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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 (i) the annual results announcement of the Company for the financial year ended 31 December 2020 (the “**FY2020 Annual Results Announcement**”) dated 31 March 2021; (ii) supplemental announcement in relation to the FY2020 Annual Results Announcement dated 7 October 2021; and (iii) the announcements of the Company dated 1 April 2021, 22 June 2021, 30 June 2021 and 7 October 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 same meanings as those defined in the FY2020 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 third quarterly report of the Company for the nine months ended 30 September 2021, the Group recorded revenue of approximately HK\$40,734,000 and net loss attributable to equity holders of the Company of approximately HK\$45,252,000.

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.

UPDATE ON RESUMPTION PROGRESS

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 FY2020 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.

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 fulfill the Resumption Guidance as at the date of this announcement as follows:

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

In order to address the disclaimer of opinion on impairment assessment of the Theme Park Assets, the Company has an intention to dispose the Dream World Group. The Company has already identified the potential purchaser and is currently finalizing the terms with potential purchaser in respect of a possible disposal of the Dream World Group (the "**Possible Disposal**").

In the event that the Possible Disposal materialises, it may constitute a notifiable transaction of the Company under the Listing Rules. Further announcement(s) in relation to the Possible Disposal will be made by the Company as and when appropriate in compliance with the Listing Rules.

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. The Company will make further announcement(s) as and when appropriate.

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, 5 January 2022

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. Hong Hui Lung, 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 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>.