the Board having approved and authorised the Agreement and the transactions contemplated thereunder; and
- ii. all necessary governmental and regulatory approvals or consents (or waivers), including but not limited to those from the Stock Exchange and/or other authority, required by the Company for the Agreement and the transactions contemplated thereunder having been obtained.

If any of the above conditions precedent has not been fulfilled (or waived by the Investor) at or before 5:00 p.m (Hong Kong time) on the Long Stop Date, either Summer Eagle or the Investor shall be entitled to terminate the Agreement by giving written notice to the other party of the Agreement.

Completion

The Completion shall be completed within seven Business Days following the fulfilment of the conditions precedent of the Agreement, or in other date as agreed by Summer Eagle and the Investor in writing. The Completion shall take place at time and place as Summer Eagle and the Investor shall mutually agree. At the Completion, Summer Eagle shall deliver the certificates, which represent 67 shares of Summer Eagle, to the Investor.

Immediately upon the Completion, Summer Eagle will become a non-wholly owned subsidiary of the Company.

INFORMATION ON SUMMER EAGLE GROUP

Summer Eagle is a company incorporated in BVI with limited liability and is a wholly-owned subsidiary of the Company. The principal activity of Summer Eagle is investment holding. Summer Eagle Group is principally engaged in (i) the management and operation of professional E-sports teams; and (ii) training, nurturing and managing E-sports teams and E-sports broadcasters.

Financial information of Summer Eagle Group

The table below summaries the unaudited consolidated financial information of Summer Eagle Group for the years ended 31 December 2018 and 2019 and the nine months ended 30 September 2020:

	Year ended 31 December		Nine months ended
	2018	2019	30 September 2020
	<i>HKD'000</i>	<i>HKD'000</i>	<i>HKD'000</i>
	(unaudited)	(unaudited)	(unaudited)
Revenue	16,834	14,295	17,054
Net (loss)/profit before taxation	(36,482)	30,383	(19,445)
Net (loss)/profit after taxation	(36,482)	30,383	(19,445)

According to the unaudited consolidated management account of Summer Eagle Group as at 30 September 2020, Summer Eagle Group recorded net liability of approximately HKD14,471,000.

INFORMATION OF THE GROUP

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.

REASONS AND BENEFITS OF THE DEEMED DISPOSAL AND USE OF PROCEEDS

The Directors are of the view that the Subscription provides additional working capital for Summer Eagle Group to develop its E-sports business and explore new investment opportunities in the E-sports field, and the Group would benefit from the future growth and development of Summer Eagle Group.

The proceeds from the Subscription will be used as a general working capital of Summer Eagle to develop its E-sports business.

In view of the above, the Directors are of the view that the terms of the Agreement are fair and reasonable, which have been arrived at after arm's length negotiations and are in the interests of the Company and the Shareholders as a whole.

FINANCIAL IMPACT OF THE DEEMED DISPOSAL

As at the date of this announcement, Summer Eagle is a wholly-owned subsidiary of the Company. The financial result and financial position of Summer Eagle Group are consolidated in the consolidated financial statements of the Company. Immediately upon the Completion, the Company's interest in Summer Eagle will be diluted from 100.0% to approximately 59.88%, which constitutes a deemed disposal of its interests in Summer Eagle by the Company under the GEM Listing Rules. Summer Eagle will become a non-wholly owned subsidiary of the Company, and the financial results and financial position of Summer Eagle Group remain to be consolidated into the consolidated financial statement of the Company.

GEM LISTING RULES IMPLICATIONS

Upon the Completion, the Company's interest in Summer Eagle will be diluted from 100.0% to approximately 59.88%, which constitutes a deemed disposal of interest in Summer Eagle by the Company under the GEM Listing Rules.

As the applicable percentage ratios (as defined under the GEM Listing Rules) in respect of the Deemed Disposal exceed 5% but are below 25%, the Deemed Disposal constitutes a disclosable transaction for the Company and is therefore subject to the reporting and announcement requirements under Chapter 19 of the GEM Listing Rules.

GENERAL

As the Completion is subject to the satisfaction and/or waiver of terms and conditions set out in the Agreement, the Deemed Disposal may or may not proceed. Shareholders and potential investors should exercise caution when dealing in the securities of the Company.

DEFINITION

In this announcement, unless the context otherwise requires, the following terms shall have the following meanings:

“Agreement”	the share subscription agreement dated 11 February 2021 and entered into among Summer Eagle and the Investor in respect of the Subscription
“Board”	the board of Directors
“Business Day(s)”	means a day on which licensed banks in Hong Kong are required to be and are generally open for business (other than any Saturday, Sunday or a public holiday in Hong Kong)
“BVI”	the British Virgin Islands
“Company”	China Digital Culture (Group) Limited, a company incorporated in Cayman Islands and continued in Bermuda with limited liability and the issued Shares of which are listed on the GEM
“Completion”	completion of the Deemed Disposal
“Deemed Disposal”	the deemed disposal of the shareholding interest in Summer Eagle through the Subscription pursuant to the Agreement

“Director(s)”	the director(s) of the Company
“GEM”	GEM operated by the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“HKD”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party”	a third party independent of the Company and the connected persons of the Company (as defined in the GEM Listing Rules)
“Investor”	Adelle International Ltd, an international business company incorporated in the Republic of Seychelles
“Long Stop Date”	30 June 2021 or such other date as agreed between Summer Eagle and the Investor in writing
“PRC”	the People’s Republic of China
“Share(s)”	ordinary shares in the issued capital of the Company
“Shareholder(s)”	holder(s) of the shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the proposed share subscription of 67 shares of Summer Eagle pursuant to the terms of the Agreement
“Summer Eagle”	Summer Eagle Limited, a company incorporated in BVI with limited liability and a wholly-owned subsidiary of the Company as at the date of this announcement
“Summer Eagle Group”	Summer Eagle and its subsidiaries

“USD” United States dollars, the lawful currency of the United States of America

“%” per cent.

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

Hong Kong, 11 February 2021

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

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 regards 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 or deceptive; and (ii) there are no other matters the omission of which would make any statement in this announcement misleading.

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

For the purpose of this announcement, unless otherwise indicated, conversion of USD into HKD are calculated at the approximate exchange rate of USD1.00 to HKD7.80. This exchange rate is for purpose of illustration only and do not constitute a representation that any amount have been, could have been, or may be, exchanged at this or another rate.