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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)

SUBSCRIPTIONS OF NEW SHARES UNDER GENERAL MANDATE

THE SUBSCRIPTION AGREEMENTS

On 19 February 2021 (after trading hours), the Company entered into the Subscription Agreements with the Subscribers, pursuant to which the Company has conditionally agreed to issue, and the Subscribers have conditionally agreed to subscribe for the Subscription Shares comprising an aggregate of 400,000,000 new Shares at the Subscription Price of HK\$0.1 per Subscription Share.

The Subscription Shares, which will be issued under the General Mandate, represent (a) approximately 17.25% of the issued share capital of the Company as at the date of this announcement; and (b) approximately 14.71% of the issued share capital of the Company as enlarged by the issue and allotment of the Subscription Shares.

The gross proceeds of the Subscriptions will amount to HK\$40 million and the net proceeds receivable by the Company under the Subscriptions are estimated to be approximately HK\$39.74 million after deducting the relevant expenses incurred in relation to the Subscriptions. The Company intends to use the net proceeds from the Subscriptions for general working capital of the Group.

By a resolution of the Shareholders passed at the AGM, the Company granted the General Mandate to the Directors to allot and issue up to 20% of the then total number of Shares of the Company in issue as at 14 August 2020, i.e. 404,035,234 Shares. As at the date of this announcement, the Company has not allotted and issued any Shares under the General Mandate. Accordingly, the General Mandate is sufficient for the allotment and issue of the Subscription Shares, and the issue of the Subscription Shares is not subject to the approval of the Shareholders.

An application will be made by the Company to the Stock Exchange for the grant of approval in the listing of, and permission to deal in, the Subscription Shares.

GENERAL

Shareholders and potential investors should note that Completion is subject to fulfilment of the conditions precedent under the Subscription Agreements. As the Subscriptions may or may not proceed, Shareholders and potential investors are reminded to exercise caution when dealing in the Shares or other securities of the Company.

THE SUBSCRIPTION AGREEMENTS

On 19 February 2021 (after trading hours), the Company entered into the Subscription Agreements with the Subscribers, pursuant to which the Company has conditionally agreed to issue, and the Subscribers have conditionally agreed to subscribe for the Subscription Shares comprising an aggregate of 400,000,000 new Shares at the Subscription Price of HK\$0.1 per Subscription Share.

The Subscription Agreement I

Date: 19 February 2021 (after trading hours)

Parties:

1. The Company
2. Yuzhu Trading (HK) Company Limited, as Subscriber I

Subscription Shares: 100,000,000 Subscription Shares

Subscription Price: HK\$0.1 per Subscription Share

Subscriber I is a company incorporated in Hong Kong with limited liability which primarily engages in investment holding. The entire share capital of Subscriber I is beneficially owned by Mr. Lee Kar Lung, who is the Chairman of Innovest Financial Group.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, Subscriber I and its ultimate beneficial owner(s) are Independent Third Parties. As of the date of this announcement, Subscriber I does not hold any Share. Save for the Subscription under Subscription Agreement I, there are no prior or continuous business or other relationships between Subscriber I, its ultimate beneficial owner(s) and the Company. Upon completion of the Subscription under Subscription Agreement I, Subscriber I intends to remain as a passive investor of the Company.

The Subscription Agreement II

Date: 19 February 2021 (after trading hours)

Parties:

1. The Company
2. Kartic Limited, as Subscriber II

Subscription Shares: 100,000,000 Subscription Shares

Subscription Price: HK\$0.1 per Subscription Share

Subscriber II is a company incorporated in the BVI with limited liability which primarily engages in investment holding. The entire share capital of Subscriber II is beneficially owned by Ms. Huang Jianhong, a merchant who engages in trading business.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, Subscriber II and its ultimate beneficial owner(s) are Independent Third Parties. As of the date of this announcement, Subscriber II does not hold any Share. Save for the Subscription under Subscription Agreement II, there are no prior or continuous business or other relationships between Subscriber II, its ultimate beneficial owner(s) and the Company. Upon completion of the Subscription under Subscription Agreement II, Subscriber II intends to remain as a passive investor of the Company.

The Subscription Agreement III

Date: 19 February 2021 (after trading hours)

Parties:

1. The Company
2. Million Rise Investment Holdings Inc., as Subscriber III

Subscription Shares: 100,000,000 Subscription Shares

Subscription Price: HK\$0.1 per Subscription Share

Subscriber III is a company incorporated in the BVI with limited liability which primarily engages in investment holding. The entire share capital of Subscriber III is beneficially owned by Ms. Lam Lai, an entrepreneur who engages in money-lending business.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, Subscriber III and its ultimate beneficial owner(s) are Independent Third Parties. As of the date of this announcement, Subscriber III does not hold any Share. Save for the Subscription under Subscription Agreement III, there are no prior or continuous business or other relationships between Subscriber III, its ultimate beneficial owner(s) and the Company. Upon completion of the Subscription under Subscription Agreement III, Subscriber III intends to remain as a passive investor of the Company.

The Subscription Agreement IV

Date: 19 February 2021 (after trading hours)

Parties:

1. The Company
2. AID Partners Advisor Limited, as Subscriber IV

Subscription Shares: 100,000,000 Subscription Shares

Subscription Price: HK\$0.1 per Subscription Share

Subscriber IV is a company incorporated in Samoa with limited liability which primarily engages in investment holding. The entire share capital of Subscriber IV is beneficially owned by Mr. Chang Tat Joel, who is the founder/co-founder of a number of investment platforms in Hong Kong.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, Subscriber IV and its ultimate beneficial owner(s) are Independent Third Parties. As of the date of this announcement, Subscriber IV does not hold any Share. Save for the Subscription under Subscription Agreement IV, there are no prior or continuous business or other relationships between Subscriber IV, its ultimate beneficial owner(s) and the Company. Upon completion of the Subscription under Subscription Agreement IV, Subscriber IV intends to remain as a passive investor of the Company.

The Subscription Shares

The Subscription Shares, which will be issued under the General Mandate, represent (a) approximately 17.25% of the issued share capital of the Company as at the date of this announcement; and (b) approximately 14.71% of the issued share capital of the Company as enlarged by the issue and allotment of the Subscription Shares.

The Subscription Price

The Subscription Price is HK\$0.1 per Subscription Share, representing:

- (a) a premium of approximately 17.65% to the closing price of HK\$0.085 per Share as quoted on the Stock Exchange on the date of the Subscription Agreements;
- (b) a premium of approximately 16.55% over the average of the closing prices of HK\$0.0858 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the date of the Subscription Agreements; and
- (c) a premium of approximately 23.15% over the average of the closing prices of HK\$0.0812 per Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the date of the Subscription Agreements.

The Subscription Price was determined and negotiated on an arm's length basis between the Company and the Subscribers with reference to, among other things, the prevailing market price of the Shares and the liquidity of the Shares. The Directors consider that the Subscription Price is fair and reasonable and is in the interests of the Company and the Shareholders as a whole.

Based on the estimated expenses for the Subscriptions, the net Subscription Price is approximately HK\$0.099 per Subscription Share.

Issue of the Subscription Shares under the General Mandate

By a resolution of the Shareholders passed at the AGM, the Company granted the General Mandate to the Directors to allot and issue up to 20% of the then total number of Shares of the Company in issue as at 14 August 2020, i.e. 404,035,234 Shares. As at the date of this announcement, the Company has not allotted and issued any Shares under the General Mandate. Accordingly, the General Mandate is sufficient for the allotment and issue of the Subscription Shares, and the issue of the Subscription Shares is not subject to the approval of the Shareholders.

An application will be made by the Company to the Stock Exchange for the grant of approval in the listing of, and permission to deal in the Subscription Shares.

Ranking

The Subscription Shares shall rank *pari passu* in all respects with the existing Shares in issue as at the Completion Date and shall be allotted and issued by the Company free from all liens, charges, security interests, encumbrances or other third party rights together with all rights attaching thereto on and after the date of their allotment including all dividends declared or payable or distributions made or proposed to be made at any time by reference to a record date falling on or after the date of allotment of the Subscription Shares.

Conditions Precedent of the Subscriptions

Completion of the Subscriptions under the Subscription Agreements shall be conditional upon the following conditions precedent being fulfilled (or being waived by any of the parties to the Subscription Agreements) on or before 5:00 p.m. (Hong Kong time) on the Long Stop Date:

- (a) the compliance with the requirements of the Stock Exchange and the GEM Listing Rules, including but not limited to the listing of and permission to deal in all of the Subscription Shares being granted by the GEM Listing Committee of the Stock Exchange (either unconditionally, or subject to customary conditions);
- (b) the Shares remaining listed and traded on the Stock Exchange at all times from the date of the Subscription Agreements to the Completion Date, save for any temporary suspension not exceeding five (5) consecutive trading days (as defined under the GEM Listing Rules), or such longer period as the Subscribers may accept in writing, and no indication being received by the Company on or before the Completion Date from the Stock Exchange to the effect that the listing of the Shares on the Stock Exchange will or may be withdrawn or objected to as a result of Completion or in connection with the terms of the Subscription Agreements;

- (c) the representations, warranties and undertakings of the Company remaining true and accurate in all material respects, and not misleading in any material respect, as given on the date of the Subscription Agreements and at Completion;
- (d) the representations, warranties and undertakings of the Subscribers remaining true and accurate in all material respects, and not misleading in any material respect, as given on the date of the Subscription Agreements and at Completion;
- (e) each of the parties to the Subscription Agreements having performed in all material respects all of the covenants and agreements required to be performed by it under the Subscription Agreements on or prior to the Completion Date; and
- (f) prior to Completion, there being no occurrence of any change, or any development or event reasonably likely to involve a prospective change in the financial condition, operations, legal environment, business or properties of the Company which, in the reasonable opinion of the Subscribers, is material and adverse to the issue of the Subscription Shares.

The Subscribers may in its absolute discretion at any time waive in writing above conditions precedent (b), (c), (e) and/or (f) (or any part thereof), and the Company may in its absolute discretion at any time waive in writing conditions precedent (d) and/or (e) (or any part thereof), and such waiver by the waiving party may be made subject to such terms and conditions as are determined by the waiving party.

In the event any of the above conditions precedent is not fulfilled (or being waived by any parties to the Subscription Agreements), at or before 5:00 p.m. (Hong Kong time) on the Long Stop Date, the obligations of the parties under the Subscription Agreements shall forthwith cease to be of any effect and none of the parties to the Subscription Agreements shall be bound to carry out the remaining terms of the Subscription Agreements and no party to the Subscription Agreements shall have any right to damages or reimbursement for any cost and expenses that it may have incurred in connection with or arising out of the Subscription Agreements or the failure to complete the Subscriptions, save for any antecedent breaches thereof.

Completion

Subject to fulfilment (or, where appropriate, waiver by any of the parties to the Subscription Agreements) of the conditions precedent to the Subscription Agreements, Completion shall take place on the Completion Date.

Completion of each of the Subscription Agreements is not inter-conditional but it is intended that Completion of all of the Subscription Agreements will take place simultaneously.

EFFECT ON SHAREHOLDING STRUCTURE OF THE COMPANY

The following table sets out the shareholding structure of the Company (i) as at the date of this announcement; and (ii) immediately upon Completion (assuming no further change in the Company's issued share capital from the date of this announcement up to Completion):

	As at the date of this announcement		Immediately after Completion	
	Shares	Approximate % ⁵	Shares	Approximate % ⁵
Directors				
Mr. Hsu Tung Chi ¹	209,304,090	9.0	209,304,090	7.7
Ms. Zhang Jing ²	81,253,659	3.5	81,253,659	3.0
Mr. Ng Fung Tai ³	41,066,338	1.8	41,066,338	1.5
Mr. Lai Kwok Fai, Franki (resigned on 13 March 2020) ⁴	<u>23,629,778</u>	<u>1.0</u>	<u>23,629,778</u>	<u>0.9</u>
Sub-total	355,253,865	15.3	355,253,865	13.1
Subscribers				
Subscriber I	–	–	100,000,000	3.7
Subscriber II	–	–	100,000,000	3.7
Subscriber III	–	–	100,000,000	3.7
Subscriber IV	<u>–</u>	<u>–</u>	<u>100,000,000</u>	<u>3.7</u>
Sub-total	–	–	400,000,000	14.8
Other public Shareholders	<u>1,963,482,305</u>	<u>84.7</u>	<u>1,963,482,305</u>	<u>72.2</u>
Total	<u>2,318,736,170</u>	<u>100.0</u>	<u>2,718,736,170</u>	<u>100.0</u>

Notes:

1. Mr. Hsu Tung Chi (“**Mr. Hsu**”) beneficially owns 191,057,867 Shares. Daily Technology Company Limited, which is in turn wholly owned by Mr. Hsu, beneficially owns 18,246,223 Shares.
2. Ms. Zhang Jing (“**Ms. Zhang**”) beneficially owns 53,853,659 Shares. Crown Smart Investment Limited, which in turn wholly owned by Ms. Zhang, beneficially owns 27,400,000 Shares.
3. Mr. Ng Fung Tai (“**Mr. Ng**”) is beneficially interested in 20% issued share capital of Asia Special Security Group Limited which is interested in 194,231,692 Shares. Mr. Ng is deemed to be interested in 2,220,000 Shares held by his spouse.
4. Mr. Lai Kwok Fai, Franki (“**Mr. Lai**”) beneficially owns 960,000 Shares. Earn Wise Limited, which is in turn wholly owned by Mr. Lai, beneficially owns 22,669,778 Shares.
5. The percentage figures included in this table are subject to rounding adjustment, which may not add up to 100%.

REASONS FOR THE SUBSCRIPTIONS AND USE OF NET PROCEEDS

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.

The Directors are of the view that the Subscriptions represent good opportunities to increase the cash balance of the Group under the economic downturn caused by the Coronavirus Disease 2019 pandemic. The Directors believe that the issue of the Subscription Shares can provide additional working capital for the Group, enlarge the capital base and further strengthen the financial position of the Group.

The gross proceeds of the Subscriptions will amount to HK\$40 million and the net proceeds receivable by the Company under the Subscriptions are estimated to be approximately HK\$39.74 million after deducting the relevant expenses incurred in relation to the Subscriptions. The Company intends to use the net proceeds from the Subscriptions for development of cloud based gaming and general working capital of the Group.

The Directors consider that the terms of the Subscription Agreements are on normal commercial terms which were arrived at after arm’s length negotiations between the Company and the Subscribers, and are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

FUND RAISING ACTIVITY DURING THE PAST 12 MONTHS FROM THE DATE OF THIS ANNOUNCEMENT

Save for the subscriptions of new shares under the General Mandate as disclosed in the Company's announcement dated 31 July 2020, which were completed with net proceeds raised being approximately HK\$13.5 million as disclosed in the Company's announcement dated 28 September 2020, the Company has not conducted any equity fundraising activities in the past twelve months immediately preceding the date of this announcement.

GENERAL

Shareholders and potential investors should note that Completion is subject to fulfilment of the conditions precedent under the Subscription Agreements. As the Subscriptions may or may not proceed, Shareholders and potential investors are reminded to exercise caution when dealing in the Shares or other securities of the Company.

DEFINITIONS

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

“AGM”	the annual general meeting of the Company held on 14 August 2020
“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 gazetted public holiday in Hong Kong)
“BVI”	the British Virgin Islands
“Company”	China Digital Culture (Group) Limited, a company incorporated in the Cayman Islands and continued in Bermuda with limited liability and the issued shares of which are listed on GEM

“Completion”	the completion of the Subscriptions pursuant to the terms of the Subscription Agreements
“Completion Date”	a date within 10 Business Days after all of the conditions precedent to the Subscription Agreements have been fulfilled by the Company or, as the case may be, waived by the Subscribers (or such later date as the Company and the Subscribers may agree in writing)
“connected persons”	has the meaning ascribed to it under the GEM Listing Rules
“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
“General Mandate”	the general mandate granted to the Directors at the AGM to allot, issue and deal with up to 404,035,234 Shares, representing 20% of the aggregate number of issued Shares as at the date of passing of the relevant resolution at the AGM
“Group”	collectively, the Company and its subsidiaries
“HK\$”	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
“Long Stop Date”	19 March 2021 (or such later date as the Company and the Subscribers may agree in writing)
“PRC”	the People’s Republic of China and for the purpose of this announcement, excludes Hong Kong, Macau Special Administrative Region and Taiwan

“Share(s)”	share(s) of HK\$0.04 each in the share capital of the Company
“Shareholder(s)”	shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber I”	Yuzhu Trading (HK) Company Limited, a company incorporated in Hong Kong with limited liability
“Subscriber II”	Kartic Limited, a company incorporated in BVI with limited liability
“Subscriber III”	Million Rise Investment Holdings Inc, a company incorporated in BVI with limited liability
“Subscriber IV”	AID Partners Advisor Limited, a company incorporated in Samoa with limited liability
“Subscribers”	collectively, Subscriber I, Subscriber II, Subscriber III and Subscriber IV
“Subscription Agreement I”	the conditional subscription agreement dated 19 February 2021 entered into between the Company as issuer and Subscriber I as subscriber for the subscription of 100,000,000 Shares at the Subscription Price
“Subscription Agreement II”	the conditional subscription agreement dated 19 February 2021 entered into between the Company as issuer and Subscriber II as subscriber for the subscription of 100,000,000 Shares at the Subscription Price
“Subscription Agreement III”	the conditional subscription agreement dated 19 February 2021 entered into between the Company as issuer and Subscriber III as subscriber for the subscription of 100,000,000 Shares at the Subscription Price

“Subscription Agreement IV”	the conditional subscription agreement dated 19 February 2021 entered into between the Company as issuer and Subscriber IV as subscriber for the subscription of 100,000,000 Shares at the Subscription Price
“Subscription Agreements”	collectively, Subscription Agreement I, Subscription Agreement II, Subscription Agreement III and Subscription Agreement IV
“Subscription Price”	HK\$0.1 per Subscription Share
“Subscription Shares”	an aggregate of 400,000,000 new Shares to be issued by the Company to the Subscribers pursuant to the Subscription Agreements under General Mandate
“Subscriptions”	the subscriptions of the Subscription Shares by the Subscribers pursuant to the Subscription Agreements
“%”	per cent

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

Hong Kong, 19 February 2021

As at 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 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 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 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>.