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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)**

**QUARTERLY UPDATE ON RESUMPTION PROGRESS**

This announcement is made by China Digital Culture (Group) Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rule 17.10(2) and 17.26A of the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the “**GEM Listing Rules**”) and the Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

Reference is made to the annual results announcement of the Company for the financial year ended 31 December 2020 (the “**2020 Annual Results Announcement**”) dated 31 March 2021 and the announcements of the Company dated 1 April 2021 and 22 June 2021 in relation to, among others, the suspension of trading in the shares of the Company on the Stock Exchange and the resumption guidance issued by the Stock Exchange on 17 June 2021 (the “**Resumption Guidance**”). Unless otherwise specified, terms used in this announcement shall have the meanings as defined in the 2020 Annual Results Announcement.

**BUSINESS UPDATE**

As of the date of this announcement, the Group continues to engage 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.

As stated in the first quarterly report of the Company for the three months ended 31 March 2021, the Group recorded a decrease in revenue and an increase in loss primarily attributable to stemming from the economic contraction caused by the COVID-19 pandemic.

The Company is exploring different ways to satisfy the Resumption Guidance including but not limited to adoption of measures to improve and strengthen the business capabilities of the Group as well as exploration of new business opportunities to expand and diversify the business of the Group with an aim to enhance its long-term growth potential and the value of the shares of the Company.

## **RESUMPTION GUIDANCE**

As disclosed in the announcement of the Company dated 22 June 2021, the Stock Exchange has set out the Resumption Guidance for the Company:

- i. 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 its financial positions as required under Rule 17.49B of the GEM Listing Rules; and
- ii. announce all material information for the Company's shareholders and investors to appraise its position.

## **UPDATE ON RESUMPTION PROGRESS**

The Board wishes to update the Shareholders and potential investors of the Company the latest development on the status and progress of the Company's fulfillment of the Resumption Guidance as at the date of this announcement as follows:

### **1. Disclaimer of opinion on impairment assessment of the Theme Park Assets**

Due to the COVID-19 pandemic, construction progress of the Theme Park was substantially delayed and the construction of the Theme Park was still in progress. The Company was unable to obtain a viable completion date of the Theme Park from the Project Owner. Accordingly, The Auditors cannot justify the expected completion date of the Theme Park and the timing of commencement of the Theme Park's operations was also uncertain. As such, due to uncertain commencement date of the Theme Park, the Auditors could not access the values of the intangible assets, deposits and prepayments relating to the Theme Park's operations ("**Theme Park Assets**") through a discounted cash flow basis.

In this regard, the Company is working closely with the Project Owner to expedite the development progress of the Theme Park and to push for the completion of construction by the end of 2021.

## 2. **Multiple uncertainties relating to going concern**

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

The litigation in relation to the Claim Documents (the “**Litigation**”) with the Plaintiff has not been settled yet. The Auditors cannot obtain sufficient audit evidence that the Company can successfully defend the Allegations in the legal point of view; if not, quantify the relevant financial impact arising from the Allegations.

Under such circumstance, the Company and the Plaintiff have engaged a mediator to proceed with mediation at the end of April 2021 in order to reach a settlement regarding the Litigation. The Company and the Plaintiff are in discussion to come to a settlement by transferring the convertible bonds from the Plaintiff to a new investor and the Company is planning to offset the principal of the convertible bonds using the Theme Park Assets. The settlement of the accrued interest is still under negotiation with the Plaintiff through the mediation process.

The directors of the Company (the “**Directors**”) are also taking additional measures to improve the liquidity and solvency position of the Group, including but not limited to (i) negotiations with potential strategic investors in respect of a possible sale of the Theme Park Assets; (ii) speeding up the collection of receivables process; and (iii) tightening the operating cash outflows through cutting costs and capital expenditures.

The Company is currently working with its advisers to take the necessary steps to fulfill the Resumption Guidance with the aim of resuming trading in the Shares as soon as practicable. The Company will also keep its shareholders and potential investors informed of the progress of the Company's fulfilment of the Resumption Guidance.

## **CONTINUED SUSPENSION OF TRADING**

At the request of the Company, trading in the Shares on the Stock Exchange has been suspended with effect from 9:00 a.m. on 1 April 2021. Pending fulfilment of the Resumption Guidance, trading in the Shares on the Stock Exchange will remain suspended until further notice.

**Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.**

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

Hong Kong, 30 June 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 Announcements" page for at least 7 days from the date of its posting and on the website of the Company at <http://www.cdculture.com>.*