



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 2020**

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* For identification purpose only

THIRD QUARTERLY RESULTS

The board of Directors of the Company (the “Board”) is pleased to announce the unaudited condensed consolidated financial results of the Company and its subsidiaries (the “Group”) for the three months and nine months ended 30 September 2020 with comparative figures for the corresponding periods in the year 2019.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		(Unaudited) Three months ended 30 September 2020		(Unaudited) Nine months ended 30 September 2020	
		2019		2019	
	Notes	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Continuing operations					
Revenue	3	18,416	20,722	58,821	66,355
Cost of sales		(8,943)	(9,397)	(31,420)	(37,094)
Gross profit		9,473	11,325	27,401	29,261
Other income	4	1,948	4,368	7,197	14,353
Distribution and selling expenses		(568)	(278)	(3,100)	(1,481)
Administrative expenses		(9,015)	(8,493)	(26,532)	(25,940)
Provision for impairment of financial assets and contract assets		–	(213)	–	(443)
Other (losses)/gains, net	5	(17)	35	(118)	(847)
Operating profit		1,821	6,744	4,848	14,903
Finance cost		(14)	(243)	(56)	(517)
Profit before income tax		1,807	6,501	4,792	14,386
Income tax expense	6	(492)	(2,374)	(1,145)	(4,739)
Profit for the period from continuing operations		1,315	4,127	3,647	9,647

	<i>Notes</i>	(Unaudited)		(Unaudited)	
		Three months ended		Nine months ended	
		30 September		30 September	
		2020	2019	2020	2019
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Discontinued operation					
(Loss)/profit for the period from discontinued operation	7	<u>(3,215)</u>	<u>(3,525)</u>	<u>2,730</u>	<u>(12,509)</u>
(Loss)/profit for the period		<u>(1,900)</u>	<u>602</u>	<u>6,377</u>	<u>(2,862)</u>
Other comprehensive income/ (loss) for the period					
Item that will not be reclassified to profit or loss:					
Exchange differences on translation to presentation currency		<u>10,073</u>	<u>(9,501)</u>	<u>5,999</u>	<u>(9,824)</u>
Other comprehensive income/ (loss) for the period		<u>10,073</u>	<u>(9,501)</u>	<u>5,999</u>	<u>(9,824)</u>
Total comprehensive income/ (loss) for the period		<u>8,173</u>	<u>(8,899)</u>	<u>12,376</u>	<u>(12,686)</u>
Profit/(loss) for the period attributable to owners of the Company:					
– Continuing operations		<u>1,315</u>	<u>4,127</u>	<u>3,647</u>	<u>9,733</u>
– Discontinued operation		<u>(2,186)</u>	<u>(2,397)</u>	<u>1,857</u>	<u>(8,507)</u>
		<u>(871)</u>	<u>1,730</u>	<u>5,504</u>	<u>1,226</u>

		(Unaudited)		(Unaudited)	
		Three months ended		Nine months ended	
		30 September		30 September	
		2020	2019	2020	2019
Notes		HK\$'000	HK\$'000	HK\$'000	HK\$'000
(Loss)/profit for the period attributable to non-controlling interests:					
– Continuing operations		–	–	–	(86)
– Discontinued operation		(1,029)	(1,128)	873	(4,002)
		(1,029)	(1,128)	873	(4,088)
		(1,900)	602	6,377	(2,862)
Total comprehensive income/(loss) for the period attributable to:					
Owners of the Company					
– Continuing operations		26,080	(18,474)	17,549	(13,544)
– Discontinued operation		(12,177)	6,585	(3,518)	650
		13,903	(11,889)	14,031	(12,894)
Non-controlling interests		(5,730)	2,990	(1,655)	208
		8,173	(8,899)	12,376	(12,686)
		HK cents	HK cents	HK cents	HK cents
Earnings/(loss) per share attributable to owners of the Company					
Basic and diluted earnings/(loss) per share					
– Continuing operations	8	0.09	0.27	0.24	0.64
– Discontinued operation	8	(0.14)	(0.16)	0.12	(0.56)
		(0.05)	0.11	0.36	0.08

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.

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards (“HKFRSs”), the accounting policies and methods of computation used in the unaudited condensed consolidated statement of comprehensive income for the nine months ended 30 September 2020 are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2019.

In the current period, the Group has applied, for the first time, certain new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) that are mandatorily effective for the annual period beginning on or after 1 January 2020 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	
	2020	2019	2020	2019
	HK\$’000	HK\$’000	HK\$’000	HK\$’000
Revenue from computer graphic (“CG”) production	2,759	6,199	12,617	11,582
Revenue from television series and movies	465	129	3,492	10,495
Management services fee	3,986	3,573	9,638	9,710
Rental income	11,206	10,821	33,074	34,568
	18,416	20,722	58,821	66,355

4. OTHER INCOME

	(Unaudited)		(Unaudited)	
	Three months ended		Nine months ended	
	30 September		30 September	
	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Continuing operations				
Government grants	632	2,251	2,890	8,414
Interest income	1,273	1,905	4,141	5,420
Others	43	212	166	519
	<u>1,948</u>	<u>4,368</u>	<u>7,197</u>	<u>14,353</u>

5. OTHER (LOSSES)/GAINS, NET

	(Unaudited)		(Unaudited)	
	Three months ended		Nine months ended	
	30 September		30 September	
	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Continuing operations				
Gain on disposal of property, plant and equipment	49	19	10	203
Changes in fair value of investment property	–	16	–	(1,050)
Others	(66)	–	(128)	–
	<u>(17)</u>	<u>35</u>	<u>(118)</u>	<u>(847)</u>

6. INCOME TAX EXPENSE

	(Unaudited) Three months ended 30 September		(Unaudited) Nine months ended 30 September	
	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Continuing operations				
Corporate Income Tax (“CIT”) in the People’s Republic of China (“PRC”):				
Current tax	101	2,409	1,207	6,039
Underprovision/ (overprovision) in prior periods	–	15	(18)	(932)
	101	2,424	1,189	5,107
Deferred tax	391	(50)	(44)	(368)
	<u>492</u>	<u>2,374</u>	<u>1,145</u>	<u>4,739</u>

7. DISCONTINUED OPERATION

In prior years, the Group was involved in the culture, entertainment and related commercial property investment operation through a non-wholly owned subsidiary of the Group. As a result of the full impairment of the investment property of Phase I of 珠影文化產業園 (the “Cultural Park”), the Cultural Park operation was discontinued with effect from 1 December 2018. Certain costs continued to be incurred during the nine months ended 30 September 2020 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 2020 and 2019 were as follows:

	(Unaudited) Three months ended 30 September		(Unaudited) Nine months ended 30 September	
	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Other income	61	7	61	20
Other loss, net	–	–	(3)	–
Administrative expenses	(1,800)	(1,859)	(6,611)	(7,753)
Reversal of/(provision for) rental and settlement expenses, net	<u>(1,440)</u>	<u>(1,639)</u>	<u>9,337</u>	<u>(4,730)</u>
(Loss)/profit before income tax	(3,179)	(3,491)	2,784	(12,463)
Income tax expense	<u>(36)</u>	<u>(34)</u>	<u>(54)</u>	<u>(46)</u>
(Loss)/profit for the period from discontinued operation	<u>(3,215)</u>	<u>(3,525)</u>	<u>2,730</u>	<u>(12,509)</u>

8. EARNINGS PER SHARE

	(Unaudited) Three months ended 30 September 2020 HK\$'000		(Unaudited) Three months ended 30 September 2019 HK\$'000		(Unaudited) Nine months ended 30 September 2020 HK\$'000		(Unaudited) Nine months ended 30 September 2019 HK\$'000	
Profit/(loss) for the period attributable to owners of the Company:								
– Continuing operations	1,315		4,127		3,647		9,733	
– Discontinued operation	(2,186)		(2,397)		1,857		(8,507)	
	<u>(871)</u>		<u>1,730</u>		<u>5,504</u>		<u>1,226</u>	
	(Unaudited) Three months ended 30 September 2020 No. of shares '000		(Unaudited) Three months ended 30 September 2019 No. of shares '000		(Unaudited) Nine months ended 30 September 2020 No. of shares '000		(Unaudited) Nine months ended 30 September 2019 No. of shares '000	
Weighted average number of ordinary shares in issue	<u>1,513,880</u>		<u>1,518,256</u>		<u>1,515,905</u>		<u>1,518,256</u>	
	(Unaudited) Three months ended 30 September 2020 HK cents		(Unaudited) Three months ended 30 September 2019 HK cents		(Unaudited) Nine months ended 30 September 2020 HK cents		(Unaudited) Nine months ended 30 September 2019 HK cents	
Basic and diluted earnings/(loss) per share								
– Continuing operations	0.09		0.27		0.24		0.64	
– Discontinued operation	(0.14)		(0.16)		0.12		(0.56)	
Total basic and diluted earnings/(loss) per share	<u>(0.05)</u>		<u>0.11</u>		<u>0.36</u>		<u>0.08</u>	

Basic earnings/(loss) per share is calculated by dividing the profit/(loss) 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 earnings/(loss) per share is the same as basic earnings/(loss) per share as there were no potential dilutive ordinary shares outstanding during the nine months ended 30 September 2020 (nine months ended 30 September 2019: Same).

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the nine months ended 30 September 2020 (nine months ended 30 September 2019: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

For the nine months ended 30 September 2020 (the “Period”), the revenue from the continuing operations amounted to HK\$58,821,000, representing a decrease of HK\$7,534,000 as compared with HK\$66,355,000 for the corresponding period of 2019. The outbreak of the pandemic that occurred in 2020 has crippled the film industry which resulted in cancellation of broadcasting of one film from the CG creation and production division at the beginning of the year. The revenue from the CG creation and production division decreased by HK\$5,968,000 as compared to the corresponding period of last year, whereas the impact to the revenue from the segment of the property leasing and building management services was relatively minimal, representing a decrease of HK\$1,566,000 as compared to the corresponding period of last year.

Cost of sales from the continuing operations for the Period amounted to HK\$31,420,000, representing a decrease of HK\$5,674,000 as compared with HK\$37,094,000 for the corresponding period of 2019, which was mainly attributable to the decrease in the direct production costs for the CG creation and production. Cost of sales for the Period also included staff redundancy costs of HK\$723,000 as a result of the staff reduction conducted by the Group.

Other income from the continuing operations for the Period amounted to HK\$7,197,000, representing a decrease of HK\$7,156,000 as compared with HK\$14,353,000 for the corresponding period of 2019, which was mainly attributable to the decrease in government grants and interest income of HK\$5,524,000 and HK\$1,279,000 respectively.

Distribution and selling expenses from the continuing operations for the Period amounted to HK\$3,100,000, representing an increase of HK\$1,619,000 as compared with HK\$1,481,000 for the corresponding period of 2019. The distribution and selling expenses for the Period was mainly the marketing expenses arising from the animated film screened early this year.

Administrative expenses from the continuing operations for the Period amounted to HK\$26,532,000, representing an increase of HK\$592,000 as compared with HK\$25,940,000 for the corresponding period in last year, which was mainly attributable to the increase in professional service and consultancy fees, as well as staff redundancy costs.

Other losses from the continuing operations for the Period amounted to HK\$118,000 (nine months ended 30 September 2019: HK\$847,000). The other loss for the Period was mainly exchange differences.

Finance costs from the continuing operations for the Period amounted to HK\$56,000 (nine months ended 30 September 2019: HK\$517,000). The Group does not have any loans and such finance costs for the Period arose from interest portion of the lease liabilities.

The profit recorded from the continuing operations for the Period amounted to HK\$3,647,000, representing a decrease of HK\$6,000,000 as compared to the profit of HK\$9,647,000 for the corresponding period of last year.

The profit recorded from the discontinued operation for the Period amounted to HK\$2,730,000, which was mainly attributable to the cost of certain administrative expenses of HK\$6,611,000 and settlement expenses of HK\$4,393,000 from the Cultural Park for the Period and adjustment in provision for rental and settlement payables of HK\$13,730,000 (equivalent to RMB12,385,000) generated in relation to the litigations of the Cultural Park for the Period.

Based on the reasons set out above, profit for the Period of the Group was HK\$6,377,000, while a loss of HK\$2,862,000 was recorded for the corresponding period of last year. Earnings per share attributable to the owners of the Company for the Period was HK\$0.36 cents, represented an increase of HK\$0.28 cents when compared to earnings per share of HK\$0.08 cents in the corresponding period of last year.

BUSINESS REVIEW AND OUTLOOK

CG Creation and Production

The revenue of the CG creation and production division of the Group was mainly generated from production services of animated films and television series, box office receipts and copyrights of original animated films, copyrights of animated television series and businesses derived from animation brands.

From January to September 2020, the animated film production projects undertaken by our CG creation and production division came from the PRC, including the full production process of one animated television series and one co-production animated film.

The division has also been actively in negotiation for new animated film production projects. During the 2019 China (Shenzhen) International Cultural Industries Fair, an animated film project planned by the division featuring Yangtze finless porpoises as characters gained attention and support from Jiangxi Province Cultural Performance Group* (江西省文演集團), which procured the entering into a three-party cooperation agreement by Institute of Digital Media Technology (Shenzhen) Limited* (環球數碼媒體科技研究(深圳)有限公司), an indirect wholly-owned subsidiary of the Company, Jiangxi Province Cultural Performance Group* and Jiangxi Hukou Cultural Tourism Group* (江西湖口文旅集團) in April 2020 for the collaborated creation of a new model for IP with special local cultures. It also laid out the new ecosystem of promoting cultural tourism through the presentation of spectacular Chinese stories via animated film and touring along animation-led itinerary. The project is now in the stage of preliminary creativity planning and the respective marketing effort has commenced. For original films and television series projects, “Soldier Shunliu: The Hero Battle”, a military themed animated film adapted from an animated television series, was screened in mid-January 2020. However, due to the outbreak of the 2019 novel coronavirus disease (the “COVID-19 outbreak”), all movie theatres in the PRC were temporarily closed and the said film was suspended accordingly, thus affecting the box office receipt seriously. The film was subsequently released online. On the other hand, the production of the eighth film of the “Happy Little Submarine” series has been completed, and is planned to be screened. While movie theatres in the PRC have orderly reopened with the implementation of various anti-pandemic measures, there are many other new films waiting for screening and thus the division is endeavored to secure a suitable slot for the screening of our film. Besides, the division is actively driving forward with brand development and licensing, with some animated films released to and licensed for the second round with online platforms and television stations across the globe to maintain brand awareness.

The production team established in the Foshan Digital Animation Industry Base* (佛山數碼動漫產業基地) continued to synergize with the production team in Shenzhen by sharing the production work of animated films and television series to achieve the targeted production capacity by stages as planned and achieving the operation model of staff integration and resources sharing. Meanwhile, the division was increasing its collaboration with digital visual-related institutions, famous local scenic spots and cultural and creative enterprises for the creation of animated IP with Foshan cultural features and for the combination with competitive industries for creating social influences and commercial values. With animation culture as the theme and “urban living room” as the functional concept, we shall continue to focus on the enhancement of animation internship and training, film and television production, virtual live broadcast of internet celebrities and establishment of creative incubation hub in the fourth quarter to foster a digital creative industry base with IP and industry as its core. Subsequent to the division entering into a cooperation agreement with independent third parties in December 2018, the title certificate of relevant properties was issued and the title was transferred to Foshan Global Digital Media Technology Co., Ltd.* (佛山環球數碼媒體科技有限公司), an indirect wholly-owned subsidiary of the Company. The fair value of such properties was approximately RMB19,000,000, which was recognized as “property, plant and equipment” of the Group, and it is currently undergoing the formalities of the transfer of equity interests. Please refer to the announcement of the Company dated 17 December 2018 for details of the cooperation agreement.

The division continued to invest resources in technology research and development, with the application of games engines and real-time graphics processing unit (GPU) rendering completed. Document automated management and optimized process system under production were further improved and developed for commercialization. Meanwhile, the research and development of a full-process collaboration platform of mobile terminals has started, and remote working was realized in the early stage of the COVID-19 outbreak to ensure the smooth operation of project production and management. As the animation film industry has entered into a phase of innovation and transformation driven by new technologies of artificial intelligence, cloud computing and big data, competition between short and long animated videos on the internet and mobile terminals emerged. The division would employ technical innovation as its core competitiveness to target the audience more precisely, creating animated IP content products with cutting-edge new technologies and developing a new interaction experience both for online and offline. At the same time, by leveraging on the animation IP and thematic interactive experiential products, we shall lay out the investment and business operation for the education integrated complex. During the Period, main character of Toy Guardians, one of our original animated IP, showed up in JD Live as virtual internet celebrity anchor.

In terms of intellectual property protection, the division completed the registration of fifteen copyright works, twelve computer softwares, forty-seven trademarks and five patents and has obtained relevant certificates between January and September 2020.

During the third quarter of 2020, the division was enlisted in the League of Popular Science for Child Education* (兒童教育科普聯盟) by People's Government of Nanshan District, Shenzhen. The original animated film "Soldier Shunliu: The Hero Battle" was nominated for "Animated Feature Film under General Award" in the 16th Golden Monkey King Awards in China International Cartoon & Animation Festival and "Best Animated Feature Film Award" (「最佳動畫長片獎」) in the 17th China Animation & Comic Competition Golden Dragon Award, respectively.

As the COVID-19 outbreak still continues globally, it is expected that the animation subcontracting business and original production projects will be significantly and negatively affected by the economic downturn. Targeting the impacts from the outbreak and the latest development trend of the industry as well as driven by the visual technology, the division actively upgraded itself and transformed its development. In the innovation development of the animation business, the collaboration with Tencent and other players in the digital industry has resulted in the creation of digital visual effects for the Tencent AI Lab artificial intelligence virtual characters, with the cutting-edge technologies of animation performance, optic motion capture and digital scene construction reaching a leading level domestically. By relying on the technology and creativity with core competitiveness in the industry, the division will increase the number of animated visual content works on the internet such as animated network films, webisodes and cinematic short films. Looking ahead, the division will focus on business transformation and exploration with upgrading the animation production to a cultural and creative establishment with digital entertainment core technology. On the basis of the existing IP, we shall combine famous theme elements around the country to develop quality cultural and creative IP and merge the self-developed cloud data and information processing digital technology cloud platform to create our own cultural and creative zone with our unique cultural features. With a focus on the other provinces in the PRC, we expect to collaborate with local governments and enterprises to create cultural and creative zones for the provision of professional zone operation and service system.

Property Leasing and Building Management Services

Since the COVID-19 outbreak, all staff members of the property management company of the GDC Building of the Group located in Nanshan District, Shenzhen, the PRC were willing to report for duty during the holiday break for epidemic prevention and control in various aspects of the building. Relevant policies of epidemic prevention and control of Shenzhen Municipal Government and functional departments in the community were actively implemented and publicized to all corporate clients of the building; and corporate clients were assisted with their resumption of work and production as well as staff control management by our property management company. Based on the current situation, the epidemic prevention and control will proceed as strictly as before and will not be loosened afterwards. The focus will continue to be the disinfection of facilities in public areas of building, and monitoring body temperature check for personnel entering the building. The division will also seek to introduce smart parking platform. Designated parking space can be booked in advance by using the mobile booking platform and reached by real-time precision guidance in the car park. Thus, the parking space occupancy rate can be enhanced efficiently. From the management's perspective, digitally visualized collaboration for multi-industries has been integrated to the division's platform of management system that has been developed by itself for years by leveraging cloud computing and new 5G technology, in order to enhance the core competitiveness of the property management company in operation with respect to technology and industrial chain.

Due to the business impacted by the COVID-19 outbreak in the first half of 2020, certain tenants have requested for discussion on lease terms or rental adjustments. After the continuous and massive amount of replies and explanation carried out, the income and revenue from the division were not materially affected. Under the impact from the economic environment in the first half of the year, enterprises have to gradually increase revenue and lower the cost. Therefore, envisaging the high turnover period of clients in the rental market that may take place, the division will actively enhance our property management services and the facilities in the building to cater our clients' needs, and will focus on keeping the expiring tenants to mitigate the loss in tenancy. The division intends to introduce office building business solicitation management system to enhance the efficiency in marketing, promotion and team management. Meanwhile, we shall explore online placement and seize the promotion of bonus data traffic. On the other hand, we shall seek to collaborate with surrounding buildings and establish a business solicitation cooperation alliance mechanism to recommend clients among one another and realize information sharing. The division will continue to actively study to broaden the source of revenue and strictly control fees and expenses to ensure profitability.

LITIGATIONS

The details of the business disputes and litigations between 廣東環球數碼創意產業有限公司 (“Guangdong GDC”), a non-wholly owned subsidiary of the Group and 珠江電影製片有限公司 (“Pearl River Film Production”) in respect of 珠影文化產業園 (the “Pearl River Film Cultural Park”) are as follows:

1. On 3 April 2019, Guangdong GDC received a summons dated 3 April 2019 from 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”). Pearl River Film Production has initiated legal proceedings against Guangdong GDC and has pleaded for a court order to require Guangdong GDC to return the entire Pearl River Film Cultural Park and its facilities and related documents.

On 25 September 2020, a civil judgment from the People’s Court of Haizhu District dated 24 September 2020 was handed down to Guangdong GDC. According to the civil judgment, Guangdong GDC shall return the entire Pearl River Film Cultural Park and its facilities and related documents to Pearl River Film Production. All other claims made by Pearl River Film Production were dismissed.

As at the date of this announcement, Guangdong GDC has lodged an appeal 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”) and is waiting for the notice on trial date from the court.

2. On 4 April 2019, Guangdong GDC received a summons dated 3 April 2019 from the Guangzhou Intermediate People’s Court. Pearl River Film Production has initiated legal proceedings against Guangdong GDC and claimed for property occupation fee of the Pearl River Film Cultural Park and related interest (which Pearl River Film Production estimated to be in the amounts of RMB148,745,800 and RMB9,593,000 as of 22 March 2019, respectively) to be paid by Guangdong GDC (“Litigation II”).

On 31 December 2019, a civil judgment from the Guangzhou Intermediate People’s Court dated 30 December 2019 was handed down to Guangdong GDC. According to the civil judgment, Guangdong GDC shall pay property occupation fee of the Pearl River Film Cultural Park and related interest (approximately RMB41,656,989 and RMB3,813,331, respectively) for the period from 23 March 2016 to 11 September 2019. The property occupation fee shall be calculated based on a monthly rental of RMB1,000,000 as stipulated in the framework agreement entered into between Guangdong GDC and Pearl River Film Production on 28 March 2007. The amount of related interest of RMB3,813,331 shall be calculated based on the basic borrowing rate announced by the People’s Bank of China (中國人民銀行發佈的金融機構貸款基準利率) for loans of equivalent nature of the same period and the loan prime rate announced by the National Inter-bank Funding Center* (全國銀行間同業拆借中心公佈的貸款市場報價利率) of the same period, for the period on or before 19 August 2019 and that on or after 20 August 2019, respectively. All other claims made by Pearl River Film Production were dismissed.

As at the date of this announcement, each of Guangdong GDC and Pearl River Film Production has lodged 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) and is waiting for the notice on trial date from the court.

3. On 8 April 2019, each of Guangdong GDC and 廣州高尚商業經營管理有限公司 (“Gaoshang Property Management”) received a summons dated 4 April 2019 from the People's Court of Haizhu District. Pearl River Film Production has initiated legal proceedings against Guangdong GDC and Gaoshang Property Management and claimed for property occupation fee of certain parking spaces of the Pearl River Film Cultural Park in the amount of RMB26,457,900 and related interest (which Pearl River Film Production estimated to be in the amount of RMB2,520,062 as of 27 March 2019) (“Litigation III”).

On 13 May 2020, a civil judgment from the People's Court of Haizhu District dated 30 April 2020 was handed down to Guangdong GDC and Gaoshang Property Management. According to the civil judgment, Guangdong GDC and Gaoshang Property Management shall pay property occupation fee of certain parking spaces of the Pearl River Film Cultural Park (approximately RMB3,854,363) and related interest for the period from 1 August 2015 to 21 June 2018. The amount of related interest shall be calculated from the 4th day of each month and up to the date of full settlement, which is based on a monthly fee of RMB70,000 and RMB150,529, for the period from 1 August 2015 to 31 December 2016 and the period from 1 January 2017 to 21 June 2018, respectively, as well as the basic borrowing rate announced by the People's Bank of China (中國人民銀行發佈的金融機構貸款基準利率) for loans of similar nature of the same period, and the loan prime rate announced by the National Inter-bank Funding Center* (全國銀行間同業拆借中心公佈的貸款市場報價利率) of the same period, for the period on or before 19 August 2019 and that on or after 20 August 2019, respectively. Pearl River Film Production shall return the deposit of RMB70,000 to Guangdong GDC and Gaoshang Property Management. All other claims made by Pearl River Film Production were dismissed. Subsequently, the plaintiff and defendants had lodged appeals with the Guangzhou Intermediate People's Court.

On 27 September 2020, a civil judgment from the Guangzhou Intermediate People's Court, being the final judgment, was handed down which rejected the appeals from Guangdong GDC and Gaoshang Property Management, as well as Pearl River Film Production respectively, and the decision of the People's Court of Haizhu District was upheld. As at the date of this announcement, Guangdong GDC and Gaoshang Property Management are dealing with the related matters according to the final judgment.

4. In July 2019, Guangdong GDC, as plaintiff, has filed a lawsuit against Pearl River Film Production and claimed for the compensation of damages of RMB10,000,000 arising from the incident in respect of which Pearl River Film Production attempted to seize Phase I of the Pearl River Film Cultural Park without the consent of the Group at the end of November 2018. The People's Court of Haizhu District issued the Notice of Case Acceptance on 5 July 2019 and granted an order on 31 July 2019 to freeze the bank deposits of Pearl River Film Production in the amount of RMB10,000,000.

In mid-February 2020, a civil judgment was handed down by the People's Court of Haizhu District, which rejected all claims from Guangdong GDC. Subsequently, Guangdong GDC had lodged an appeal with the Guangzhou Intermediate People's Court. In July 2020, the Guangzhou Intermediate People's Court rejected the appeal and upheld the original decision.

Should there be any significant updates, the Company will make timely disclosure on both the Stock Exchange's website and the Company's website.

In April 2019, Guangdong GDC and Gaoshang Property Management were informed that in relation to the abovementioned litigations, the court had granted an order to preserve the bank account of each of Guangdong GDC and Gaoshang Property Management, respectively, based on the application by Pearl River Film Production. Such bank accounts were used by the respective companies for cash receipts and payments in relation to the Pearl River Film Cultural Park and the aggregate deposits in the two bank accounts amounted to HK\$58,977,000 as at 30 September 2020.

From January to September 2020, the Cultural Park (discontinued operation) received rental income and management services fees of HK\$17,914,000, the entire amount of which were provided as accrued rental. As at 30 September 2020, the Group has provided for the accrued rental and settlement payables in relation to Litigation II and Litigation III amounted to HK\$182,496,000 in total (31 December 2019: HK\$170,208,000).

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

During the nine months ended 30 September 2020, the Company repurchased its ordinary shares on the Stock Exchange as follows:

Month of the repurchases	Total number of ordinary shares repurchased	Highest price paid per share <i>HK\$</i>	Lowest price paid per share <i>HK\$</i>	Aggregate consideration paid <i>HK\$</i>
July 2020	954,000	0.116	0.105	107,338
August 2020	4,588,000	0.084	0.079	367,428
September 2020	166,000	0.110	0.090	16,214

During the Period, 5,662,000 repurchased shares were cancelled and the issued share capital of the Company was reduced by the nominal value thereof.

Save as disclosed above, 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 2020.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company has complied with all 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 2020.

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 2020.

AUDIT COMMITTEE

The Group's third quarterly results for the nine months ended 30 September 2020 were unaudited. The Company's audit committee together with the management have reviewed the unaudited third quarterly results of the Group for the nine months ended 30 September 2020.

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

Cheng Xiaoyu

Chairman

Hong Kong, 6 November 2020

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

This announcement will remain on the “Latest Company Announcements” page of the GEM website at www.hkgem.com for at least 7 days from the date of its posting and on the Company’s website at www.gdc-world.com.