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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, 22 June 2021 and 30 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 interim report of the Company for the six months ended 30 June 2021, the Group recorded a decrease in revenue and an increase in loss compared with that of the previous corresponding period primarily attributable to 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 the E-sports industry in the PRC 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 efforts to fulfil 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 development of the Theme Park was still in progress. In view of the latest construction progress of the Theme Park, the management is still unable to justify its expected completion date.

In order to address the disclaimer of opinion and to fulfil the Resumption Guidance, the Company has an intention to dispose the Theme Park Assets by the end of 2021 and is currently negotiating with potential strategic investors in respect of a possible disposal of the Theme Park Assets.

2. Multiple uncertainties relating to going concern

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 case in the legal point of view; if not, quantify the relevant financial impact arising from the case.

As at the date of this announcement, the Company are still in the mediation process with the Plaintiff regarding the Litigation and the settlement is still under negotiation.

The directors of the Company (the "**Directors**") are also taking additional measures to improve the liquidity and solvency position of the Group. These measures include speeding up the collection of receivables process and 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 comply with 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, 7 October 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.

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>.