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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, 7 October 2021, 5 January 2022 and 31 March 2022 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 “**Initial Resumption Guidance**”) and the additional resumption guidance issued by Stock Exchange on 2 April 2022 (the “**Additional 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.

According to the unaudited consolidated financial information of the Group for the year ended 31 December 2021, the Group recorded revenue of approximately HK\$62,667,000 and loss for the year of approximately HK\$45,747,000 respectively.

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 Initial 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.

In addition to the Initial Resumption Guidance, on 21 April 2022, the Stock Exchange issued Additional Resumption Guidance for the resumption of trading in shares of the Company. Details of the Additional Resumption Guidance are as follows:

- i. publish all outstanding financial results required under the Listing Rules and address any audit modifications;
- ii. demonstrate the Company's compliance with Rule 17.26 of the GEM Listing Rules;

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 Initial Resumption Guidance and the Additional Resumption Guidance (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 view of the latest status of the Theme Park, the Directors believe the prospect of the Theme Park business carried out by Dream World Holdings Limited is subject to grave uncertainty and has considered to dispose the entire issued share capital of Dream World Holdings Limited (the "**Disposal Company**").

On 4 March 2022, the Company, being the vendor entered into a disposal agreement (the "**Disposal Agreement**") with China Minsheng Foundation Group Co., Ltd* 中民基業集團有限公司, being the purchaser (the "**Purchaser**"), whereby the Purchaser has conditionally agreed to purchase and the Company has conditionally agreed to sell the entire issued share capital of the Disposal Company at the consideration of HK\$50,000,000 (the "**Disposal**"). Completion of the Disposal is conditional upon satisfaction of all of the conditions precedent to the Disposal Agreement. Details of which are set out in the announcement of the Company dated 4 March 2022. As at the date of this announcement, the due diligence work carried out by the Purchaser has not been completed, the Disposal is still in progress.

Upon Completion, the Company will cease to hold any interest in the Disposal Company and the Disposal Company will cease to be a subsidiary of the Company. The financial results of the Disposal Company and the Theme Park Assets will no longer be consolidated into the Group's financial statements. The Directors expect that the issue giving rise to the disclaimer of opinion on impairment assessment of the Theme Park Assets will be resolved upon the completion of Disposal .

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.

* For identification purpose only

As at the date of this announcement, the Company are still in the mediation process with the Plaintiff in order to settle the Litigation. The Company has proposed to settle the convertible bonds by making a partial payment on the principal using the proceeds from the Disposal and having the plaintiff to convert the remaining convertible bonds into the Shares of the Company. The Company and the Plaintiff are in continued negotiations regarding the proposed settlement plan.

3. Update on the publication of 2021 Audited Annual Result and 2021 Annual Report

Due to travel restrictions and quarantine measures in force in parts of Mainland China and Hong Kong imposed by the relevant authorities to combat the COVID-19 outbreak, the auditing process of the annual results of the Group for the year ended 31 December 2021 has not been completed as scheduled. Therefore, the Company was not able to publish its audited annual results for the year ended 31 December 2021 on or before 31 March 2022.

As at the date of this announcement, the Auditors still need additional time to complete their audit procedures, including but not limited to (i) the information of audit confirmation from debtors and financial institutions; and (ii) various accounting balances and valuation reports of financial investments. As a result of which, the Auditors will require additional time to complete the necessary audit work so as to finalize the 2021 Audited Annual Results, and the publication of the 2021 Audited Annual Results and the 2021 Annual Report will hence be further delayed and it is expected the 2021 Audited Annual Results and the 2021 Annual Report will be published on or before 31 July 2022.

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, 30 June 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. Wang Ming Jiun 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>.