



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 2023**

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(THE “STOCK EXCHANGE”)**

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* For identification purpose only

THIRD QUARTERLY RESULTS

The board of Directors of the Company (the “Board”) 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 2023 with comparative figures for the corresponding periods in the year 2022.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		(Unaudited) Three months ended 30 September		(Unaudited) Nine months ended 30 September	
		2023	2022	2023	2022
	Note	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Continuing operations					
Revenue	3	20,035	18,456	49,327	53,285
Cost of sales		<u>(12,775)</u>	<u>(13,027)</u>	<u>(29,871)</u>	<u>(33,611)</u>
Gross profit		7,260	5,429	19,456	19,674
Other income	4	2,133	2,262	7,466	10,465
Distribution and selling expenses		(5,217)	(506)	(6,914)	(2,266)
Administrative expenses		(7,783)	(8,511)	(23,301)	(26,389)
Reversal of provision for impairment of financial assets and contract asset		–	–	279	241
Other (losses)/gains, net	5	<u>(38)</u>	<u>3</u>	<u>(34)</u>	<u>38</u>
Operating (loss)/profit		(3,645)	(1,323)	(3,048)	1,763
Finance cost		<u>–</u>	<u>(5)</u>	<u>(8)</u>	<u>(18)</u>
(Loss)/profit before income tax		(3,645)	(1,328)	(3,056)	1,745
Income tax credit/(expense)	6	<u>277</u>	<u>364</u>	<u>(82)</u>	<u>(551)</u>
(Loss)/profit for the period from continuing operations		<u>(3,368)</u>	<u>(964)</u>	<u>(3,138)</u>	<u>1,194</u>
Discontinued operation					
Loss for the period from discontinued operation	7	<u>(2,071)</u>	<u>(2,207)</u>	<u>(7,184)</u>	<u>(9,692)</u>
Loss for the period		<u>(5,439)</u>	<u>(3,171)</u>	<u>(10,322)</u>	<u>(8,498)</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME *(Continued)*

	(Unaudited)		(Unaudited)	
	Three months ended		Nine months ended	
	30 September		30 September	
	2023	2022	2023	2022
<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Other comprehensive income for the period				
Item that will not be reclassified to profit or loss:				
Exchange differences on translation to presentation currency	<u>(836)</u>	<u>(19,274)</u>	<u>(11,846)</u>	<u>(33,790)</u>
Other comprehensive loss for the period	<u>(836)</u>	<u>(19,274)</u>	<u>(11,846)</u>	<u>(33,790)</u>
Total comprehensive loss for the period	<u>(6,275)</u>	<u>(22,445)</u>	<u>(22,168)</u>	<u>(42,288)</u>
(Loss)/profit for the period attributable to:				
Owners of the Company				
– Continuing operations	<u>(3,368)</u>	<u>(964)</u>	<u>(3,138)</u>	<u>1,194</u>
– Discontinued operation	<u>(1,408)</u>	<u>(1,502)</u>	<u>(4,885)</u>	<u>(6,591)</u>
	<u>(4,776)</u>	<u>(2,466)</u>	<u>(8,023)</u>	<u>(5,397)</u>
Non-controlling interests				
– Continuing operations	–	–	–	–
– Discontinued operation	<u>(663)</u>	<u>(705)</u>	<u>(2,299)</u>	<u>(3,101)</u>
	<u>(663)</u>	<u>(705)</u>	<u>(2,299)</u>	<u>(3,101)</u>
	<u>(5,439)</u>	<u>(3,171)</u>	<u>(10,322)</u>	<u>(8,498)</u>

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF
COMPREHENSIVE INCOME** *(Continued)*

		(Unaudited) Three months ended 30 September		(Unaudited) Nine months ended 30 September	
		2023	2022	2023	2022
<i>Note</i>		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Total comprehensive (loss)/income for the period attributable to:					
Owners of the Company					
	– Continuing operations	(6,272)	(45,525)	(32,134)	(76,811)
	– Discontinued operation	(2)	15,708	6,777	23,500
		<u>(6,274)</u>	<u>15,708</u>	<u>6,777</u>	<u>23,500</u>
		-----	-----	-----	-----
		(6,274)	(29,817)	(25,357)	(53,311)
Non-controlling interests					
	– Continuing operations	–	–	–	–
	– Discontinued operation	(1)	7,372	3,189	11,023
		<u>(1)</u>	<u>7,372</u>	<u>3,189</u>	<u>11,023</u>
		-----	-----	-----	-----
		(1)	7,372	3,189	11,023
		<u>(6,275)</u>	<u>(22,445)</u>	<u>(22,168)</u>	<u>(42,288)</u>
		-----	-----	-----	-----
		(6,275)	(22,445)	(22,168)	(42,288)
		<i>HK cents</i>	<i>HK cents</i>	<i>HK cents</i>	<i>HK cents</i>
(Loss)/earnings per share attributable to owners of the Company					
Basic and diluted (loss)/earnings per share					
	– Continuing operations	8	(0.22)	(0.06)	(0.21)
	– Discontinued operation	8	(0.09)	(0.10)	(0.32)
		<u>(0.31)</u>	<u>(0.16)</u>	<u>(0.53)</u>	<u>(0.35)</u>
		-----	-----	-----	-----
		(0.31)	(0.16)	(0.53)	(0.35)

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 and is presented in Hong Kong dollars (“HK\$”) unless otherwise stated.

The accounting policies and methods of computation used in the unaudited condensed consolidated statement of comprehensive income for the nine months ended 30 September 2023 are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2022, 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	
	2023	2022	2023	2022
	HK\$’000	HK\$’000	HK\$’000	HK\$’000
Revenue from computer graphic (“CG”) production	3,854	3,284	7,630	8,072
Revenue from television programmes and movies	5,822	617	6,695	1,638
Management services fee	2,711	3,957	8,680	10,245
Consultancy fee income	–	42	–	493
Rental income	7,648	10,556	26,322	32,837
	20,035	18,456	49,327	53,285

4. OTHER INCOME

	(Unaudited)		(Unaudited)	
	Three months ended		Nine months ended	
	30 September		30 September	
	2023	2022	2023	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Continuing operations				
Government grants	187	51	1,369	3,760
Interest income	1,906	2,070	5,714	6,459
Others	40	141	383	246
	2,133	2,262	7,466	10,465

5. OTHER (LOSSES)/GAINS, NET

	(Unaudited)		(Unaudited)	
	Three months ended		Nine months ended	
	30 September		30 September	
	2023	2022	2023	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Continuing operations				
Exchange (losses)/gains, net	(38)	3	(34)	38

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 2023 and 2022.

No provision for Hong Kong profits tax has been made for the nine months ended 30 September 2023 and 2022.

PRC corporate income tax

During the period, most of the subsidiaries of the Company established in the Mainland China (for the purpose of this announcement, "Mainland China" refers to the Mainland of the People's Republic of China (the "PRC") does not include Hong Kong, Macau and Taiwan) are subject to the PRC corporate income tax rate of 25% (nine months ended 30 September 2022: 25%) except that certain subsidiaries are subject to various preferential tax treatments.

Provision for PRC corporate income tax amounted to HK\$82,000 has been made for the nine months ended 30 September 2023 (nine months ended 30 September 2022: HK\$551,000).

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 2023 as the matters as set out in “MANAGEMENT DISCUSSION AND ANALYSIS – LITIGATIONS” are still ongoing.

The results of the discontinued operation for the three months and nine months ended 30 September 2023 and 2022 were as follows:

	(Unaudited)		(Unaudited)	
	Three months ended		Nine months ended	
	30 September		30 September	
	2023	2022	2023	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Other income	314	–	343	5
Administrative expenses	(439)	(226)	(1,592)	(3,626)
Provision for rental and settlement expenses	(1,946)	(1,981)	(5,935)	(6,071)
Loss before income tax	(2,071)	(2,207)	(7,184)	(9,692)
Income tax expenses	–	–	–	–
Loss for the period from discontinued operation	<u>(2,071)</u>	<u>(2,207)</u>	<u>(7,184)</u>	<u>(9,692)</u>

8. (LOSS)/EARNINGS PER SHARE

	(Unaudited)		(Unaudited)	
	Three months ended		Nine months ended	
	30 September		30 September	
	2023	2022	2023	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
(Loss)/profit attributable to owners of the Company:				
– Continuing operations	(3,368)	(964)	(3,138)	1,194
– Discontinued operation	(1,408)	(1,502)	(4,885)	(6,591)
	<u>(4,776)</u>	<u>(2,466)</u>	<u>(8,023)</u>	<u>(5,397)</u>

	(Unaudited) Three months ended 30 September		(Unaudited) Nine months ended 30 September	
	2023	2022	2023	2022
	No. of	No. of	No. of	No. of
	shares	shares	shares	shares
	'000	'000	'000	'000
Weighted average number of outstanding ordinary shares	1,503,820	1,508,262	1,504,032	1,508,262
	1,503,820	1,508,262	1,504,032	1,508,262
	(Unaudited) Three months ended 30 September		(Unaudited) Nine months ended 30 September	
	2023	2022	2023	2022
	HK cents	HK cents	HK cents	HK cents
Basic and diluted (loss)/earnings per share				
– Continuing operations	(0.22)	(0.06)	(0.21)	0.08
– Discontinued operation	(0.09)	(0.10)	(0.32)	(0.43)
Total basic and diluted (loss)/earnings per share	(0.31)	(0.16)	(0.53)	(0.35)

Basic (loss)/earnings per share is calculated by dividing the (loss)/profit attributable to owners of the Company by the weighted average number of outstanding ordinary shares 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 2023 (nine months ended 30 September 2022: same).

9. UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company												Non-controlling interests	Total
	Share capital	Share premium reserve	Capital contribution reserve	Contributed surplus reserve	Statutory reserve	Property revaluation reserve	Exchange reserve	Special reserve	Treasury share reserve	Retained earnings	Sub-total			
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 January 2023 (audited)	15,042	74,687	445	245,881	11,679	45,787	(32,199)	17,860	-	79,788	458,970	(134,436)	324,534	
Comprehensive loss														
Loss for the period	-	-	-	-	-	-	-	-	-	(8,023)	(8,023)	(2,299)	(10,322)	
Other comprehensive (loss)/income														
Currency translation differences	-	-	-	-	-	-	(17,334)	-	-	-	(17,334)	5,488	(11,846)	
Other comprehensive (loss)/income for the period	-	-	-	-	-	-	(17,334)	-	-	-	(17,334)	5,488	(11,846)	
Total comprehensive (loss)/income for the period	-	-	-	-	-	-	(17,334)	-	-	(8,023)	(25,357)	3,189	(22,168)	
Transactions with owners														
Repurchase of treasury shares	-	-	-	-	-	-	-	-	(47)	-	(47)	-	(47)	
Cancellation of treasury shares	(3)	(24)	-	-	-	-	-	-	27	-	-	-	-	
Total transactions with owner	(3)	(24)	-	-	-	-	-	-	(20)	-	(47)	-	(47)	
At 30 September 2023 (unaudited)	<u>15,039</u>	<u>74,663</u>	<u>445</u>	<u>245,881</u>	<u>11,679</u>	<u>45,787</u>	<u>(49,533)</u>	<u>17,860</u>	<u>(20)</u>	<u>71,765</u>	<u>433,566</u>	<u>(131,247)</u>	<u>302,319</u>	

	Attributable to owners of the Company												Non-controlling interests	Total
	Share capital	Share premium reserve	Capital contribution reserve	Contributed surplus reserve	Statutory reserve	Property revaluation reserve	Exchange reserve	Special reserve	Retained earnings	Sub-total				
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<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														
Loss for the period	-	-	-	-	-	-	-	-	(5,397)	(5,397)	(3,101)	(8,498)		
Other comprehensive (loss)/income														
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)	<u>15,083</u>	<u>74,941</u>	<u>445</u>	<u>245,881</u>	<u>11,061</u>	<u>45,787</u>	<u>(39,067)</u>	<u>17,860</u>	<u>81,194</u>	<u>453,185</u>	<u>(131,658)</u>	<u>321,527</u>		

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the nine months ended 30 September 2023 (nine months ended 30 September 2022: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

For the nine months ended 30 September 2023 (the “Review Period”), revenue from the continuing operations amounted to HK\$49,327,000, representing a decrease of HK\$3,958,000 as compared with HK\$53,285,000 for the corresponding period of 2022, which was mainly attributable to a combination of factors such as the decrease in the average exchange rate of Renminbi against Hong Kong dollars by approximately 6% as compared with the corresponding period last year, the decrease in rental income as well as the distribution of an original animated film during the period which led to a year-on-year increase in income from original projects.

Cost of sales from the continuing operations for the Review Period amounted to HK\$29,871,000, representing a decrease of HK\$3,740,000 as compared with HK\$33,611,000 for the corresponding period of 2022, which was mainly attributable to the decrease in the average exchange rate of Renminbi against Hong Kong dollars during the Review Period, as well as the decrease in direct labor costs of the Interactive Entertainment and Digital Assets division as compared with the corresponding period last year.

Other income from the continuing operations for the Review Period amounted to HK\$7,466,000 (nine months ended 30 September 2022: HK\$10,465,000) was mainly from government grants of HK\$1,369,000 and interest income of HK\$5,714,000.

Distribution and selling expenses from the continuing operations for the Review Period amounted to HK\$6,914,000, representing an increase of HK\$4,648,000 as compared with HK\$2,266,000 for the corresponding period of 2022, which was mainly attributable to the increase in marketing and promotion expenses incurred by the distribution of animated films.

Administrative expenses from the continuing operations for the Review Period amounted to HK\$23,301,000, representing a decrease of HK\$3,088,000 as compared with HK\$26,389,000 for the corresponding period of 2022, which was mainly attributable to the decrease in labor costs and professional service fees.

Finance costs from the continuing operations for the Review Period amounted to HK\$8,000 (nine months ended 30 September 2022: HK\$18,000). The Group does not have any loans and such finance costs were the interest component of lease liabilities.

Loss recorded from the discontinued operation for the Review Period amounted to HK\$7,184,000, representing the loss decreased by HK\$2,508,000 as compared with HK\$9,692,000 for the corresponding period of 2022, which was mainly attributable to the decrease in professional service fees in relation to litigations for the Review Period as compared with the corresponding period last year.

BUSINESS REVIEW AND OUTLOOK

Interactive Entertainment and Digital Assets

The revenue of the Interactive Entertainment and Digital Assets division of the Group was mainly attributable to: (1) the income from production services of animated films, television series, interactive entertainment and digital virtual characters; (2) box office receipts of original animated films and distribution revenues of original television series; (3) licensing income of original animated films and television series; and (4) licensing income derived from the animation intellectual property (“IP”).

During the third quarter of 2023, the Group co-produced the Yangtze River-themed animated film “Dance With the Finless Porpoise” 《(江豚·風時舞)》 with Jiangxi Cultural Performance Group and Jiangxi Hukou Cultural Tourism Group. The production of the film has been completed and a public release permit has been obtained, the selection of an appropriate schedule for its nationwide release is currently underway. The original ocean-themed animated film “Around the World in 80 Days” 《(環遊地球80天)》 has been released nationwide on 12 August this year. As for the production business, the division is currently undertaking the projects of Tencent interactive entertainment business group and Tencent technology engineering group. In addition, for our production services business, a strategic agreement has been reached with the Shangqiu Cultural Tourism Group for the proposed co-production of the animated film “Zhuang Zhou Morphing into a Butterfly*” 《(莊周化蝶)》.

Driven by the Metaverse, ChatGPT and the artificial intelligence technology represented by chatbot products, the orders from the digital virtual character business projects have shown a continuous growth. GDC has also accelerated the technological development of deep learning of natural language and the creation of products that combine the said technology with virtual characters, including the ongoing in-depth cooperation with Ximalaya, a leading natural language technology company in China.

In 2023, GDC made in-depth use of generative artificial intelligence technology to promote the scaled implementation of digital economy business. With the implementation of numerous digital economy projects such as Qualcomm’s “Trial of AI*” (AI的試煉) promotional video, Tencent IEG Comprehensive Project, Huizhou Press Sector Virtual Human Project, Huawei HDC Conference Project, Huawei Compass Conference Project, Huawei Spain Conference Project, Huawei Turkey Conference Project, Huawei HC Conference Project, Huawei North Africa Night Project, Huawei Paris Conference Project, West China Digital Twin City Project and the Guangzhou Disease Control and Prevention Center Project, the related revenue has increased significantly. The Huawei Connect held at the Shanghai World Expo is Huawei’s most important meeting of the year, in which the Group has undertaken the task of being the virtual host for all of its summits and sub-forums, and also responsible for the development and booth implementation of three intelligent holographic cabinets. The “AI Holographic Virtual BOX”* (AI全息虛擬BOX) developed by the virtual character team was able to achieve consultation, navigation, Q&A, interaction and traffic attraction. It has made its debut during the Conference on Promoting the Development of a Culturally Powerful Province in Jiangxi Province * (江西省文化強省建設推進大會) and became the most popular virtual character product.

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GDC have organised the first Shunliu* (順溜) study camp in Southern China in terms of the IP Operation Business. We have formed cross-industry partnership with leading enterprises such as Alilo, Umetrip and KFC to promote the original ocean-themed animated film. Over 100 categories of products were developed in total. We co-organised the movie viewing ceremony of “Dance with the Finless Porpoise” and the “Finless Porpoise Music Festival” (江豚音樂節) in the Shizhong Mountain Scenic Area in Hukou, Jiangxi Province with Jiangxi Cultural Performance and Hukou Cultural Tourism, so as to promote the film and Finless Porpoise IP marketing, as well as enhance the sales of IP derivative products.

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 utilised 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 under progress. The project focuses on the philosophy of “Cultural IP + Technology + Sports”, forming a special package with a composite operating model, gaining commercial forces around six aspects, namely, matching, differentiation, theme, purpose, coordination, and vision. It integrates sports, leisure and smart experience, and rejuvenates the Sports Park.

As a subsidiary of the Group located in Chengdu has developed a smart city business to facilitate the creation of smart cities, we have executed and initiated production on two project contracts, while the third project is currently in the bidding process. Additionally, we have undertaken the production of an educational video project for the “Digital Intelligence and Casting Heart Project*” (數智•鑄心工程) of Chengdu Wuhou State Owned Capital Investment and Operation Group Co., Ltd. We have also reached cooperation with Sony China to bundle the construction of its watch carrier software website with the development of peripheral products.

The project undertaken by our Beijing branch for Qualcomm has completed basic acceptance. Furthermore, we reached a strategic cooperation agreement with Yingquan Technology Limited* (映泉科技有限公司) and Landmark Mark Metaverse Platform* (地標馬克元宇宙平台).

The training business is also gradually creating a new business model to support the upgrade of new teaching technologies with cloud platform technology. The in-depth collaboration of our training business with vocational colleges in several cities has reached a consensus and gradually commenced project implementation.

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Research and Development

The Group has a first-mover advantage in the technical accumulation of Metaverse infrastructure and the construction of virtual reality, possesses a complete solution and business experience in the areas such as virtual digital simulation and full-real digital natives, and has a software and hardware solution integrating automatic intelligent control, highly accurate full-body motion capture and artificial intelligence, which can be applied to customised services such as enterprise digital employees, digital scenario and virtual spokespersons. The research and development team has completed the development of computer animation and artificial intelligence engine driver interface, as well as optimised the production process and technics continuously. The Group has also continued to enhance the improvement and application of new technologies such as unreal engine and artificial intelligence.

The Group has conducted continuous product marketisation for its own IP – CG Aline cloud platform, an automated management system. To keep up with the trend of the internet development, the research and development team transformed the Company’s management system into a platform, gradually realised the cloud service mode of mini-program plus application, and exchanged non-confidential information with WeCom to further improve management efficiency.

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 realised. The hyperparameter artificial intelligence technology has been practically applied in Huawei’s virtual character live broadcast and the Kiehl’s virtual character projects and has been highly recognised by customers and brands.

Government Awards

During the first three quarters, the Group won the Award for Original R&D and Industrialisation Projects of Shenzhen Municipal Bureau of Culture, Radio, Television, Tourism and Sports, 2023 Funding for the Cultivation of High-tech Enterprises of Science, Technology and Innovation Commission of Shenzhen Municipality, the Branch Award of the 19th Shenzhen Cultural Expo, the Subsidy for Improving the Creative Ability of Smart Property Rights of Market Supervision and Regulation Bureau of Shenzhen Municipality, Original Operation Income Reward and Copyright Subsidy of Nanshan District Culture, Radio, Television, Tourism and Sports Bureau, Parent-Child Reception Subsidy of the Women’s Federation of Nanshan District, as well as the Foshan Original Boutique Subsidy.

Furthermore, the Group has been awarded the recognition of technology-based small and medium enterprises, the recognition of the 19th Cultural Expo Branch and the Outstanding Branch of the 19th Cultural Expo. We have participated in various events such as the Hong Kong International Film and TV Market, the 19th Shenzhen Cultural Expo Global Digital Branch and the High Quality Development Conference of the Cultural and Entertainment Association, the first China (Harbin) International Animation and Comic Game Expo, the 18th Changchun Film Festival, the Chinese-Arabic Animation and Comic Forum, the Beijing Animated Films Week, the High Quality Development Forum of Animated Films in the Greater Bay Area, as well as the 2nd China Film Art Direction Academy Honorary Ceremony.

In addition, “Thru The Mobius Strip” (《魔比斯環》) and “Shunliu”* (《順溜》) were awarded the 100 Outstanding Animation Works Award in the Flowing Light — China Animation Centenary Exhibition (流光浮動 — 中國動畫百年紀念展), and “Around the World in 80 Days” (《環遊地球80天》) was successfully shortlisted for the “Chasing Light Project” of the 15th Straits Film and Television Season and was shortlisted for the list of “The Most Anticipated Animated Films (Series)” of the High Quality Development Forum of Animated Films in the Greater Bay Area. The original ocean-themed film “Journey to the Center of the Earth” (《地心遊記》) was awarded the first China Children’s Literature and Animation Outstanding Award; “Dance with the Finless Porpoise” was awarded among the list of “The Most Anticipated Animated Films” of the High Quality Development Forum of Animated Films in the Greater Bay Area. The Company won the BANK2022 Sports Metaverse Innovation Enterprise Award.

OUTLOOK

Leveraging on its existing business advantages, GDC will continue to optimise the city-level Metaverse solution and empower the local digital economic development, promotion of traditional Chinese culture as well as rural revitalisation with its cultural tourism Metaverse products. The interactive entertainment and digital assets 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 recreate good Chinese stories through cutting-edge computer animation technology and novel art style. In terms of the undertaking and production business, the Group will continue to provide high-quality and stable production services. The undertaking and production business of digital virtual characters will form a platform business model to expand market shares.

Following the inception of Chengdu Sports Park project* (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 commercialisation, and create an innovative, commercial and ecological sports park, thereby redefining the city with culture. Meanwhile, GDC’s digital genes will facilitate the creation of smart cities and the construction of the digital twin project “Smart City Rongcheng” (智慧蓉城) based in Chengdu, serving multiple Metaverse scenarios, such as digital twin cities, digital cultural and creative contents, brand digital marketing, digital media technology, and digital asset management.

The Group continues to commit to talent development and technology optimisation to improve business quality. At the same time, we will actively expand the market, boost efforts to expand the Metaverse virtual characters and New Cultural and Sports Space business. The Group will also fully achieve breakthroughs in the urban culture and tourism and the provision of variety shows in the Metaverse, gradually expand the Metaverse products of various industries, and make every effort to become China’s leading digital asset management group in the Metaverse.

** For identification purpose only*

LITIGATIONS

Updates of the litigations between 廣東環球數碼創意產業有限公司 (“Guangdong GDC*”), an indirect 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 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.

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.

On 13 December 2022, a civil judgment for re-trial from Guangzhou Intermediate People’s Court (the “Guangzhou Intermediate People’s Court Civil Judgment for Re-trial”) was handed down to Guangdong GDC. According to the Guangzhou Intermediate People’s Court Civil Judgment for Re-trial, Guangdong GDC is required to pay property occupation fee to the Pearl River Film Production of RMB157,353,781 for the period between 23 March 2016 and the day when Guangdong GDC returned the entire Pearl River Film Cultural Park to Pearl River Film Production. All other claims made by Pearl River Film Production were dismissed. Each of Guangdong GDC and Pearl River Film Production filed an appeal with the Guangdong Higher People’s Court. The Company has received a civil judgment (民事判決書) from the Guangdong Higher People’s Court (the “Guangdong Higher People’s Court Civil Judgment for Appeal”) on 7 October 2023. According to the Guangdong Higher People’s Court Civil Judgement for Appeal, the Appeal was rejected and the Guangzhou Intermediate People’s Court Civil Judgment for Re-trial was upheld. As at the date of this announcement, Guangdong GDC is seeking legal advice in response to the Guangdong Higher People’s Court Civil Judgment for Appeal.

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 (“Gaoshang Property Management*”), an indirect non-wholly owned subsidiary of the Company 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.

* For identification purpose only

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. The Company has recently been informed that the re-trial initiated by Pearl River Film had been rejected by the Guangdong Higher People’s Court. The Intermediate Court Civil judgment is the final judgment.

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 (the “Appeal”). On 21 July 2023, Guangdong GDC received a civil judgment (民事判決書) from the Guangdong Higher People’s Court (the “Higher Court Civil Judgment”). According to the Higher Court Civil Judgement, the Appeal was rejected and the judgment of the Guangzhou Intermediate People’s Court was upheld. As at the date of this announcement, Guangdong GDC is seeking legal advice in response to the Higher Court Civil Judgment.

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

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 2023.

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 2023.

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 2023.

AUDIT COMMITTEE

The Group's third quarterly results for the nine months ended 30 September 2023 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 2023.

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, 8 November 2023

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, Mr. Li Yao and Ms. Wu Chunhua 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>.