



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 2021**

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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 2021 with comparative figures for the corresponding periods in the year 2020.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		(Unaudited) Three months ended 30 September		(Unaudited) Nine months ended 30 September	
		2021	2020	2021	2020
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Continuing operations					
Revenue	3	20,360	18,416	65,377	58,821
Cost of sales		<u>(15,983)</u>	<u>(8,943)</u>	<u>(34,848)</u>	<u>(31,420)</u>
Gross profit		4,377	9,473	30,529	27,401
Other income	4	12,183	1,948	17,637	7,197
Distribution and selling expenses		(544)	(568)	(10,769)	(3,100)
Administrative expenses		(8,851)	(9,015)	(28,637)	(26,532)
Other gains/(losses), net	5	51	(17)	(24)	(118)
Operating profit		7,216	1,821	8,736	4,848
Finance cost		<u>(1)</u>	<u>(14)</u>	<u>(6)</u>	<u>(56)</u>
Profit before income tax		7,215	1,807	8,730	4,792
Income tax expense	6	<u>(1,783)</u>	<u>(492)</u>	<u>(2,480)</u>	<u>(1,145)</u>
Profit for the period from continuing operations		<u>5,432</u>	<u>1,315</u>	<u>6,250</u>	<u>3,647</u>

	<i>Note</i>	(Unaudited)		(Unaudited)	
		Three months ended		Nine months ended	
		30 September		30 September	
		2021	2020	2021	2020
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Discontinued operation					
(Loss)/profit for the period from discontinued operation	7	<u>(1,498)</u>	<u>(3,215)</u>	<u>(13,903)</u>	<u>2,730</u>
Profit/(loss) for the period		<u>3,934</u>	<u>(1,900)</u>	<u>(7,653)</u>	<u>6,377</u>
Other comprehensive income for the period					
Item that will not be reclassified to profit or loss:					
Exchange differences on translation to presentation currency		<u>865</u>	<u>10,073</u>	<u>4,535</u>	<u>5,999</u>
Other comprehensive income for the period		<u>865</u>	<u>10,073</u>	<u>4,535</u>	<u>5,999</u>
Total comprehensive income/(loss) for the period		<u>4,799</u>	<u>8,173</u>	<u>(3,118)</u>	<u>12,376</u>
Profit/(loss) for the period attributable to:					
Owners of the Company					
– Continuing operations		<u>5,432</u>	<u>1,315</u>	<u>6,250</u>	<u>3,647</u>
– Discontinued operation		<u>(1,019)</u>	<u>(2,186)</u>	<u>(9,454)</u>	<u>1,857</u>
		<u>4,413</u>	<u>(871)</u>	<u>(3,204)</u>	<u>5,504</u>
Non-controlling interests					
– Continuing operations		<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
– Discontinued operation		<u>(479)</u>	<u>(1,029)</u>	<u>(4,449)</u>	<u>873</u>
		<u>(479)</u>	<u>(1,029)</u>	<u>(4,449)</u>	<u>873</u>
		<u>3,934</u>	<u>(1,900)</u>	<u>(7,653)</u>	<u>6,377</u>

	<i>Note</i>	(Unaudited)		(Unaudited)	
		Three months ended		Nine months ended	
		30 September		30 September	
		2021	2020	2021	2020
		HK\$'000	<i>HK\$'000</i>	HK\$'000	<i>HK\$'000</i>
Total comprehensive income/					
(loss) for the period					
attributable to:					
Owners of the Company					
– Continuing operations		7,343	26,080	16,816	17,549
– Discontinued operation		(1,730)	(12,177)	(13,555)	(3,518)
		<u>5,613</u>	<u>13,903</u>	<u>3,261</u>	<u>14,031</u>
Non-controlling interests		(814)	(5,730)	(6,379)	(1,655)
		<u>4,799</u>	<u>8,173</u>	<u>(3,118)</u>	<u>12,376</u>
		<i>HK cents</i>	<i>HK cents</i>	<i>HK cents</i>	<i>HK cents</i>
Earnings/(loss) per share					
attributable to owners of					
the Company					
Basic and diluted earnings/					
(loss) per share					
– Continuing operations	8	0.36	0.09	0.41	0.24
– Discontinued operation	8	(0.07)	(0.14)	(0.63)	0.12
		<u>0.29</u>	<u>(0.05)</u>	<u>(0.22)</u>	<u>0.36</u>

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 2021 are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2020.

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 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	
	2021	2020	2021	2020
	HK\$’000	HK\$’000	HK\$’000	HK\$’000
Revenue from computer graphic (“CG”) production	79	2,759	2,545	12,617
Revenue from television programmes and movies	4,143	465	15,766	3,492
Management services fee	4,149	3,986	11,115	9,638
Rental income	11,989	11,206	35,951	33,074
	20,360	18,416	65,377	58,821

4. OTHER INCOME

	(Unaudited)		(Unaudited)	
	Three months ended		Nine months ended	
	30 September		30 September	
	2021	2020	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Continuing operations				
Government grants	9,813	632	11,364	2,890
Interest income	2,296	1,273	6,119	4,141
Others	74	43	154	166
	12,183	1,948	17,637	7,197

5. OTHER GAINS/(LOSSES), NET

	(Unaudited)		(Unaudited)	
	Three months ended		Nine months ended	
	30 September		30 September	
	2021	2020	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Continuing operations				
Gain on disposal of property, plant and equipment	70	49	70	10
Others	(19)	(66)	(94)	(128)
	51	(17)	(24)	(118)

6. INCOME TAX EXPENSE

	(Unaudited)		(Unaudited)	
	Three months ended		Nine months ended	
	30 September		30 September	
	2021	2020	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Continuing operations				
Corporate Income Tax (“CIT”) in the People’s Republic of China (“PRC”):				
Current tax	2,217	101	2,659	1,207
Overprovision in prior periods	–	–	(1)	(18)
	2,217	101	2,658	1,189
Deferred tax	(434)	391	(178)	(44)
	1,783	492	2,480	1,145

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 classified as discontinued operation with effect from 1 December 2018. Certain costs continued to be incurred during the nine months ended 30 September 2021 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 2021 and 2020 were as follows:

	(Unaudited)		(Unaudited)	
	Three months ended		Nine months ended	
	30 September		30 September	
	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Other income	–	61	340	61
Other loss, net	–	–	–	(3)
Administrative expenses	(697)	(1,800)	(9,562)	(6,611)
(Provision for)/reversal of rental and settlement expenses	(2,028)	(1,440)	(5,856)	9,337
(Loss)/profit before income tax	(2,725)	(3,179)	(15,078)	2,784
Income tax credit/(expense)	1,227	(36)	1,175	(54)
(Loss)/profit for the period from discontinued operation	<u>(1,498)</u>	<u>(3,215)</u>	<u>(13,903)</u>	<u>2,730</u>

8. EARNINGS/(LOSS) PER SHARE

	(Unaudited) Three months ended 30 September		(Unaudited) Nine months ended 30 September	
	2021	2020	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit/(loss) attributable to owners of the Company:				
– Continuing operations	5,432	1,315	6,250	3,647
– Discontinued operation	(1,019)	(2,186)	(9,454)	1,857
	<u>4,413</u>	<u>(871)</u>	<u>(3,204)</u>	<u>5,504</u>
	(Unaudited) Three months ended 30 September		(Unaudited) Nine months ended 30 September	
	2021	2020	2021	2020
	<i>No. of shares '000</i>	<i>No. of shares '000</i>	<i>No. of shares '000</i>	<i>No. of shares '000</i>
Weighted average number of ordinary shares in issue	<u>1,510,036</u>	<u>1,513,880</u>	<u>1,510,036</u>	<u>1,515,905</u>
	(Unaudited) Three months ended 30 September		(Unaudited) Nine months ended 30 September	
	2021	2020	2021	2020
	<i>HK cents</i>	<i>HK cents</i>	<i>HK cents</i>	<i>HK cents</i>
Basic and diluted earnings/(loss) per share				
– Continuing operations	0.36	0.09	0.41	0.24
– Discontinued operation	(0.07)	(0.14)	(0.63)	0.12
	<u>0.29</u>	<u>(0.05)</u>	<u>(0.22)</u>	<u>0.36</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 2021 (nine months ended 30 September 2020: same).

9. UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	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 income												
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

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	Treasury share reserve HK\$ '000	Retained earnings HK\$ '000	Sub-total HK\$ '000	Non-controlling interests HK\$ '000	Total HK\$ '000
At 1 January 2020	15,177	75,799	445	245,881	8,120	45,787	(31,395)	(1,953)	(13)	76,461	434,309	(125,578)	308,731
Comprehensive income													
Profit for the period	-	-	-	-	-	-	-	-	-	5,504	5,504	873	6,377
Other comprehensive income/(loss)													
Currency translation differences	-	-	-	-	-	-	8,527	-	-	-	8,527	(2,528)	5,999
Other comprehensive income/(loss) for the period	-	-	-	-	-	-	8,527	-	-	-	8,527	(2,528)	5,999
Total comprehensive income/(loss) for the period	-	-	-	-	-	-	8,527	-	-	5,504	14,031	(1,655)	12,376
Transactions with owners													
Repurchase of treasury shares	-	-	-	-	-	-	-	-	(748)	-	(748)	-	(748)
Cancellation of treasury shares	(76)	(680)	-	-	-	-	-	-	756	-	-	-	-
Total transactions with owners	(76)	(680)	-	-	-	-	-	-	8	-	(748)	-	(748)
At 30 September 2020	15,101	75,119	445	245,881	8,120	45,787	(22,868)	(1,953)	(5)	81,965	447,592	(127,233)	320,359

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the nine months ended 30 September 2021 (nine months ended 30 September 2020: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

For the nine months ended 30 September 2021 (the “Period”), revenue from the continuing operations for the Period amounted to HK\$65,377,000, representing an increase of HK\$6,556,000 as compared with HK\$58,821,000 for the corresponding period of 2020. Revenue of the new cultural space division increased by HK\$4,354,000 as compared to the corresponding period of last year, and revenue of the CG creation and production division increased by HK\$2,202,000 as compared to the corresponding period of last year.

Cost of sales from the continuing operations for the Period amounted to HK\$34,848,000, representing an increase of HK\$3,428,000 as compared with HK\$31,420,000 for the corresponding period of 2020. The cost of sales for the Period was proportional to the change in revenue.

Other income from the continuing operations for the Period amounted to HK\$17,637,000, representing an increase of HK\$10,440,000 as compared with HK\$7,197,000 for the corresponding period of 2020, which was mainly due to the increase in government grants and interest income of HK\$8,474,000 and HK\$1,978,000, respectively.

Distribution and selling expenses from the continuing operations for the Period amounted to HK\$10,769,000, representing an increase of HK\$7,669,000 as compared with HK\$3,100,000 for the corresponding period of 2020, which was mainly attributable to the increase in marketing expenses arising from distribution of an animated film.

Administrative expenses from the continuing operations for the Period amounted to HK\$28,637,000, representing an increase of HK\$2,105,000 as compared with HK\$26,532,000 for the corresponding period of last year, which was mainly attributable to the increase in staff costs.

Finance costs from continuing operations for the Period amounted to HK\$6,000 (nine months ended 30 September 2020: HK\$56,000). 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.

Profit recorded from the continuing operations for the Period amounted to HK\$6,250,000, representing an increase of HK\$2,603,000 as compared to the profit of HK\$3,647,000 for the corresponding period of last year.

Loss recorded from the discontinued operation for the Period amounted to HK\$13,903,000, representing a decrease of HK\$16,633,000 as compared to the profit recorded of HK\$2,730,000 for the corresponding period of last year, which was mainly attributable to: 1) the reversal of provision for rental and settlement payables generated in relation to the litigations of the Pearl River Film Cultural Park for the nine months ended 30 September 2020, while there was no similar reversal for the Period; and 2) the increase of litigation expenses and payment of employee severance compensation 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 generated from the undertaking and production services of animated films and digital virtual characters, box office receipts of original and co-production animated films, copyrights of animated films and animated television series, and product design and authorization businesses derived from the IP of animation.

As to animated film and television business, the projects for the Period were mainly derived from the mainland of the PRC. The Group mainly undertook the 3D animation content of a virtual character, Ai Ling* (艾靈), from the Artificial Intelligence Laboratory (AI Lab) of a leading enterprise, the press conference for digital virtual characters, and the animated video content of a column “Shunliu’s Talk on Party History” (順溜講黨史) which is in cooperation with Guangming Net. Co-produced the Yangtze River-themed IP animated film “Finless Porpoise: Dance in the Wind” (江豚：風時舞) with Jiangxi Cultural Performance Group* (江西省文演集團) and Jiangxi Hukou Cultural Tourism Group* (江西湖口文旅集團), the Group is responsible for the full production, promotion and distribution of the animated film. Out of the two original animation projects, one of which the newly produced with new characters and stories and ocean-themed animated film “Journey to the Center of the Deep Ocean” was officially released during the Dragon Boat Festival on 12 June. Among the screening districts nationwide, due to the prevention and control measures against COVID-19 in Guangdong Province, the number of theatres opened was limited and thereby affected the box office, yet the film ranked No. 1 in the domestic animated film box office on the day of screening on 1 June. Another original animated film under planning is an ocean-themed animated film “Around the World in 80 Days”, which is undergoing pre-story and art design development.

Product operation business derived from the IP of animation for authorization field has been fully expanded as well as created touring product lines and launched products in areas such as art display, entertainment, interactive experience, books and popular science education, which have been promoted throughout the country with over 10 first-tier cities negotiated. With a current focus on developing authorization business in apparel and food categories, fashion jewelry and accessories are designed and developed in Chinese style to cater for young consumers. The ocean-themed IP has obtained cooperation intention from toy dealers and video broadcast platforms, planning to cooperate in the development of new smart toy products with animated images.

New Cultural Space

GDC Building in Shenzhen continued to attract high-quality animated film and television, high technology and cultural and creative enterprises, which led to the use of digital vision as core and the extension to industrial ecosystems such as networks, games, virtual interactions and artificial intelligence. Foshan Digital Animation Industry Base* (佛山數碼動漫產業基地) has strived to be turned into Digital Animation Incubation Base* (數字動漫孵化基地) and a base of Live Streaming for Virtual Marketing* (虛擬人直播帶貨基地). With the utilization of its self-developed digital technology cloud platform for cloud data and information processing to provide professional operation and management services for the parks, the division has continued to enhance the digital technology management system as well as to improve the ancillary facilities and services.

Following the inception of Wuhou Sports Park project in Chengdu, the base and industrial model are used by the Group to conduct the expansion and deployment in areas such as education integrated complex, sports integrated complex, virtual museums and other business fields by leveraging on the cutting-edge technology in terms of original IP and interactive experience. Currently, local government bodies and organizations of certain cities across the country have expressed their cooperation intent on business in relation to the integration of culture and technology and the creation of a new cultural space. In Beijing, the Group planned to participate in Shougang Park project* (首鋼園項目), with an aim of turning it into the first travel destination with digital science fiction experience in the country.

Technology Research and Development

The Group rapidly upgraded and innovated the production process according to the development trend of industry technology, and continued to enhance application and research and development in game engines and real-time computing. The Group also improved the automatic filing management and optimized the process, and further commercialized the Company's own IP — CG Aline cloud platform system.

The Group conducted development in high simulation real-time computing, semi-automatic control system, whole artificial intelligence control system and real-time clothing hair dynamics system* (實時衣物毛髮動態動力學系統). Leveraging on the cutting-edge technology of the above digital vision, the Group developed customized service for virtual character scenario application. Meanwhile, the Group planned to expand the commercial application products with digital virtual character IP matrix, artificial intelligence and big data as core elements, and implemented strategic layout in areas such as Live Streaming for Virtual Marketing* (虛擬人直播帶貨), financial service field and local digital spokesperson. The development of e-sports live broadcast technology solution for digital virtual characters has been completed, and the technology has been tested and upgraded on the main local live broadcast platforms.

Government Awards

As to government awards, four original works of the Group were selected and received Shenzhen cultural industry special funding projects* (深圳市文化產業專項資助項目), specifically the animated film “20000 Leagues under the Sea”, the animated film “Space Pals”, the animated television series “Eagle Boy 2” and the animated film “Soldier Shunliu: The Hero Battle”. As to intellectual property rights, the Group obtained 18 computer software copyright certificates during the Period.

Outlook

As to animated film and television business, multiple theme series such as oceans, Yangtze River stories, Chinese mythology, and science fictions will be developed in the future. Besides, undertaking service business will further expand the animated films, web dramas, game promos and game animation production projects, which provides high-quality and stable production services for first-tier enterprises in the industry.

Following the inception of Wuhou Sports Park project in Chengdu, the Group will take the cultural and creative industry as the leading factor, relying on its multi-format and comprehensive operation and management service capabilities, to fully leverage its own advantages, and to build and operate the project through cultural empowerment, and ultimately create an integrated cultural, sports and entertainment park with IP characteristics.

The Group studies and analyses the local and international culture and technology trends, strives for cooperation with organisations that own cutting-edge technologies and project resources to vigorously promote businesses such as animated film and television, new cultural space and digital virtual characters, and to build and shape products that combine culture and technology.

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 preceding financial year and the first and the second quarter of this year. Updates are as follows:

1. 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 to return the entire Pearl River Film Cultural Park and its facilities and related documents.

On 24 September 2020, the decision for the trial of first instance made by the People’s Court of Haizhu District was in favour of Pearl River Film Production. Guangdong GDC filed 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”) accordingly. The appeal case was proceeded by the Guangzhou Intermediate People’s Court on 14 January 2021.

On 8 February 2021, the Guangzhou Intermediate People’s Court made the final judgment in which the original judgment was upheld. The Group sought legal advice in this respect and was advised to deal with the judgment in accordance with the requirements under the relevant laws. Subsequent to the execution of judgment by Pearl River Film Production and Guangdong GDC in April 2021, Guangdong GDC has applied to 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”) for setting aside of the Intermediate Court Civil Judgment, initiated a re-trial of the legal proceedings against Pearl River Film Production and received the Notice of Acceptance to Civil Re-trial Petitions (民事申請再審案件受理通知書) from the Guangdong Higher People’s Court dated 31 May 2021.

On 13 October 2021, the Company received a civil judgment (民事裁定書) (the “High Court Civil Judgment”) from the Guangdong Higher People’s Court, pursuant to which Guangdong GDC’s claim against the return of the Pearl River Film Cultural Park, the re-trial petitions of Guangdong GDC and the application to set aside the Intermediate Court Civil Judgment have been rejected. The High Court Civil Judgment is final.

As the Group had already derecognised the Pearl River Film Cultural Park as an investment property of the Group since 1 December 2018, the Board does not consider the judgment to have any material impact on the financial position and cash flow of the Group.

2. In April 2019, Pearl River Film Production filed an action with 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 (which Pearl River Film Production estimated to be in the amounts of RMB148,745,800 and RMB9,593,000 for the property occupation fee and the related interest as of 22 March 2019, respectively).

On 30 December 2019, the decision for the trial of first instance was made by the Guangzhou Intermediate People’s Court. According to the judgment, 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 (RMB41,656,989 and RMB3,813,331, respectively).

Each of Pearl River Film Production and Guangdong GDC filed an appeal with the Guangdong Higher People’s Court. The appeal case was proceeded by the Guangdong Higher People’s Court on 8 December 2020.

On 16 April 2021, a civil judgment from the Guangdong Higher People’s Court dated 30 March 2021 was handed down to Guangdong GDC. According to the civil judgment, 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.

3. In April 2019, Pearl River Film Production filed an action with 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”) to pay the property occupation fee of the car park of the Pearl River Film Cultural Park in an amount of RMB26,457,900 and related interest for the period between 1 August 2015 and 21 June 2018 (which Pearl River Film Production estimated to be 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. According to the judgment, 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.

Each of Pearl River Film Production as well as Guangdong GDC and Gaoshang Property Management filed an appeal with the Guangzhou Intermediate People's Court. 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 frozen bank accounts of Gaoshang Property Management were released. The case proceedings were concluded.

Subsequently, Guangdong GDC and Gaoshang Property Management received the Notice of Respondence to Civil Re-trial Petitions (民事申請再審案件應訴通知書) from the Guangdong Higher People's Court dated 8 March 2021, in which Pearl River Film Production has applied for setting aside of the abovementioned final judgment, and initiated a re-trial of the legal proceedings.

4. In April 2021, Guangdong GDC as the plaintiff has initiated legal proceedings against Pearl River Film Production as the defendant, 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. It was set out in the Notification of Acceptance that the Guangzhou Intermediate People's Court has accepted the filing of such civil action.

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 2021.

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 2021.

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 2021.

AUDIT COMMITTEE

The Group's third quarterly results for the nine months ended 30 September 2021 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 2021.

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
Xu Liang
Chairman

Hong Kong, 5 November 2021

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 "Latest Listed Company Information" 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.