



# 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)**

### INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2021

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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**

Wong Tak Shing

Gou Yanlin

Kwok Chi Sun, Vincent

(*resigned on 8 July 2021*)

### **CHIEF EXECUTIVE OFFICER**

Jiang Chao

### **AUDIT COMMITTEE**

Wong Tak Shing

Gou Yanlin

Kwok Chi Sun, Vincent

(*resigned on 8 July 2021*)

### **REMUNERATION COMMITTEE**

Hsu Tung Chi

Gou Yanlin

Kwok Chi Sun, Vincent

(*resigned on 8 July 2021*)

### **NOMINATION COMMITTEE**

Hsu Tung Chi

Wong Tak Shing

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)  
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 BANKER**

Standard Chartered Bank (Hong Kong)  
Limited

Nanyang Commercial Bank, Limited

Bank of Communications Co., Ltd

## **WEBSITE ADDRESS**

[www.cdculture.com](http://www.cdculture.com)

## **STOCK CODE**

08175

## INTERIM RESULTS (UNAUDITED)

The board of Directors (the “Board”) is pleased to present the unaudited condensed consolidated financial statements of the Company and its subsidiaries (together the “Group”) for the three months and six months ended 30 June 2021 together with the comparative figures for the corresponding periods in 2020, as follows:

### CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months and six months ended 30 June 2021

	Note	Three months ended 30 June		Six months ended 30 June	
		2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
Revenue	3	<b>7,794</b>	18,836	<b>16,229</b>	30,332
Cost of services rendered		<b>(5,089)</b>	(7,922)	<b>(10,404)</b>	(14,135)
Gross profit		<b>2,705</b>	10,914	<b>5,825</b>	16,197
Loss on disposal of subsidiaries		-	(4,826)	-	(4,826)
Gain on disposal of joint venture		-	809	-	809
Other income/(expense)		<b>(17)</b>	230	<b>(13)</b>	349
Administrative and other expenses		<b>(10,028)</b>	(15,272)	<b>(22,484)</b>	(29,785)
Finance costs		<b>(8,841)</b>	(8,555)	<b>(18,056)</b>	(17,081)
Share of results of a joint venture		-	5	-	(562)
<b>Loss before taxation</b>	5	<b>(16,181)</b>	(16,695)	<b>(34,728)</b>	(34,899)
Income tax expense	6	<b>(252)</b>	50	-	86
<b>Loss for the period</b>		<b>(16,433)</b>	(16,645)	<b>(34,728)</b>	(34,813)

# CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

For the three months and six months ended 30 June 2021

	Note	Three months ended 30 June		Six months ended 30 June	
		2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
<b>Other comprehensive (loss)/income for the period</b>					
Foreign currency translation differences		1,765	1,932	(1,636)	1,501
<b>Total comprehensive loss for the period</b>					
		(14,668)	(14,713)	(36,364)	(33,312)
<b>Loss attributable to:</b>					
– Equity holders of the Company		(16,266)	(16,226)	(34,517)	(34,205)
– Non-controlling interests		(167)	(419)	(211)	(608)
		(16,433)	(16,645)	(34,728)	(34,813)
<b>Total comprehensive loss attributable to:</b>					
– Equity holders of the Company		(14,485)	(14,304)	(36,137)	(32,741)
– Non-controlling interests		(183)	(409)	(227)	(571)
		(14,668)	(14,713)	(36,364)	(33,312)
<b>Dividends</b>	7	-	-	-	-
<b>Loss per share</b>					
	8				
– Basic		(0.64) cents	(0.80) cents	(1.36) cents	(1.69) cents
– Diluted		(0.64) cents	(0.80) cents	(1.36) cents	(1.69) cents

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

	Note	30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment		1,648	623
Right-of-use assets		1,693	1,877
Intangible assets		171,891	178,389
Goodwill		20,168	20,618
Interest in an associate		55	55
Financial assets at fair value through other comprehensive income		20,106	7,484
Deposit for film production		107,035	105,773
Prepayments		52,357	52,357
		<b>374,953</b>	<b>366,726</b>
<b>Current assets</b>			
Inventories		38,030	24,509
Financial assets at fair value through profit or loss		557	557
Accounts and other receivables	9	56,454	46,450
Bank balances and cash		1,730	26,023
Tax receivable		686	723
		<b>97,457</b>	<b>98,262</b>
<b>Current liabilities</b>			
Accounts and other payables	10	38,434	28,593
Interest-bearing borrowing		-	25,000
Lease liabilities		1,279	1,385
Tax payable		19,421	17,931
Convertible bonds	11	452,803	-
		<b>511,937</b>	<b>72,909</b>
<b>Net current assets/(liabilities)</b>		<b>(414,480)</b>	<b>25,353</b>
<b>Total assets less current liabilities</b>		<b>(39,527)</b>	<b>392,079</b>

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 30 June 2021

	Note	30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000
<b>Non current liabilities</b>			
Convertible bonds	11	-	435,246
Lease liabilities		342	338
Deferred tax liabilities		22,512	22,512
		<b>22,854</b>	458,096
<b>NET LIABILITIES</b>		<b>(62,381)</b>	(66,017)
<b>Capital and reserves</b>			
Share capital		108,749	92,749
Reserves		(162,788)	(150,651)
Deficit attributable to equity holders of the Company		(54,039)	(57,902)
Non-controlling interests		(8,342)	(8,115)
<b>TOTAL DEFICIT</b>		<b>(62,381)</b>	(66,017)

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the six months ended 30 June 2021

	Attributable to equity holders of the Company													
	Reserves												Non-controlling interests	Total
	Share capital	Share premium	Special reserve	Capital reserves	Foreign currency translation reserve	Share option reserve	Statutory reserve	Convertible bonds reserve	FVTOCI 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	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000		
<b>2020</b>														
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 income for the period	-	-	-	-	1,464	-	-	-	-	(34,205)	(32,741)	(32,741)	(571)	(33,312)
Equity-settled share-based payment	-	-	-	-	-	795	-	-	-	-	795	795	-	795
At 30 June 2020	80,807	955,457	(23,600)	(20,749)	(8,057)	8,025	8,731	51,872	(17,425)	(735,887)	218,367	299,174	(6,311)	292,863
<b>2021</b>														
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 income for the period	-	-	-	-	(1,620)	-	-	-	-	(34,517)	(36,137)	(36,137)	(227)	(36,364)
Issue of shares under subscription	16,000	24,000	-	-	-	-	-	-	-	-	24,000	40,000	-	40,000
At 30 June 2021	108,749	981,110	(23,395)	(20,749)	(1,111)	8,631	8,731	51,872	(71,264)	(1,096,613)	(162,788)	(54,039)	(8,342)	(62,381)

Notes:

- The special reserve represents the difference between the nominal amount of shares and share premium of 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 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.

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)

For the six months ended 30 June 2021

	<b>Six months ended 30 June 2021 (Unaudited) HK\$'000</b>	Six months ended 30 June 2020 (Unaudited) HK\$'000
Net cash used in operating activities	<b>(25,370)</b>	(34,058)
Net cash (used in)/from investing activities	<b>(13,957)</b>	5,431
Net cash outflow before financing activities	<b>(39,327)</b>	(28,627)
Net cash from financing activities	<b>16,206</b>	234
Net decrease in cash and cash equivalents	<b>(23,121)</b>	(28,393)
Cash and cash equivalents at beginning of the period	<b>26,023</b>	32,568
Effect of exchange rate fluctuations, net	<b>(1,172)</b>	2,045
Cash and cash equivalents at end of the period	<b>1,730</b>	6,220



# NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENT

## 1. CORPORATE INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands as an exempted company with limited liability under the Company 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 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 interim financial statements have been prepared in accordance with Hong Kong Accounting Standard 34, "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The condensed interim financial statements should be read in conjunction with the annual financial statements of the Group for the year ended 31 December 2020, which have been prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRSs"). These condensed 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 audited consolidated 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 June		Six months ended 30 June	
	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
Entertainment	6,540	17,076	12,527	24,718
Sports	3	–	1,187	1,614
Theme Park	1,251	1,760	2,515	4,000
<b>Total revenue</b>	<b>7,794</b>	<b>18,836</b>	<b>16,229</b>	<b>30,332</b>

### 4. SEGMENT INFORMATION

#### (a) Segment revenue and results

The following is an analysis of the Group's revenue and results from continued operations by reportable segment.

#### Six months ended 30 June

	2021 (Unaudited)				2020 (Unaudited)			
	Entertainment HK\$'000	Sports HK\$'000	Theme park HK\$'000	Consolidated HK\$'000	Entertainment HK\$'000	Sports HK\$'000	Theme park HK\$'000	Consolidated HK\$'000
<b>Segment revenue</b>								
Sale to external customers	12,527	1,187	2,515	16,229	24,718	1,614	4,000	30,332
<b>Segment results</b>	(11,393)	(1,293)	155	(12,531)	(11,778)	(2,305)	296	(13,787)
Unallocated income				-				811
Unallocated expenses				(22,197)				(21,923)
Loss before taxation				(34,728)				(34,899)
Taxation				-				86
Loss for the period				(34,728)				(34,813)

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in both years.

#### 4. SEGMENT INFORMATION (CONTINUED)

##### (a) Segment revenue and results (continued)

The accounting policies of the reporting segments are the same as the Group's accounting policies. Segment results represent the results achieved by each segment without allocation of central administration costs including Directors' emoluments, investment and other income, other gains and losses, finance costs, and income tax expenses. The measurement method described above was the method reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

##### (b) Segment assets and liabilities

	30 June 2021 (Unaudited)				31 December 2020 (Audited)			
	Entertainment HK\$'000	Sports HK\$'000	Theme park HK\$'000	Total HK\$'000	Entertainment HK\$'000	Sports HK\$'000	Theme park HK\$'000	Total HK\$'000
<b>Assets before the following items:</b>								
Goodwill	131,973	21,989	120,124	274,086	118,218	14,247	116,372	248,837
Intangible assets	-	20,168	-	20,168	-	20,168	-	20,168
Interest in an associate	54,452	-	117,439	171,891	60,934	-	117,455	178,389
	55	-	-	55	55	-	-	55
<b>Segment assets</b>	<b>186,480</b>	<b>42,157</b>	<b>237,563</b>	<b>466,200</b>	<b>179,207</b>	<b>34,415</b>	<b>233,827</b>	<b>447,449</b>
Unallocated assets				6,210				17,539
Consolidated total assets				<b>472,410</b>				<b>464,988</b>
<b>Segment liabilities</b>	<b>(16,631)</b>	<b>(16,481)</b>	<b>(34,971)</b>	<b>(68,083)</b>	<b>(14,403)</b>	<b>(11,046)</b>	<b>(23,713)</b>	<b>(49,162)</b>
Unallocated liabilities				(466,708)				(481,843)
Consolidated total liabilities				<b>(534,791)</b>				<b>(531,005)</b>

For the purposes of monitoring segment performance and allocating resources between segments:

- All assets are allocated to operating segments; and
- Other than convertible bonds, all liabilities are allocated to the sales/service activities of individual segments.

#### 4. SEGMENT INFORMATION (CONTINUED)

##### (c) Other segment information

Six months ended 30 June

	2021 (Unaudited)				2020 (Unaudited)			
	Entertainment	Sports	Theme park	Total	Entertainment	Sports	Theme park	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Amortisation of intangible assets	(4,640)	-	-	(4,640)	(5,699)	-	-	(5,699)
Depreciation of property, plant and equipment	(437)	-	-	(437)	(334)	-	-	(334)
(Loss)/gain on disposal of subsidiaries	-	-	-	-	(4,826)	-	-	(4,826)

##### (d) Geographic information

The Group's operations are principally located in Hong Kong and the PRC.

The Group's revenue from external customers by location of operations and information on its non-current assets by location of assets are detailed below:

	Revenue from external customers		Non-current assets	
	Six months ended 30 June		30 June	31 December
	2021 (Unaudited)	2020 (Unaudited)	2021 (Unaudited)	2020 (Audited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	10,127	13,250	70,168	70,172
PRC	3,724	6,500	280,583	288,344
Taiwan	2,378	10,431	3,946	576
USA	-	151	95	95
	16,229	30,332	354,792	359,187

Non-current assets presented above exclude financial instruments, interest in an associate and interest in joint ventures.

## 5. LOSS BEFORE TAXATION

Loss before taxation is stated after charging/(crediting):

	Three months ended		Six months ended	
	30 June		30 June	
	2021	2020	2021	2020
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Amortisation of right to use	124	997	184	1,993
Amortisation of intangible assets	1,412	2,850	4,640	5,699
Depreciation	211	173	437	334
(Loss)/gain on disposal of subsidiaries	-	(4,826)	-	(4,826)

## 6. 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 for the three months and six months ended 30 June 2021 and 2020. 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 three months and six months ended 30 June 2021 and 2020 based on existing legislation, interpretations and practices in respect thereof.

	Three months ended		Six months ended	
	30 June		30 June	
	2021	2020	2021	2020
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Current				
– Hong Kong	-	279	-	418
– PRC	-	(77)	-	-
Deferred tax	252	(252)	-	(504)
	252	(50)	-	(86)

## 7. DIVIDENDS

No dividends were paid, declared or proposed during the six months ended 30 June 2021 and 2020. The Directors of the Company do not recommend payment of interim dividend for the six months ended 30 June 2021 (for the six months ended 30 June 2020: Nil).

## 8. 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 June		Six months ended 30 June	
	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
Loss attributable to equity holders of the Company	<b>(16,266)</b>	(16,226)	<b>(34,517)</b>	(34,205)
	<b>2021 No. of Shares '000</b>	2020 No. of Shares '000	<b>2021 No. of Shares '000</b>	2020 No. of Shares '000
Shares	<b>2,530,891</b>	2,020,176	<b>2,530,891</b>	2,020,176
Weighted average number of ordinary shares in issue during the period	<b>2,530,891</b>	2,020,176	<b>2,530,891</b>	2,020,176
Basic loss per share	<b>HK(0.64) cents</b>	HK(0.80) cents	<b>HK(1.36) cents</b>	HK(1.69) cents

## 8. LOSS PER SHARE (CONTINUED)

### (b) Diluted loss per share

	Three months ended 30 June		Six months ended 30 June	
	2021	2020	2021	2020
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Loss attributable to equity holders of the Company	<b>(16,266)</b>	(16,226)	<b>(34,517)</b>	(34,205)
Effect of dilutive potential shares:				
– Interest on Convertible bonds, net of tax	–	–	–	–
Loss for the purpose of diluted loss per share	<b>(16,266)</b>	(16,226)	<b>(34,517)</b>	(34,205)
	<b>2021</b>	2020	<b>2021</b>	2020
	<b>No. of Shares</b>	No. of Shares	<b>No. of Shares</b>	No. of Shares
	<b>'000</b>	'000	<b>'000</b>	'000
Shares				
Weighted average number of ordinary shares in issue during the period	<b>2,530,891</b>	2,020,176	<b>2,530,891</b>	2,020,176
Effect of dilutive potential ordinary shares:				
– Convertible bonds	–	–	–	–
Weighted average number of shares for the purpose of calculating diluted loss per share	<b>2,530,891</b>	2,020,176	<b>2,530,891</b>	2,020,176
Diluted loss per share	<b>HK(0.64) cents</b>	HK(0.80) cents	<b>HK(1.36) cents</b>	HK\$(1.69) cents

## 9. ACCOUNTS AND OTHER RECEIVABLES

Note	<b>30 June 2021 (Unaudited) HK\$'000</b>	31 December 2020 (Audited) HK\$'000
<b>Accounts receivable</b>		
	<b>46,528</b>	40,991
	<b>(24,828)</b>	(24,828)
	<b>21,700</b>	16,163
<b>Prepayments and other receivables – current</b>		
	<b>20,349</b>	26,841
	<b>12,718</b>	1,778
(i)	<b>1,687</b>	1,668
	<b>34,754</b>	30,287
	<b>56,454</b>	46,450
<b>Prepayments – non-current</b>		
	<b>2,357</b>	2,357
	<b>50,000</b>	50,000
	<b>52,357</b>	52,357
	<b>108,811</b>	98,807

At the end of the reporting period, the ageing analysis of the accounts receivable by invoice date is as follows:

	<b>30 June 2021 (Unaudited) HK\$'000</b>	31 December 2020 (Audited) HK\$'000
0-30 days	<b>2,482</b>	5,220
31-90 days	<b>3,729</b>	6,161
91-365 days	<b>13,489</b>	801
Over 365 days	<b>2,000</b>	3,981
	<b>21,700</b>	16,163

Note (i) The amounts due are unsecured, interest-free and have no fixed repayment term. The carrying value of the amounts due approximate their fair value.



## 10. ACCOUNTS AND OTHER PAYABLES

		<b>30 June</b>	31 December
		<b>2021</b>	2020
		<b>(Unaudited)</b>	(Audited)
	Note	<b>HK\$'000</b>	HK\$'000
<b>Accounts payable</b>			
Accounts payable	(i)	<b>10,543</b>	500
<b>Other payables</b>			
Accrued charges and other payables		<b>22,408</b>	23,858
Due to the Directors	(ii)	<b>3,347</b>	2,155
Due to directors of subsidiaries of the Company	(iii)	<b>2,136</b>	2,080
		<b>27,891</b>	28,093
		<b>38,434</b>	28,593

**(i) Accounts payable**

At the end of the reporting period, the ageing analysis of accounts payables is in the range of zero to 30 days.

**(ii) Due to the Directors**

The amounts due to the Directors, are unsecured, interest-free and have no fixed repayment term. The carrying value of the amounts due to Directors approximate their fair value.

**(iii) Due to directors of subsidiaries of the Company**

The amounts due are unsecured, interest-free and have no fixed repayment term. The carrying value of the amounts due approximate their fair value.

## **11. 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 convertible bonds 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 since 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.

## **12. EVENTS AFTER REPORTING PERIOD**

There has been no material events since 30 June 2021 to the date of this announcement.

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

For the six months ended 30 June 2021, the Group recorded revenue of approximately HK\$16,229,000 (30 June 2020: approximately HK\$30,332,000) and a loss attributable to equity holders of the Company of approximately HK\$34,517,000 (30 June 2020: loss attributable to shareholders of the Company of approximately HK\$34,205,000). The businesses of the Group include the sports, entertainment and theme park segments.

### I. Sports Segment

The sports segment, 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 six months ended 30 June 2021, the sports segment recorded revenues of approximately HK\$1,187,000 (30 June 2020: approximately HK\$1,614,000). 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.

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.

## **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 six months ended 30 June 2021, the entertainment segment recorded revenues of approximately HK\$12,527,000 (30 June 2020: approximately HK\$24,718,000). The decrease in revenue is primarily attributable to the 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 are operated by Dream World Holdings Limited ("Dream World") and its subsidiaries (the "Dream World Group").

For the six months ended 30 June 2021, the theme park segment recorded revenues of approximately HK\$2,515,000 (30 June 2020: approximately HK\$4,000,000). The decrease in revenue is primarily attributable to the decrease in consultancy revenue.

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.

## **OUTLOOK**

The Group will continue to build on the aggressive expansion of the E-sports industry in the PRC and is 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 six months ended 30 June 2021, the Group recorded revenue of approximately HK\$16,229,000 as compared to approximately HK\$30,332,000 in 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 a net loss attributable to equity holders of approximately HK\$34,517,000 for the six months ended 30 June 2021, compared to a net loss attributable to equity holders of approximately HK\$34,205,000 in the corresponding period of 2020.

Administrative and other expenses for the six months ended 30 June 2021 amounted to approximately HK\$22,484,000 (30 June 2020: approximately HK\$29,785,000), representing an decrease of approximately 24.5% compared with the same period of last year. The decrease is primarily due to reduced business activities caused by the COVID-19 pandemic.

## **LIQUIDITY AND FINANCIAL RESOURCES**

As at 30 June 2021, the Group had current assets of approximately HK\$97,457,000 (31 December 2020: approximately HK\$98,262,000) and current liabilities of approximately HK\$511,937,000 (31 December 2020: approximately HK\$72,909,000). The current assets were comprised mainly of cash and bank balances of approximately HK\$1,730,000 (31 December 2020: approximately HK\$26,023,000), inventories of approximately HK\$38,030,000 (31 December 2020: approximately HK\$24,509,000) and together with accounts and other receivables of approximately HK\$56,454,000 (31 December 2020: approximately HK\$46,450,000). The Group's current liabilities were comprised mainly of accounts and other payables of approximately HK\$38,434,000 (31 December 2020: approximately HK\$28,593,000) and convertible bonds of approximately HK\$452,803,000. As at 30 June 2021, the Group had a current ratio of approximately 0.19 as compared to that of approximately 1.35 as at 31 December 2020.

## **TREASURY POLICY**

Most of the trading transactions, assets and liabilities of the Group are denominated in Hong Kong dollars and Renminbi. The Group adopts a conservative treasury policy with most of the bank deposits being kept in Hong Kong dollars, or in the local currencies of the operating subsidiaries to minimise exposure to foreign exchange risks. As at 30 June 2021, the Group had no foreign exchange contracts, interest or currency swaps or other financial derivatives for hedging purposes.

## **GEARING RATIO**

The gearing ratio (which is computed by consolidated borrowings divided by consolidated total equity) was not applicable (31 December 2020: Not applicable). As at 30 June 2021, total borrowings of the Group amounted to approximately HK\$Nil (31 December 2020: approximately HK\$25,000,000).

## **CHARGES ON GROUP ASSETS**

As at 30 June 2021, there is no charge on the assets of the Group to secure the bank borrowings and the available banking facilities.

## **FOREIGN EXCHANGE RISK**

Since almost all transactions of the Group are denominated either in Renminbi or Hong Kong dollars and most of the bank deposits are being kept in Hong Kong dollars, or in the local currencies of the operating subsidiaries to minimise exposure to foreign exchange risk, the Directors believe that there is no significant foreign exchange risk to the Group. Therefore, the Group has not implemented any formal hedging or other alternative policies to deal with such exposure.

## **CONTINGENT LIABILITIES**

As at 30 June 2021, the Group had no material contingent liabilities.

## **EMPLOYEE INFORMATION**

As at 30 June 2021, the Group had 63 (2020: 67) employees. The salary and benefit levels of the Group's employees are kept at a competitive level and employees are rewarded on a performance related basis with the general framework of the Group's salary and bonus system which is reviewed annually. Selected benefit programs including medical coverage and provident funds are also provided.

The Group also has an employee share option scheme to provide eligible employees a performance incentive for continuous and improved service with the Group and to enhance their contributions to increase profits by encouraging capital accumulation and share ownership.

## **SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS OR DISPOSALS**

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

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

As at 30 June 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 ("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 referred 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 ordinary shares and underlying shares of the Company

Name of Director or Chief Executive	Nature of interests	Number of shares interested	Approximate percentage or attributable percentage of shareholding (Note 4)
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, 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 is 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 30 June 2021.

Save as disclosed above, as at 30 June 2021, none of the Directors nor the 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 June 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	30 June	price	date	period
	2021	the period	the period	the period	2021	HK\$		
<b>Directors</b>								
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 THE SHARES AND UNDERLYING SHARES OF THE COMPANY

So far as is known to the Directors, as at 30 June 2021, the following persons (not being a Director 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 ordinary shares of the Company

<b>Name of substantial shareholder</b>	<b>Nature of interests</b>	<b>Number of shares interested</b>	<b>Approximate percentage or attributable percentage of shareholding (Note 4)</b>
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 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 of the Company. 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 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 30 June 2021.

Save as disclosed above, as at 30 June 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 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.

## **COMPETING INTERESTS**

The Directors believe that none of the Directors nor the controlling shareholders (as defined in the GEM Listing Rules) of the Company nor any of their respective close associates had an interest in a business which competes or may compete with the business of the Group during the six months ended 30 June 2021.

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

During the six months ended 30 June 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 six months ended 30 June 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.

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 six months ended 30 June 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, except for the following deviation:

Pursuant to Rule 5.05(1) and Rule 5.28 of the GEM Listing Rules, the Company shall have at least three independent non-executive directors and the audit committee must comprise a minimum of three members. Pursuant to Rule 5.34 of the GEM Listing Rules, the remuneration committee should be chaired by an independent non-executive Director and comprising a majority of independent non-executive Directors. Pursuant to Code Provision A.5.1 of the CG Code, the nomination committee should be chaired by the chairman of the Board or an independent non-executive Director. Following the resignation of Mr. Kwok Chi Sun, Vincent (the "Resignation") on 8 July 2021, the Company has two independent non-executive Directors and two audit committee members, the number of which falls below the minimum number required under Rule 5.05(1) and 5.28 of the GEM Listing Rules. In addition, the Company fails to meet the composition requirement of the remuneration committee under Rule 5.34 of the GEM Listing Rules and the composition requirement of the nomination committee under Code Provision A.5.1 of the CG Code. The Company is in the process of identifying suitable candidate to fill up the vacancy within three months from the date of the Resignation in order to comply with the GEM Listing Rules and will make further announcement(s) as and when appropriate.

## **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 June 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:

- (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 first quarterly updates on 30 June 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 June 2021 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 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 interim reports and quarterly reports. As at 30 June 2021, the Audit Committee comprises three members, Mr. Kwok Chi Sun, Vincent, Mr. Wong Tak Shing and Mr. Gou Yanlin, all of whom are independent non-executive Directors. The chairman of the Audit Committee is Mr. Kwok Chi Sun, Vincent.

The Group's unaudited interim results for the six months ended 30 June 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.

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

Hong Kong, 13 August 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. Wong Tak Shing and Mr. Gou Yanlin.*