



環球數碼

GLOBAL DIGITAL CREATIONS HOLDINGS LIMITED

環球數碼創意控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 8271)

**THIRD QUARTERLY RESULTS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2022**

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* For identification purpose only

THIRD QUARTERLY RESULTS

The board of Directors (the “Board”) of the Company hereby announces the unaudited condensed consolidated financial results of the Company and its subsidiaries (the “Group”) for the three months and nine months ended 30 September 2022 with comparative figures for the corresponding periods in the year 2021.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		(Unaudited)		(Unaudited)	
		Three months ended		Nine months ended	
		30 September		30 September	
		2022	2021	2022	2021
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Continuing operations					
Revenue	3	18,456	20,360	53,285	65,377
Cost of sales		(13,027)	(15,983)	(33,611)	(34,848)
Gross profit		5,429	4,377	19,674	30,529
Other income	4	2,262	12,183	10,465	17,637
Distribution and selling expenses		(506)	(544)	(2,266)	(10,769)
Administrative expenses		(8,511)	(8,851)	(26,389)	(28,637)
Reversal of provision for impairment of financial assets and contract asset		–	–	241	–
Other gains/(losses), net	5	3	51	38	(24)
Operating profit		(1,323)	7,216	1,763	8,736
Finance cost		(5)	(1)	(18)	(6)
(Loss)/profit before income tax		(1,328)	7,215	1,745	8,730
Income tax credit/(expense)	6	364	(1,783)	(551)	(2,480)
(Loss)/profit for the period from continuing operations		(964)	5,432	1,194	6,250
Discontinued operation					
Loss for the period from discontinued operation	7	(2,207)	(1,498)	(9,692)	(13,903)
(Loss)/profit for the period		(3,171)	3,934	(8,498)	(7,653)

	(Unaudited)		(Unaudited)	
	Three months ended		Nine months ended	
	30 September		30 September	
	2022	2021	2022	2021
<i>Note</i>	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Other comprehensive income for the period				
Item that will not be reclassified to profit or loss:				
Exchange differences on translation to presentation currency	(19,274)	865	(33,790)	4,535
Other comprehensive (loss)/income for the period	(19,274)	865	(33,790)	4,535
Total comprehensive (loss)/income for the period	(22,445)	4,799	(42,288)	(3,118)
(Loss)/profit for the period attributable to:				
Owners of the Company				
– Continuing operations	(964)	5,432	1,194	6,250
– Discontinued operation	(1,502)	(1,019)	(6,591)	(9,454)
	(2,466)	4,413	(5,397)	(3,204)
Non-controlling interests				
– Continuing operations	–	–	–	–
– Discontinued operation	(705)	(479)	(3,101)	(4,449)
	(705)	(479)	(3,101)	(4,449)
	(3,171)	3,934	(8,498)	(7,653)

	<i>Note</i>	(Unaudited)		(Unaudited)	
		Three months ended		Nine months ended	
		30 September		30 September	
		2022	2021	2022	2021
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Total comprehensive (loss)/					
income for the period					
attributable to:					
Owners of the Company					
– Continuing operations		(45,525)	7,343	(76,811)	16,816
– Discontinued operation		15,708	(1,730)	23,500	(13,555)
		(29,817)	5,613	(53,311)	3,261
Non-controlling interests					
– Continuing operations		–	–	–	–
– Discontinued operation		7,372	(814)	11,023	(6,379)
		7,372	(814)	11,023	(6,379)
		(22,445)	4,799	(42,288)	(3,118)
		HK cents	HK cents	HK cents	HK cents
(Loss)/earnings per share					
attributable to owners of					
the Company					
Basic and diluted (loss)/					
earnings per share					
– Continuing operations	8	(0.06)	0.36	0.08	0.41
– Discontinued operation	8	(0.10)	(0.07)	(0.43)	(0.63)
		(0.16)	0.29	(0.35)	(0.22)

NOTES:

1. BASIS OF PREPARATION

The unaudited condensed consolidated statement of comprehensive income have been prepared in accordance with applicable disclosure requirements of Chapter 18 of the GEM Listing Rules.

2. PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated statement of comprehensive income have been prepared on the historical cost basis except for certain properties and financial instruments, which are measured at fair values, as appropriate.

The accounting policies and methods of computation used in the unaudited condensed consolidated statement of comprehensive income for the nine months ended 30 September 2022 are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2021, except for the estimation of income taxes which are accrued using the tax rate that would be applicable to expected total annual earnings.

The Group has applied, for the first time, certain new and amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants that are mandatorily effective for the current reporting period for the preparation of the Group's unaudited condensed consolidated statement of comprehensive income.

3. REVENUE

An analysis of the Group's revenue from continuing operations is as follows:

	(Unaudited)		(Unaudited)	
	Three months ended		Nine months ended	
	30 September		30 September	
	2022	2021	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from computer graphic ("CG") production	3,284	79	8,072	2,545
Revenue from television programmes and movies	617	4,143	1,638	15,766
Management services fee	3,957	4,149	10,245	11,115
Consultancy fee income	42	–	493	–
Rental income	10,556	11,989	32,837	35,951
	18,456	20,360	53,285	65,377

4. OTHER INCOME

	(Unaudited)		(Unaudited)	
	Three months ended		Nine months ended	
	30 September		30 September	
	2022	2021	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Continuing operations				
Government grants	51	9,813	3,760	11,364
Interest income	2,070	2,296	6,459	6,119
Others	141	74	246	154
	<u>2,262</u>	<u>12,183</u>	<u>10,465</u>	<u>17,637</u>

5. OTHER GAINS/(LOSSES), NET

	(Unaudited)		(Unaudited)	
	Three months ended		Nine months ended	
	30 September		30 September	
	2022	2021	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Continuing operations				
Gain on disposal of property, plant and equipment	–	70	–	70
Exchange gains/(losses), net	3	(19)	38	(94)
	<u>3</u>	<u>51</u>	<u>38</u>	<u>(24)</u>

6. INCOME TAX CREDIT/(EXPENSE)

Hong Kong profits tax

Hong Kong profits tax is calculated at 16.5% of the assessable profit for the nine months ended 30 September 2022 and 2021.

No provision for Hong Kong profits tax has been made for the nine months ended 30 September 2022 and 2021.

PRC corporate income tax

Under the Law of the PRC on Corporate Income Tax (the “CIT Law”) and Implementation Regulation of the CIT Law, the tax rate of the subsidiaries in Mainland China (for the purpose of this announcement, “Mainland China” refers to the mainland of the People’s Republic of China (the “PRC”) and does not include Hong Kong, Macau and Taiwan) is 25%, except for two subsidiaries (nine months ended 30 September 2021: same) of the Group in the Mainland China which were approved as High and New Technology Enterprise and accordingly, it is subject to a reduced preferential CIT rate of 15% for a 3-year period according to the applicable CIT Law, for the nine months ended 30 September 2022 and 2021.

Provision for PRC corporate income tax amounted to HK\$551,000 has been made for the nine months ended 30 September 2022 (nine months ended 30 September 2021: HK\$2,480,000).

7. DISCONTINUED OPERATION

The 珠影文化產業園 (the “Cultural Park”) operation was classified as discontinued operation with effect from 1 December 2018. Certain costs continued to be incurred during the nine months ended 30 September 2022 as the matters as set out in “MANAGEMENT DISCUSSION AND ANALYSIS – LITIGATIONS” remain unsolved.

The results of the discontinued operation for the three months and nine months ended 30 September 2022 and 2021 were as follows:

	(Unaudited)		(Unaudited)	
	Three months ended		Nine months ended	
	30 September		30 September	
	2022	2021	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Other income	–	–	5	340
Administrative expenses	(226)	(697)	(3,626)	(9,562)
Provision for rental and settlement expenses	<u>(1,981)</u>	<u>(2,028)</u>	<u>(6,071)</u>	<u>(5,856)</u>
Loss before income tax	(2,207)	(2,725)	(9,692)	(15,078)
Income tax credit	<u>–</u>	<u>1,227</u>	<u>–</u>	<u>1,175</u>
Loss for the period from discontinued operation	<u>(2,207)</u>	<u>(1,498)</u>	<u>(9,692)</u>	<u>(13,903)</u>

8. (LOSS)/EARNINGS PER SHARE

	(Unaudited)		(Unaudited)	
	Three months ended		Nine months ended	
	30 September		30 September	
	2022	2021	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
(Loss)/profit attributable to owners of the Company:				
– Continuing operations	(964)	5,432	1,194	6,250
– Discontinued operation	<u>(1,502)</u>	<u>(1,019)</u>	<u>(6,591)</u>	<u>(9,454)</u>
	<u>(2,466)</u>	<u>4,413</u>	<u>(5,397)</u>	<u>(3,204)</u>

	(Unaudited)		(Unaudited)	
	Three months ended		Nine months ended	
	30 September		30 September	
	2022	2021	2022	2021
	No. of	No. of	No. of	No. of
	shares	shares	shares	shares
	'000	'000	'000	'000
Weighted average number of ordinary shares in issue	1,508,262	1,510,036	1,508,262	1,510,036
	1,508,262	1,510,036	1,508,262	1,510,036
	(Unaudited)		(Unaudited)	
	Three months ended		Nine months ended	
	30 September		30 September	
	2022	2021	2022	2021
	HK cents	HK cents	HK cents	HK cents
Basic and diluted (loss)/earnings per share				
– Continuing operations	(0.06)	0.36	0.08	0.41
– Discontinued operation	(0.10)	(0.07)	(0.43)	(0.63)
Total basic and diluted (loss)/earnings per share	(0.16)	0.29	(0.35)	(0.22)
	(0.16)	0.29	(0.35)	(0.22)

Basic (loss)/earnings per share is calculated by dividing the (loss)/profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the period excluding ordinary shares repurchased by the Company.

Diluted (loss)/earnings per share is the same as basic (loss)/earnings per share as there were no potential dilutive ordinary shares outstanding during the nine months ended 30 September 2022 (nine months ended 30 September 2021: same).

9. UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company												
	Share capital <i>HK\$ '000</i>	Share premium reserve <i>HK\$ '000</i>	Capital Contributed			Property			Special reserve <i>HK\$ '000</i>	Retained earnings <i>HK\$ '000</i>	Sub-total <i>HK\$ '000</i>	Non-controlling interests <i>HK\$ '000</i>	Total <i>HK\$ '000</i>
			contribution reserve <i>HK\$ '000</i>	surplus reserve <i>HK\$ '000</i>	Statutory reserve <i>HK\$ '000</i>	revaluation reserve <i>HK\$ '000</i>	Exchange reserve <i>HK\$ '000</i>						
At 1 January 2022 (audited)	15,083	74,941	445	245,881	11,061	45,787	8,847	17,860	86,591	506,496	(142,681)	363,815	
Comprehensive loss	-	-	-	-	-	-	-	-	(5,397)	(5,397)	(3,101)	(8,498)	
Loss for the period	-	-	-	-	-	-	-	-	-	-	-	-	
Other comprehensive (loss)/income	-	-	-	-	-	-	(47,914)	-	-	(47,914)	14,124	(33,790)	
Currency translation differences	-	-	-	-	-	-	(47,914)	-	-	(47,914)	14,124	(33,790)	
Other comprehensive (loss)/income for the period	-	-	-	-	-	-	(47,914)	-	-	(47,914)	14,124	(33,790)	
Total comprehensive (loss)/income for the period	-	-	-	-	-	-	(47,914)	-	(5,397)	(53,311)	11,023	(42,288)	
At 30 September 2022 (unaudited)	15,083	74,941	445	245,881	11,061	45,787	(39,067)	17,860	81,194	453,185	(131,658)	321,527	

Attributable to owners of the Company

	Share capital HK\$ '000	Share premium reserve HK\$ '000	Capital contribution reserve HK\$ '000	Contributed surplus reserve HK\$ '000	Statutory reserve HK\$ '000	Property revaluation reserve HK\$ '000	Exchange reserve HK\$ '000	Special reserve HK\$ '000	Retained earnings HK\$ '000	Sub-total HK\$ '000	Non-controlling interests HK\$ '000	Total HK\$ '000
At 1 January 2021 (audited)	15,100	75,116	445	245,881	9,804	45,787	(5,192)	(1,953)	82,180	467,168	(134,068)	333,100
Comprehensive loss												
Loss for the period	-	-	-	-	-	-	-	-	(3,204)	(3,204)	(4,449)	(7,653)
Other comprehensive income/(loss)												
Currency translation differences	-	-	-	-	-	-	6,465	-	-	6,465	(1,930)	4,535
Other comprehensive income/(loss) for the period	-	-	-	-	-	-	6,465	-	-	6,465	(1,930)	4,535
Total comprehensive income/(loss) for the period	-	-	-	-	-	-	6,465	-	(3,204)	3,261	(6,379)	(3,118)
Transactions with owners												
Partial disposal of equity interest in a subsidiary	-	-	-	-	-	-	-	19,813	-	19,813	359	20,172
Total transactions with owners	-	-	-	-	-	-	-	19,813	-	19,813	359	20,172
At 30 September 2021 (unaudited)	15,100	75,116	445	245,881	9,804	45,787	1,273	17,860	78,976	490,242	(140,088)	350,154

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the nine months ended 30 September 2022 (nine months ended 30 September 2021: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

For the nine months ended 30 September 2022 (the “Period”), revenue from the continuing operations amounted to HK\$53,285,000, representing a decrease of HK\$12,092,000 as compared with HK\$65,377,000 for the corresponding period of 2021, which was mainly due to the impact of the pandemic, which led to the decrease of revenue from original projects and rental income. Due to the recurrent pandemic in the first three quarters of 2022, the Group had no film released for the Period, which led to the decrease of revenue from original projects. In addition, under the impact of the pandemic and general market condition, rental income has also gone through a considerable extent of adjustment. During the Period, the Group actively developed the production of the virtual characters business, which led to an increase of HK\$5,527,000 as compared with the revenue in the production business of CG for the corresponding period of last year.

Cost of sales from the continuing operations for the Period amounted to HK\$33,611,000, representing a decrease of HK\$1,237,000 as compared with HK\$34,848,000 for the corresponding period of 2021, which was mainly attributable to the combined effect of the decrease in costs of original projects and the increase in costs of production of virtual characters.

Other income from the continuing operations for the Period amounted to HK\$10,465,000 (nine months ended 30 September 2021: HK\$17,637,000) was mainly from interest income of HK\$6,459,000 and government grants of HK\$3,760,000.

Distribution and selling expenses from the continuing operations for the Period amounted to HK\$2,266,000, representing a decrease of HK\$8,503,000 as compared with HK\$10,769,000 for the corresponding period of 2021, which was mainly attributable to the decrease in marketing expenses arising from film distribution.

Administrative expenses from the continuing operations for the Period amounted to HK\$26,389,000, representing a decrease of HK\$2,248,000 as compared with HK\$28,637,000 for the corresponding period of last year, which was mainly attributable to the decreases in staff costs and office running costs.

Finance costs from continuing operations for the Period amounted to HK\$18,000 (nine months ended 30 September 2021: HK\$6,000). The Group does not have any loans and such finance costs for the Period arose from interest expense of the lease liabilities recognised under HKFRS 16.

Loss recorded from the discontinued operation for the Period amounted to HK\$9,692,000, representing the loss decreased by HK\$4,211,000 as compared with the loss recorded of HK\$13,903,000 for the corresponding period of last year, which was mainly attributable to the decrease in litigation expenses and operating expenses for the Period.

BUSINESS REVIEW AND OUTLOOK

CG Creation and Production

The revenue of the CG creation and production division of the Group was mainly attributable to: (1) the income from production services of animated films, television series, games and digital virtual characters; (2) box office receipts of animated films; (3) licensing income of animated films and television series; and (4) licensing income derived from the animated intellectual property (“IP”).

In the first three quarters of 2022, the recurrent COVID-19 pandemic had a significant impact on the industry and the region. In the first half of the year, in response to the COVID-19 outbreak, the Chinese government took stringent prevention and control measures, which affected business operations. In the third quarter, the Group strived to expand its business and catch up with the progress with creative production, and achieved steady results.

A total of two animated films were produced in the first three quarters of 2022. One is the Yangtze River-themed animated film “Finless Porpoise: Dance in the Wind”* (《江豚：風時舞》) (tentative name of the film), which is coproduced with Jiangxi Cultural Performance Group and Jiangxi Hukou Cultural Tourism Group. The Group is responsible for the creation, production and publicity of the entire film. The post-production has been completed and is scheduled to be released next year. The other one is the ocean-themed animated film “Around the Earth in 80 Days”* (《環遊地球80天》) (tentative name of the film), where the pre-production and trailer have been completed and will enter the mid-production stage.

With the rapid development of the Metaverse industry, the Group has accelerated the development of its metaverse business centered around virtual characters. The core technology has been continuously improved, and the product system has been continuously enriched. The entry point to the metaverse is the virtual characters. The Group has been deeply cultivating the metaverse field, and has independently developed and completed the automatic text-to-speech broadcast product of the virtual character in the virtual character field. At present, it has completed the automatic broadcast service for the virtual character of the Bank of Beijing. The Group has made up for the shortcomings of the hyper-realistic virtual character business. The hyper-realistic virtual character “Jin Xiaohui”* (金小慧) created by the Group for the domestic Jinhui Awards has won wide acclaim both inside and outside the industry. The Group has undertaken the production of the “Qualcomm Snapdragon Virtual Idol”* (高通驍龍虛擬偶像) project, where the film-level virtual character short film was completed and broadcast at the Qualcomm Snapdragon Conference and received the highest attention.

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The Group has made great achievements in the field of virtual character integrated marketing through virtual character live broadcast technology. In January 2022, it held a virtual character livestream for the world-renowned skin care brand Kiehl's. As the livestream was stable with no delay, the livestream received 5.32 million online viewers and 29.81 million views within two weeks. The project was rated as the Metaverse Innovation Application Case by the China Academy of Information and Communications Technology, and was included in the "Application Case Collection of Industry Metaverse Innovation". It was also shortlisted for the TMA Metaverse Avatar Marketing Contest. The Group collaborated with Tencent Cloud and Tencent AI Lab and created a high-fidelity virtual character "Yuanxin" * (元心) based on financial scenario operation services. In cooperation with Bank of Beijing, Shanghai Pudong Development Bank and Changsha Bank, the Group also participated in promotion through virtual character "Yuanxin" * (元心) as a financial assistant.

The game production center established by the Group has become the supplier of Tencent's IEG interactive entertainment business group, undertaking high-end game art and animation production. Some projects are currently in progress.

New Cultural and Sports Space

GDC Building in Shenzhen continued to attract high-quality animated film and television, high technology and cultural and creative enterprises. The Group utilized its self-developed cloud platform for cloud information processing to provide professional operation management services for the properties, continued to enhance the digital technology management system and improved ancillary facilities and services.

To empower the urban renewal with technology, the preparation for the Chengdu Sports Park project* (成都體育公園項目) is in progress. The project focuses on the philosophy of "Cultural IP + Technology + Sports", forming a special package with a composite business model, gaining commercial forces around six aspects: matching, differentiation, theme, purpose, coordination, and vision. It integrates sports, leisure and smart experience, creates a project quality label, and rejuvenates the sports park. In addition, several other projects that positioned as combining virtual and reality with the concept of metaverse has introduced to the industry and also positioned as bases for motion capture are also in progress. The newly developed smart city business facilitated the creation of a smart city.

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Research and Development

The Group has first-mover advantage in the construction of Metaverse application technology, as well as possesses application and business experience in the areas such as digital virtual simulation and full-real digital natives, and has formed software and hardware solutions of automatic control integrated system, highly accurate full-body motion capture, and artificial intelligence control, which can be applied to enterprise digital employees, digital scenario and virtual spokespersons and customized services for digital scenarios. The research and development team has completed the development of computer animated character and artificial intelligence engine driver interface, as well as optimized the production process and technics continuously. The Group has also continued to enhance the improvement and application of new technologies such as unreal game engine and real-time rendering for lightings, and has conducted continuous product marketization for its own IP – CG Aline cloud platform, an automated management system.

The hyperparameter artificial intelligence machine learning model is introduced by the Group to enhance the efficiency of processing the artificial intelligence machine learning of virtual characters and to improve the controllability of the intelligent virtual characters' functions. In this regard, the intelligent and highly imitated voice broadcast, intelligent action movement and intelligent dialogue of digital virtual characters are realized. The hyperparameter artificial intelligence technology has been practically applied in the Kiehl's virtual character project, and has been highly recognized by customers and brands.

Government Awards

As for government awards, the Group applied for 25 awards of events such as the China-Europe Animation Cooperation Online Dialogue, Hong Kong International Film and TV Market, 2022 China International Children's Film Festival, the first Beijing Animation Week, Nanshan Enterprise TOP Summit, and the National "Five-One Project" Award. It obtained the title of small and medium-sized technology enterprise, was approved as the sub-venue of the 18th China (Shenzhen) International Cultural Industries Fair and was awarded the Shenzhen Child-Friendly Practice Base* (深圳市兒童友好實踐基地), the Outstanding Creativity Award of the 5th Animated Short Film Contest of Socialist Core Values* (第五屆社會主義核心價值觀動畫短片扶持創作活動優秀創意獎), the Third Prize of Guangdong Radio and Film Awards* (廣東省廣播影視獎三等獎), the Gold Award of the 10th Shenzhen Copyright Works* (第十屆深圳版權作品金獎) and the 2nd Cross-Strait Excellent Film and Television Works Cloud Exhibition* (第二屆海峽兩岸優秀影視作品雲展覽); it was also shortlisted for the Venture Capital Conference of the 2022 Nanjing (International) Animation* (2022南京(國際)動漫創投大會入圍). In terms of intellectual property rights, in the first three quarters of 2022, a total of 2 invention patents, 20 computer software copyrights and 1 work copyright were obtained.

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Outlook

Animated film and television business will continue to explore the unique, local cultural content, and develop multiple themes such as ocean exploration, Yangtze River stories, Chinese mythology and science fictions in the future. Self-production and co-production modes will both be adopted to produce one to two animated films every year. The Group strives to produce good Chinese stories through cutting-edge computer animation technology and novel art style. In terms of the undertaking and production of animated films business, the Group will continue to provide high-quality and stable production services. The Group will undertake the customization of digital virtual characters and form a platform business model to expand market shares.

Following the inception of Sports Park project in Chengdu* (成都體育公園項目), the Group will embrace “Cultural IP + Technology + Sports” as the core strategy, operate the new cultural and sports space with the concept of commercialization, and create an innovative ecological sports park, thereby redefining the city with culture. Meanwhile, the Group will also shape a product matrix focusing on “Cultural IP + Technology + Sports”, facilitate the establishment of a smart city, enhance the capability of replication, as well as continue to expand new projects.

The Group is in a critical transformation period and needs to make continuous investment to consolidate its business and lay a solid foundation for subsequent development. In 2022, we were committed to talent development and technology optimization to improve business quality. At the same time, we actively expand the market, boost efforts to expand the Metaverse virtual characters and New Cultural and Sports Space business and strive to become the leading digital asset management group in China in the Metaverse era.

LITIGATIONS

Details of the business disputes between 廣東環球數碼創意產業有限公司 (“Guangdong GDC”), a non-wholly owned subsidiary of the Company, and 珠江電影製片有限公司 (“Pearl River Film Production”) in respect of the Pearl River Film Cultural Park and litigations resulted therefrom were reported in the three preceding financial years, first quarterly report and interim report of 2022. Updates are as follows:

1. In April 2019, Pearl River Film Production filed an action with the Intermediate People’s Court of Guangzhou City of Guangdong Province of the PRC (中國廣東省廣州市中級人民法院) (the “Guangzhou Intermediate People’s Court”), requiring Guangdong GDC to pay the property occupation fee of the Pearl River Film Cultural Park and related interest for the period between 23 March 2016 and 22 March 2019 in the amounts of RMB148,745,800 and RMB9,593,000, respectively.

On 30 December 2019, the decision for the trial of first instance was made by the Guangzhou Intermediate People’s Court that Guangdong GDC was required to pay the property occupation fee of the Pearl River Film Cultural Park and related interest for the period between 23 March 2016 and 11 September 2019 in the amounts of RMB41,656,989 and RMB3,813,331, respectively.

* For identification purpose only

Each of Pearl River Film Production and Guangdong GDC filed an appeal with the Higher People’s Court of Guangdong Province of the PRC (中國廣東省高級人民法院) (the “Guangdong Higher People’s Court”). On 30 March 2021, a civil judgment from the Guangdong Higher People’s Court was made, the judgment from the Guangzhou Intermediate People’s Court was set aside and the case shall be returned to the Guangzhou Intermediate People’s Court for re-trial. As at the date of this announcement, no judgment in the first re-trial instance has been handed down.

2. In April 2019, Pearl River Film Production filed an action with the People’s Court of Haizhu District of Guangzhou City of the PRC (中國廣州市海珠區人民法院) (the “People’s Court of Haizhu District”), requiring Guangdong GDC and 廣州高尚商業經營管理有限公司, an indirect non-wholly owned subsidiary of the Company (“Gaoshang Property Management*”) to pay the property occupation fee of the car park of the Pearl River Film Cultural Park in an amount of RMB26,457,900 for the period between 1 August 2015 and 21 June 2018 and related interest in the amount of RMB2,520,062 for the interest as of 27 March 2019.

On 30 April 2020, the decision for the trial of first instance was made by the People’s Court of Haizhu District that Guangdong GDC and Gaoshang Property Management were required to pay the property occupation fee of the car park of the Pearl River Film Cultural Park in the amount of RMB3,854,363 and related interest for the period between 1 August 2015 and 21 June 2018.

The Guangzhou Intermediate People’s Court made the final judgment on 27 September 2020 in which the original judgment was upheld. The judgment was enforced by both parties in November 2020 and the case proceedings were concluded.

On 8 March 2021, Pearl River Film Production has applied to the Guangdong Higher People’s Court for setting aside of the abovementioned final judgment, and initiated a re-trial of the legal proceedings. As at the date of this announcement, no judgment has been handed down for the re-trial.

3. In April 2021, Guangdong GDC has initiated legal proceedings against Pearl River Film Production, claiming for: the (i) return of capital contribution invested in the construction for the Pearl River Film Cultural Park and the related interests in the amount of approximately RMB240,000,000 and RMB54,900,000, respectively, and (ii) compensation on losses of RMB20,000,000 borne by Guangdong GDC arising from the said investment due to breach of contract by Pearl River Film Production. On 18 May 2022, a civil judgment (民事判決書) (the “Civil Judgment”) from the Guangzhou Intermediate People’s Court was handed down to Guangdong GDC. According to the Civil Judgment, the Claims have been rejected by the Guangzhou Intermediate People’s Court. Guangdong GDC filed an appeal with the Guangdong Higher People’s Court on 1 June 2022. As at the date of this announcement, no judgment has been handed down for the appeal.

Should there be any significant update, the Company will make timely disclosure on the respective websites of the Stock Exchange and the Company.

* For identification purpose only

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities (whether on the Stock Exchange or otherwise) during the nine months ended 30 September 2022.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company has complied with the code provisions of the Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules throughout the nine months ended 30 September 2022, except the following deviation:

The code provision C.1.6 of the Code requires that independent non-executive Directors and other non-executive Directors shall attend general meetings and develop a balanced understanding of the view of shareholders. Mr. Chen Zheng, a non-executive Director of the Company, was unable to attend the annual general meeting of the Company held on 27 May 2022 due to his other commitments.

COMPLIANCE WITH CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiries with the Directors, all Directors confirmed that they have complied with such code of conduct and the required standard of dealings regarding securities transactions by the Directors throughout the nine months ended 30 September 2022.

AUDIT COMMITTEE

The Group's third quarterly results for the nine months ended 30 September 2022 were unaudited. The Company's audit committee together with the Company's management have reviewed the unaudited third quarterly results of the Group for the nine months ended 30 September 2022.

APPRECIATION

On behalf of the Board, I would like to extend our sincere gratitude to our shareholders, business partners and clients for their utmost support to the Group. I would also like to take this opportunity to extend my gratitude and appreciations to management members and all of the staff of the Group for their hard work and dedication throughout the Period.

By Order of the Board
Global Digital Creations Holdings Limited
Xu Liang
Chairman

Hong Kong, 4 November 2022

As at the date of this announcement, the Board comprises Mr. Xu Liang (Chairman), Mr. Wang Hongpeng (Managing Director) and Mr. Xiao Yong as Executive Directors; Mr. Chen Zheng (Deputy Chairman) as Non-executive Director; Prof. Japhet Sebastian Law, Mr. Lam Yiu Kin, Mr. Zheng Xiaodong and Mr. Li Yao as Independent Non-executive Directors.

This announcement will remain on the websites of The Stock Exchange of Hong Kong Limited at <http://www.hkexnews.hk> on the “Latest Listed Company Information” page for at least 7 days from the date of its publications and on the website of Company at <http://www.gdc-world.com>.