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China Creative Digital Entertainment Limited **中國創意數碼娛樂有限公司**

(formerly known as HMV Digital China Group Limited)

(Incorporated in Bermuda with limited liability)

(Stock Code: 8078)

Voluntary Announcement on Litigation

Reference is made to the announcement made by China Creative Digital Entertainment Limited (the “**Company**”) dated 17 December 2018 and 10 July 2019 in relation to the Legal Proceedings (the “**Announcements**”) in respect of the litigation. Capitalized terms used herein, unless otherwise defined, shall have the same meanings as those defined in the Announcements.

The board of the Company (the “**Board**”) would like to provide the following supplemental information to the Announcements.

THE LEGAL PROCEEDINGS

The Originating Summons filed by the Plaintiff concerned the default in payment by Ocean Bridge Investments Limited (“**Ocean Bridge**”) of a loan facility advanced by the Plaintiff to Ocean Bridge in 2017 (the “**Loan Facility**”). The Vendor and the Company were guarantors to the concerned Loan Facility. A first legal charge was entered in respect of the Property in favour of the Plaintiff.

The Plaintiff subsequently entered into a loan sale and transfer agreement, whereby all rights and interest in and arising out of the Loan Facility (including all security thereto) were assigned to a third party.

THE DISPOSAL

Date of the Sale and Purchase Agreement: 25 June 2019 (the “**Agreement**”)

Parties: (i) King Universe Inc Limited (the “**Vendor**”);
(ii) China Creative Digital Entertainment Limited (the “**Guarantor**” or the “**Company**”);
(iii) Hammer Capital Holdings Limited (the “**Purchaser**”)

To the best of the Directors’ knowledge, information and belief and having made all reasonable enquiries, the Purchaser and its beneficial owner(s) are Independent Third Parties.

Assets to be disposed of

Pursuant to the Agreement, the Vendor agreed to sell and the Purchaser agreed to purchase the Sale Share, being two ordinary shares in the capital of Ocean Bridge, representing the entire issued share capital of Ocean Bridge.

Consideration

The Consideration for the Sale Share was HK\$1, which was satisfied by the Purchaser to the Vendor upon Completion by cash. The Consideration was determined after arm’s length negotiation between the parties with reference to net position of Ocean Bridge. Accordingly, the Directors consider that the Consideration and the terms and conditions of the Agreement are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

Conditions Precedent to the Agreement

Completion was subject to the fulfilment or (if applicable) waiver of the Conditions:

- (a) Good title to the Property having been proved in accordance with Section 13 of the Conveyancing and Property Ordinance (Cap. 219) of the Laws of Hong Kong) free from Encumbrance (save for the Mortgages);
- (b) Ocean Bridge giving good title to the Property in accordance with Section 13A of the Conveyancing and Property Ordinance free from Encumbrance (save from the Mortgages);
- (c) the Purchaser having been furnished evidence to its satisfaction at its sole discretion of delivery by the Vendor and the Guarantor to the Vendor’s solicitors of the respective documents required to be delivered by each of them at Completion; and

- (d) The Mortgage Loan Assignments having been entered into and, save for the condition precedent relating to satisfaction or waiver of the Conditions under this Agreement, all conditions precedent to the completion of transactions under the Mortgage Loan Assignments (including but not limited to assignment of the Mortgages in favour of the Purchaser and assignment of the respective loans which the Mortgages secure) having been satisfied (or waived) as determined at the sole discretion of the Purchaser.

Completion

Completion took place on 2 July 2019.

Other Provisions

All stamp duties chargeable on the transfer of the Sale Share shall be borne by the Purchaser.

INFORMATION ON THE GROUP

The Group is principally engaged in (i) artiste management services, (ii) distribution and production of films, television programmes and music production, (iii) money lending, and (iv) securities and bond investment.

INFORMATION ON OCEAN BRIDGE

Ocean Bridge is principally holding of the Property. Apart from the Property, Ocean Bridge does not own or hold any other significant asset. It was purchased by the Group on 14 December 2017 at a total consideration of HK\$100,000,000 which was satisfied by cash of HK\$15,000,000, issue of promissory note of HK\$35,000,000 and offset with the loan receivable of HK\$50,000,000. As of the date of acquisition, Ocean Bridge had a net borrowing of HK\$173,000,000. Set out below is the audited financial information for the financial year ended 31 December 2018 and the unaudited financial information for the period from 1 January 2019 to 30 April 2019 of Ocean Bridge:

	For the period from 1 January 2019 to 30 April 2019 (unaudited)	For the year ended 31 December 2018 (audited)
Revenue	—	—
Loss before taxation	118,906,103	22,208,083
Loss after taxation	118,906,103	22,208,083

Ocean Bridge recorded unaudited net liabilities of approximately HK\$200,112,560 as at 30 April 2019. Upon Completion, Ocean Bridge will cease to be a subsidiary of the Company. The financial results of Ocean Bridge will no longer be consolidated into the Group's financial statements.

FINANCIAL IMPACT OF THE DISPOSAL ON THE GROUP

The Company is estimated to book a loss in the amount of approximately HK\$73,846,000 in respect of the Disposal. The loss is calculated with reference to the sale proceeds attributable to the Company after deducting relevant transaction costs and expenses, unaudited net liabilities of Ocean Bridge and the adjustment between the book value of HK\$24,040,950 and the fair value of HK\$298,000,000 of the Property as at 30 June 2018. The aforesaid estimation is for illustrative purpose only and does not purport to represent how the financial position of the Group will be after Completion, which is subject to review and confirmation by the Company's auditors.

REASONS FOR AND BENEFITS OF THE DISPOSAL AND USE OF PROCEEDS

As the property does not currently generate any revenue and its attached mortgage loan remains substantial, the Board considers the Disposal represents a good opportunity to lower the gearing ratio of the Group while reducing interest payment. The Directors are of the view that the terms of the Disposal are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole. There is no net proceeds of the Disposal after deducting relevant transaction costs and expenses.

Save for the above, all other information and contents set out in the Announcements remain unchanged.

By Order of the Board
China Creative Digital Entertainment Limited
Shiu Stephen Junior
Chairman

Hong Kong, 17 July 2019

As at the date hereof, the Board comprises Mr. Shiu Stephen Junior (Chairman), Ms. Li Mau, Mr. Sun Lap Key, Christopher, Mr. Lee Wing Ho, Albert as Executive Directors; Mr. Lee King Fui, King, Mr. Lee Wing Lun, Ms. Yang Yusi as Independent Non-executive Directors.

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 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.

This announcement will remain on the GEM website at www.hkgem.com on the “Latest Company Announcements” page for seven days from the day of its posting and on the website of the Company at www.china3d8078.com.