



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)

FIRST QUARTERLY RESULTS ANNOUNCEMENT FOR THE THREE MONTHS ENDED 31 MARCH 2021

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

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 Main Board of 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

Ng Fung Tai

(*appointed on 9 February 2021*)

Independent Non-executive Directors

Kwok Chi Sun, Vincent

Wong Tak Shing

Gou Yanlin

CHIEF EXECUTIVE OFFICER

Jiang Chao

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) Limited

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 BANKERS

Standard Chartered Bank

(Hong Kong) Limited

Nanyang Commercial Bank,

Limited

Bank of Communications Co., Ltd

WEBSITE ADDRESS

www.cdculture.com

STOCK CODE

08175

FIRST QUARTERLY RESULTS (UNAUDITED)

The board of Directors (the "Board") is pleased to report the unaudited condensed consolidated financial result of the Company and its subsidiaries (together the "Group") for the three months ended 31 March 2021 together with the comparative figures for the corresponding period in 2020.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months ended 31 March 2021

		Three months ended 31 March	
		2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
	Note		
Revenue	3	8,435	11,496
Cost of services rendered		(5,315)	(6,213)
Gross profit		3,120	5,283
Other income		4	119
Administrative and other expenses		(12,456)	(14,513)
Finance costs		(9,215)	(8,526)
Share of results of a joint venture		-	(567)
Loss before taxation		(18,547)	(18,204)
Income tax expense	4	252	36
Loss for the period		(18,295)	(18,168)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months ended 31 March 2021

	Note	Three months ended 31 March	
		2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
Other comprehensive (loss)/income for the period			
Foreign currency translation differences		(3,401)	(431)
Total comprehensive loss for the period		(21,696)	(18,599)
Loss attributable to:			
– Equity holders of the Company		(18,251)	(17,979)
– Non-controlling interests		(44)	(189)
		(18,295)	(18,168)
Total comprehensive loss attributable to:			
– Equity holders of the Company		(21,652)	(18,437)
– Non-controlling interests		(44)	(162)
		(21,696)	(18,599)
Dividends	5	–	–
Loss per share			
– Basic	6	HK(0.78) cents	HK(0.89) cents
– Diluted		HK(0.78) cents	HK(0.89) cents

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital HK\$'000	Share premium HK\$'000	Special reserve HK\$'000 (Note a)	Capital reserve HK\$'000 (Note b)	Foreign currency translation reserve HK\$'000	Share option reserve HK\$'000	Statutory reserve HK\$'000 (Note c)	Convertible bonds reserve HK\$'000	FVTOCI reserve HK\$'000	Accumulated losses HK\$'000	Total reserves HK\$'000	Subtotal HK\$'000	Non-controlling interests HK\$'000	Total HK\$'000
2020														
At 1 January 2020	80,807	955,457	(23,600)	(20,749)	(9,648)	7,230	8,731	51,872	(17,425)	(682,299)	269,569	350,376	(5,718)	344,658
Loss for the period and total comprehensive loss for the period	-	-	-	-	(458)	-	-	-	-	(17,979)	(18,437)	(18,437)	(162)	(18,599)
Equity-settled share-based payment	-	-	-	-	-	487	-	-	-	-	487	487	-	487
At 31 March 2020	80,807	955,457	(23,600)	(20,749)	(10,106)	7,717	8,731	51,872	(17,425)	(700,278)	251,619	332,426	(5,880)	326,546
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	-	-	-	-	(3,401)	-	-	-	-	(18,251)	(21,652)	(21,652)	(44)	(21,696)
Issue of shares under subscription	16,000	24,000	-	-	-	-	-	-	-	-	24,000	40,000	-	40,000
At 31 March 2021	108,749	981,110	(23,395)	(20,749)	(2,892)	8,631	8,731	51,872	(71,264)	(1,080,347)	(148,303)	(39,554)	(8,159)	(47,713)

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 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 PRC and form 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 UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1. CORPORATE INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law (as revised) of the Cayman Islands and continued in Bermuda as an exempted company with limited liability in accordance with the Companies Act 1981 (as amended) of Bermuda. The Company's shares are listed on 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 in Hong Kong is located at Unit 17B, 17/F, 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 business, 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 financial information have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"), which collective term includes all applicable Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKAS") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and accounting principles generally accepted in Hong Kong. These unaudited condensed consolidated financial statements also comply with the applicable disclosure requirements under the GEM Listing Rules.

These financial information have been prepared on a basis consistent with the accounting policies adopted in the 2020 financial statements. 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

Revenue comprises the following business activities of the Group:

	Three months ended 31 March	
	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
Entertainment	5,987	7,642
Sports	1,184	1,614
Theme Park	1,264	2,240
Total revenue	8,435	11,496

4. TAXATION

Hong Kong Profits Tax has been provided at the rate of 16.5% (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 31 March	
	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
Current		
– Hong Kong	–	139
– PRC	–	77
Deferred tax	(252)	(252)
	(252)	(36)

5. **DIVIDENDS**

The Board did not recommend the payment of any dividend for the three months ended 31 March 2021 (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)/earnings per share**

	Three months ended	
	31 March	
	2021	2020
	HK\$'000	HK\$'000
Loss attributable to equity holders of the Company	(18,251)	(17,979)
Shares		
Weighted average number of ordinary shares in issue during the period	2,340,958	2,020,176
Basic loss per share	HK(0.78) cents	HK(0.89) cents

(b) Diluted loss per share

	Three months ended	
	31 March	
	2021	2020
	HK\$'000	HK\$'000
Loss attributable to equity holders of the Company	(18,251)	(17,979)
Effect of dilutive potential shares:		
– Interest on Convertible bonds, net of tax	–	–
Loss for the purpose of diluted loss per share	(18,251)	(17,979)
	2021	2020
	No. of shares	No. of shares
	'000	'000
Shares		
Weighted average number of ordinary shares in issue during the period	2,340,958	2,020,176
Effect of dilutive potential shares:		
– Convertible bonds	–	–
Weighted average number of shares for the purpose of calculating diluted earnings per share	2,340,958	2,020,176
Diluted loss per share	HK(0.78) cents	HK(0.89) cents

MANAGEMENT'S DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the three months ended 31 March 2021, the Group recorded revenue of approximately HK\$8,435,000 (2020: approximately HK\$11,496,000) and a loss attributable to shareholders of the Company of approximately HK\$18,251,000 (2020: loss attributable to shareholders of the Company of approximately HK\$17,979,000). The business includes the sports, entertainment and theme park segments.

I. Sports Segment

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

During the three months ended 31 March 2021, the sports segment recorded revenue of approximately HK\$1,184,000 (2020: approximately HK\$1,614,000). The decrease in revenue from the sports segment is primarily attributable to decreased revenue from the sale of sports licenses during the period stemming from the economic contraction caused by the COVID-19 pandemic.

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 sales of sports content and is one of the foremost providers of sports and entertainment content in the PRC.

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 three months ended 31 March 2021, the entertainment segment recorded revenue of approximately HK\$5,987,000 (2020: approximately HK\$7,642,000). The decrease in revenue is primarily attributable to decreased sales 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 is operated by Dream World Holdings Limited ("Dream World") and its subsidiaries (the "Dream World Group").

For the three months ended 31 March 2021, the theme park segment recorded revenue of approximately HK\$1,264,000 (2020: approximately HK\$2,240,000). The decrease in revenue is primarily attributable to the decrease in consultancy revenue.

The 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 People's Republic of China (the "PRC").

Outlook

The Group will continue its efforts to further develop its businesses in the PRC's fast growing cultural, entertainment, and sports areas. The Group will focus on expanding and developing its operations in the E-sports businesses.

FINANCIAL REVIEW

For the three months ended 31 March 2021, the Group recorded a decrease in revenue to approximately HK\$8,435,000 (2020: approximately HK\$11,496,000). The decrease in revenue was primarily attributable to stemming from the economic contraction caused by the COVID-19 pandemic.

The Group's gross profit margin decreased from 46% for the three months ended 31 March 2020 to 37% for the three months ended 31 March 2021. The decrease was due to the lower gross margin on the sales of television and movie content in the entertainment segment.

Administrative and other expenses for the three months ended 31 March 2021 amounted to approximately HK\$12,456,000 (2020: approximately HK\$14,513,000). The decrease in administrative and other expenses was due to reduced business activity caused by the COVID-19 pandemic.

The Group recorded approximately HK\$9,215,000 (2020: approximately HK\$8,526,000) in finance costs, which mainly represents the interests on convertible bonds issued in 2018.

The Group reported a net loss attributable to equity holders of approximately HK\$18,251,000 (2020: loss attributable to equity holders of approximately HK\$17,979,000).

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

As at 31 March 2021, the interests and short positions of the directors and the chief executive of the Company in 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, Cap. 571 (the "SFO")), which were (a) 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 (b) which were required, pursuant to section 352 of the SFO, to be entered in the register to therein, or (c) 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 ordinary shares and underlying shares of the Company

Name of director	Nature of interests	Number or attributable number of shares held or short positions	Approximate percentage or attributable percentage of issued share capital (Note 5)
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. Mr. Hsu Tung Chi ("Mr. Hsu") beneficially owns 175,057,867 shares of the Company. Daily Technology Company Limited ("Daily Technology") beneficially owns 18,246,223 shares of the Company, which is in turn wholly owned by Mr. Hsu. Under the SFO, Mr. Hsu is deemed to be interested in 18,246,223 shares of the Company.
2. Ms. Zhang Jing ("Ms. Zhang") beneficially owns 53,853,659 shares. Crown Smart Investment Limited ("Crown Smart") beneficially owns 27,400,000 shares of the Company, which in turn wholly owned by Ms. Zhang. Under the SFO, Ms. Zhang is deemed to be interested in 27,400,000 shares of the Company.
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 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 2,718,736,170 shares of the Company in issue as at 31 March 2021.

Save as disclosed above, as at 31 March 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 31 March 2021 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	31 March	price	date	period
	2021	the period	the period	the period	2021	HK\$		
Directors								
Mr. Hsu Tung Chi	16,000,000	-	-	-	16,000,000	0.23	16/11/2018	16/11/2018 – 15/11/2021
Employees (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 member of the Group (including nominees and/or trustees of any employee benefit trusts established for them) or associates as the Board determines.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

So far as is known to the Directors, as at 31 March 2021, the following 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 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 ordinary shares of the Company

Name of substantial shareholders	Nature of interests	Number of Shares interested	Approximate percentage or attributable percentage of issued share capital (Note 5)
Asia Special Security Group Limited (Note 4)	Beneficial owner	194,231,692 (L)	7.14%
Mr. Ma Shui Ho Mathew (Note 4)	Interest of controlled corporation	194,231,692 (L)	7.14%
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%

(L) denotes long position

Notes:

1. Ms. Chuang Meng Hua is the spouse of Mr. Hsu Tung Chi, therefore, pursuant to the SFO, she is deemed to be interested in all the shares of the Company 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 of the Company. Under the SFO, Ms. Ma is deemed to be interested in 119,976,405 shares of the Company 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 of the Company. Under the SFO, Mr. Ho is deemed to be interested in 114,816,406 shares of the Company held by Ease Wing.
4. Asia Special Security Group Limited ("Asia Special Security") is beneficially owned as to 60% by Mr. Ma Shui Ho Mathew ("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 31 March 2021.

Save as disclosed above, as at 31 March 2021, the Directors of the Company 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 nor the controlling shareholder (as defined in the GEM Listing Rules) of the Company or any of its 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 as defined in the GEM Listing Rules, 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 three months ended 31 March 2021 and thereafter to the date of this announcement.

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

During the year ended 31 March 2021 and thereafter to the date of this announcement, 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 (the "Model Code"). Having made specific enquiry of all Directors, the Company has confirmed the Directors' compliance with the Model Code and the required standard of dealings regarding securities transactions during the three months ended 31 March 2021 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.

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 three months ended 31 March 2021 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 Bye-laws of the Company, 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 31 March 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. Please refer to the announcement of the Company dated 1 April 2021 for more details.

Save as disclosed above, there has been no material events since 31 March 2021 to the date of this announcement.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

Deemed disposal of the equity interests in a subsidiary

On 11 February 2021, Summer Eagle, a wholly-owned subsidiary of the Company, entered into an agreement with Adelle International Ltd (the "Investor"), 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 US\$4,700,000 (equivalent to approximately HK\$36,660,000) (the "Subscription"). 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. 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. Summer Eagle will become a non-wholly owned subsidiary of the Company. Please refer to the announcement of the Company dated 11 February 2021 for more details. As of the date of this announcement, the deemed disposal of equity interests in Summer Eagle has not yet completed.

Save as disclosed above, the Group did not have any material acquisitions or disposals of subsidiaries or associated companies during the three months ended 31 March 2021 and thereafter 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 and 5.29 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 quarterly reports. The Audit Committee comprises three members, Mr. Kwok Chi Sun, Vincent, Mr. Wong Tak Shing and Mr. Gou Yanlin, all of them 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 three months ended 31 March 2021 has 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.

DIVIDENDS

The Board did not recommend the payment of any dividend for the three months ended 31 March 2021 (2020: Nil).

BOARD OF DIRECTORS

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.

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

Hong Kong, 14 May 2021

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