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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)

VOLUNTARY ANNOUNCEMENT MEMORANDUM OF UNDERSTANDING IN RELATION TO A PROPOSED DISPOSAL

This announcement is made by China Digital Culture (Group) Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rule 17.10 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).

The board (the “**Board**”) of directors (the “**Directors**”) of the Company is pleased to announce that on 30 March 2022 (after trading hours), the Company (the “**Seller**”) entered into a non-legally binding memorandum of understanding (the “**MOU**”) with DJ Creative Venture Ltd, a potential purchaser (the “**Potential Purchaser**”). Pursuant to the MOU, the Potential Purchaser intends to acquire and the Seller intends to dispose of the Target Interests and the Target Rights beneficially held by the Seller in the Target Entities (the “**Proposed Disposal**”).

Principal Terms of the MOU

Date

30 March 2022 (after trading hours)

Parties

- (i) The Potential Purchaser; and
- (ii) the Seller

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Potential Purchaser and its ultimate beneficial owners are third parties independent of the Company and its connected persons (as defined under the GEM Listing Rules).

ASSETS PROPOSED TO BE DISPOSED

Pursuant to the MOU, the Potential Purchaser intends to acquire and the Seller intends to dispose of the Target Interests and the Target Rights beneficially held by the Seller in the Target Entities.

As of the date of this announcement, the Seller, directly and/or indirectly, controls, manages and operates "J Team" business and brand by holding certain shares and interests (the "**Target Interests**") in a series of legal entities (the "**Target Entities**") as well as certain contractual rights (the "**Target Rights**"); together with the Target Interests, collectively, the "**Target Assets**"). Particulars of Target Interests, Target Entities and Target Rights are set out below:

Particulars of Target Entities and Target Interests

1. 56.37% of all issued and outstanding share capital of Jieyi Wenchuang Company Limited* 杰藝文創有限公司, a company incorporated in the Taiwan with limited liability. It is an indirect wholly-owned subsidiary of the Company principally engaged in Business of training, nurturing and managing eSports teams and eSports broadcasters.

2. 100% equity interest of Beijing Orient Lixiang Culture Media Company Limited* 北京東方理想文化傳播有限公司, a company incorporated in PRC with limited liability, which in turns holds (i) 100% equity interest of Beijing Star Dream Investment Culture Company Limited* 北京明星夢投文化有限公司, a company incorporated in PRC with limited liability which in turns holds 100% equity interest of Khorgas Jieshuo Culture Communication Co, Ltd* 霍爾果斯傑碩文化傳播有限公司, a company incorporated in PRC with limited liability, (ii) 100% equity interest of Shanghai Xin Ke Culture Media Company Limited* 上海歆珂文化傳播有限公司, a company incorporated in PRC with limited liability and (iii) 51% equity interest of Beijing Digital Weixi Cultural and Creative Company Limited 北京數碼維稀文化創意有限公司; a company incorporated in PRC with limited liability.
3. 70% of all issued share capital of VGJ LLC, a company incorporated in the the United State with limited liability. It is owned as to 70% by the Company and is principally engaged in Management and operating of professional eSports teams.
4. 70% of equity interest of Dalian Jielun eSports Service Company Limited* 大連傑倫電子競技服務有限公司, a company incorporated in PRC with limited liability. It is owned as to 70% by the Company and is principally engaged in operation of E-Sports related competitions and events.
5. RMB10,000,000 capital commitment as a limited partner in 北京文資數碼投資基金管理中心 (有限合夥), which shall confer upon the holder the entitlement to the economic benefits that are derived out of or in connection with certain Series B+ Preferred Shares of VSPN Group Limited.

Particulars of Target Rights

1. Contractual rights as the licensee under the license agreement dated 4 April 2016 entered between Eastern Eagle Investment Company Limited as licensor and China Digital Culture (Group) Limited as licensee (the "License Agreement"), the term of which shall have been extended to no earlier than 3 April 2028;

2. All IP Rights* relating to “JTeam”, including the “JTeam” trademark and all rights as legal and beneficial owner of “JTeam” brand and assets under material contracts, including without limitation:
 - a) the use of the JTEAM brand for E-Sports related events in the PRC;
 - b) the use of the JTEAM brand for E-Sports education businesses in the PRC; and
 - c) the use of the JTEAM brand for development and sales of merchandise.
3. On the premise that the License Agreement is valid, the Potential Purchaser shall give the Seller a non-exclusive authorization for the use of item 2(a)(b) and (c) above.

CONSIDERATION

The Seller proposes to sell and the Potential Purchaser proposes to buy the Target Assets for an aggregate consideration at around HK\$18,000,000 subject to further adjustments made pursuant to due diligence investigations and the Formal Agreement.

A refundable deposit of HK\$1,800,000 shall be settled by the Potential Purchaser to the Seller in cash (the “**Deposit**”) within 10 days upon signing of this MOU.

EXCLUSIVITY

Both parties agreed, for a period of 90 days from the date of this MOU (“**Exclusivity Period**”), to negotiate the proposed transactions exclusively with each other and shall not commence or continue any discussions or negotiations with any other person with respect to the disposal of the Target Assets during the Exclusivity Period without the prior written consent of the other party.

*Remark: “IP Rights” includes, whether registerable or not, patents, inventions, industrial designs, know-how, trade secrets and other confidential information, registered designs, copyrights, design rights, rights affording equivalent protection to copyright and design rights, topography rights, trade marks, service marks, business names, trade names, moral rights, registration of or an application to register any of the aforesaid items, rights in the nature of any of the aforesaid items in any country, rights in the nature of unfair competition rights and rights to sue for passing-off, and any other intellectual property rights.

DUE DILIGENCE REVIEW

Pursuant to the MOU, the Potential Purchaser may perform due diligence review of the financial, legal, corporate, taxation and trading positions and prospects of Target Assets during the Exclusivity Period. The Seller has agreed to provide all necessary access and assistance to the Potential Purchaser in the performance of its due diligence review for the Target Assets.

FORMAL AGREEMENT

The Potential Purchaser and the Seller shall use their best endeavours to procure a legally binding formal agreement in relation to the Proposed Disposal (“**Formal Agreement**”) within the Exclusivity Period.

If the sale and purchase of the Target Assets does not take place by 30 June 2022 or a later date agreed upon by the both parties in writing, or the Exclusivity Period is expired, the Seller shall, within 3 days of the Potential Purchaser’s request, refund the Deposit without interest.

REASONS FOR AND BENEFIT OF THE PROPOSED DISPOSAL

Taking into account the historical financial performance of the Target Entities which has been loss-making for the preceding two financial years, the Directors considers that the Disposal represents a good opportunity for the Company to realise the investment in the Target Entities and optimise its cost structure.

The Proposed Disposal, if materialised, will generate an immediate cash inflow of approximately HK\$18,000,000, which would significantly help the Company to replenishes the working capital needs and improve its cash flow condition.

GENERAL

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

The Board wishes to emphasize that the cooperation contemplated under the MOU may or may not proceed and that the parties have not entered into a legally binding agreement in relation to the transaction contemplated under the MOU as at the date of this announcement. If the transactions contemplated under the MOU materialise, the Company will make further announcements as and when appropriate in accordance with the GEM Listing Rules. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the shares of the Company.

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

Hong Kong, 30 March 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. Gou Yanlin, Mr. Hong Hui Lung and Mr. Wang Ming Jiun.

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>.