G·D·C
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)

DISCLOSEABLE TRANSACTIONS
COOPERATION AGREEMENT

COOPERATION AGREEMENT

On 17 December 2018 (after trading hours), Shenzhen IDMT, Foshan GDM, both indirect wholly-owned subsidiaries of the Company, Foshan Xincai and Brilliant Link entered into the Cooperation Agreement, pursuant to which, among other things (a) Foshan Xincai agreed to contribute Property A to Foshan GDM as capital contribution for a 10% equity interest in Foshan GDM; and (b) Brilliant Link agreed to contribute cash in the amount of RMB26 million in aggregate to Foshan GDM for a 5% equity interest in Foshan GDM.

IMPLICATION UNDER THE GEM LISTING RULES

The contribution of Property A by Foshan Xincai and cash by Brilliant Link into Foshan GDM, respectively, constituted deemed disposal of equity interest in Foshan GDM. In addition, pursuant to the terms of the Cooperation Agreement, Foshan GDM will be acquiring Property A and become the owner of Property A upon its completion.

As the relevant percentage ratios (as defined under the GEM Listing Rules) in respect of the Acquisition, the Cash Contribution and the Disposals are more than 5% but less than 25%, the transactions contemplated under the Cooperation Agreement constitute discloseable transactions under Chapter 19 of the GEM Listing Rules. Accordingly, the Cooperation Agreement and the transactions contemplated thereunder are subject to the reporting and announcement requirements but exempt from shareholders' approval under the GEM Listing Rules.

THE COOPERATION AGREEMENT

Date

17 December 2018 (after trading hours)

Parties

(1) Shenzhen IDMT;

(2) Foshan GDM;

(3) Foshan Xincai; and

(4) Brilliant Link.

To the best of their knowledge, information and belief of the Directors, and having made all reasonable enquiries, Foshan Xincai and Brilliant Link are independent of and not connected with each of the Company, Shenzhen IDMT, Foshan GDM or any of their respective connected persons.

Subject matter

The parties to the Cooperation Agreement shall cooperate to construct a research and development, production, manufacturing and training base for the digital animation industry, namely, the Foshan Digital Animation Industry Base*（佛山數碼動漫產業基地）, which shall have an annual production capability of 3,000 minutes of animation before 5 February 2021.

Cooperation with Foshan Xincai

Pursuant to the Cooperation Agreement, Foshan Xincai agreed to contribute Property A to Foshan GDM as capital contribution for a 10% equity interest in Foshan GDM. Foshan Xincai is responsible for obtaining its certificate of completion of construction from the governmental authorities by 30 December 2018 or as extended due to completion acceptance procedures, but in no event later than 30 June 2019. Foshan Xincai guaranteed that it will complete the necessary procedures for transfer of title of Property A to Foshan GDM within 365 days from the date of completion of construction and inspection. Foshan GDM shall be responsible for any tax in relation to the transfer of title of Property A to it. Foshan GDM shall not lease out or assign Property A before government approval in relation to the annual production capability of the Foshan Digital Animation Industry Base*（佛山數碼動漫產業基地）is obtained or before 5 February 2026, but if the GDM Group needs to lease out Property A to establish the animation base and realise the production capability, it shall provide the details of the lease to Foshan Xincai and Brilliant Link in writing.

Upon receiving the title of Property A, Foshan Xincai shall be given a 10% equity interest in Foshan GDM. Upon acquisition of the 10% equity interest in Foshan GDM, Foshan Xincai shall be entitled to transfer the same to its designated related parties, and the GDM Group and Brilliant Link agreed to assist in handling of such transfer.

In addition, Foshan GDM will be responsible for any tax in relation to the issuance of 10% equity interest to Foshan Xincai. Foshan Xincai will be entitled to share any profit, but not responsible for any loss and liability arising from the business and debt, of Foshan GDM in proportion to its equity holding. Pursuant to the Cooperation Agreement, Foshan Xincai is also entitled to nominate one director to the board of directors of Foshan GDM as its deputy chairman, but will not be involved in the operations and management of Foshan GDM. Foshan Xincai is not required to provide any capital to Foshan GDM as well as provide any guarantee for bank loans and debts of Foshan GDM (if any). Without the prior consent of the GDM Group, Foshan Xincai cannot transfer its 10% equity interest in Foshan GDM to any party other than any related party as designated by Foshan Xincai.

Moreover, Foshan Xincai agreed that, within 30 days after 5 February 2026, the GDM Group shall be entitled to acquire from Foshan Xincai the 10% equity interest in Foshan GDM held by it for a nominal value of RMB1, and Foshan Xincai shall transfer its 10% equity interest in Foshan GDM to the GDM Group or a third party designated by the GDM Group. All tax in relation to such transfer shall be borne by the GDM Group or such third party designated by the GDM Group.

In addition, Foshan Xincai agreed to lease Property B to Foshan GDM, for a term of eight years commencing from the date on which Property B was handed over to Foshan GDM upon completion of renovation as per the instructions of the GDM Group, for a total rental of not exceeding RMB6 million for the entire term of eight years. Under the term of the tenancy, Property B shall only be used as the production and operation premises of digital animation by the GDM Group. If the GDM Group needs to sub-let Property B to establish the animation base and realise the production capability, it shall provide the details of sub-lease to Foshan Xincai and Brilliant Link in writing. Foshan Xincai shall have the right to sell Property B at anytime during the term of the tenancies which shall continue and not be affected by any such transfer. In addition, provided the commercial terms offered by the GDM Group is comparable to those offered by others, the GDM Group shall have the preferential right to acquire Property B during the term of the tenancy. Upon expiry of the said tenancy, on the basis that the commercial terms offered by the GDM Group is comparable those offered by others, the GDM Group shall have the preferential right to continue to lease Property B at terms to be negotiated with Foshan Xincai at that time.

The terms of the cooperation with Foshan Xincai, including contribution of Property A by Foshan Xincai to Foshan GDM and the issue of equity interest in Foshan GDM to it, are based on arms' length negotiations between the parties and taking into account the totality of terms of the cooperation as a whole, including but not limited to the value of Property A and the equity interest of Foshan GDM.

Cooperation with Brilliant Link

In order to support and facilitate the establishment of the animation production base and realisation of the animation production capability target as stipulated the Cooperation Agreement, Brilliant Link agreed to, either by itself or any entity nominated by it, contribute cash in the amount of RMB26 million in aggregate, to Foshan GDM, out of which (a) RMB15 million shall be used to procure production equipment, which has been paid in full as at the date of the Cooperation Agreement, (b) RMB6 million as subsidy for the rental expenses for the lease of Property B, which shall be paid to Foshan GDM upon execution of the formal tenancy agreement for the lease of Property B, and (c) RMB5 million shall be used as animation industry development fund dedicated to recruitment of talent and research and development expenses, which shall be paid to Foshan GDM immediately upon execution of the Cooperation Agreement.

Upon payment by Brilliant Link of the above-mentioned in full, Brilliant Link or its nominee shall be given a 5% equity interest in Foshan GDM. Upon acquisition of 5% equity interest in Foshan GDM, Brilliant Link or its nominee will be entitled to transfer the same to its related connected parties, and the GDM Group and Foshan Xincai agreed to assist in handling of such transfer.

Brilliant Link will be entitled to share any profit, but not responsible for any loss and liability arising from the business and debt, of Foshan GDM in proportion to its equity holding. Brilliant Link is not required to provide any capital to Foshan GDM as well as guarantee for bank loans and debt of Foshan GDM (if any). Brilliant Link confirmed the Cash Contribution are not private loans, and undertook to waive its rights of action in relation to the loans should they be private loans. Without the prior consent of the GDM Group, Brilliant Link cannot transfer its equity interest in Foshan GDM to any party other than any related party as designated by Brilliant Link.

In addition, Brilliant Link agreed that, within 30 days after 5 February 2026, the GDM Group shall be entitled to acquire from Brilliant Link or its nominee the 5% equity interest in Foshan GDM held by it for a nominal value of RMB1, and Brilliant Link shall transfer its 5% equity interest in Foshan GDM to the GDM Group or a third party designated by the GDM Group. All taxation costs in relation to such transfer will be borne by the GDM Group or such third party designated by the GDM Group.

The terms of the cooperation with Brilliant Link, including the amount to be contributed by Brilliant Link to Foshan GDM and the issue of equity interest in Foshan GDM to it or its nominee, are based on arms' length negotiations between the parties and taking into account the totality of terms of the cooperation as a whole, including but not limited to the equity interest of Foshan GDM.

INFORMATION ON THE PARTIES

Shenzhen IDMT, an indirect wholly-owned subsidiary of the Company, is a limited liability company established in the PRC on 17 August 2000. Its principal business is the provision of computer graphic and animation creation and production services, development of multimedia software and hardware, provision of related technical consultancy services and property holding and directly owns 90% equity interest in Foshan GDM.

Foshan Xincai is a limited liability company established in the PRC on 12 June 2009. Its principal business is property development.

Brilliant Link is a limited company established in Hong Kong on 7 July 1992. Its principal business is investment holding.

Foshan GDM, an indirect wholly-owned subsidiary of the Company, is a limited liability company established in the PRC on 15 June 2015. Its principal business is the provision of computer graphic and animation creation and production services.

The financial information of Foshan GDM, as extracted from its unaudited management accounts for the two years ended 31 December 2016 and 2017 compiled in accordance with the generally accepted accounting principles of the PRC, are as follows:

	Year ended 31 December 2016 *RMB*	**Year ended 31 December 2017** *RMB*
Loss before taxation	349,583	3,078,549
Loss after taxation	349,583	3,078,549

The unaudited net liabilities of Foshan GDM as at 30 June 2018 was RMB5,303,377 (equivalent to approximately HK$6,026,565).

Upon completion of the Disposals, Foshan GDM will become a 85% indirect non-wholly owned subsidiary of the Company, and 10% owned by Foshan Xincai and 5% owned by Brilliant Link, and the results of Foshan GDM will continue to be consolidated into that of the Group. The transactions contemplated under the Cooperation Agreement are not expected to result in any gain or loss to the income statement of our Group as the contribution of Property A and cash to Foshan GDM for its 15% equity interest are capital injections in nature.

INFORMATION ON THE PROPERTIES

Pursuant to the valuation report issued by Asset Appraisal Limited, an independent valuer, the valuation of Property A as at 30 November 2018 was approximately RMB19,200,000.

Pursuant to the valuation report issued by Asset Appraisal Limited, an independent valuer, the valuation of Property B as at 30 November 2018, calculated based on a 8-year lease term, was approximately RMB3,180,000.

REASONS FOR AND BENEFITS OF THE COOPERATION

Through entering into of the Cooperation Agreement, the Group will be able to expand its cultural industry business, in particular within the digital animation sphere, in the PRC, which has shown considerable growth in recent years and expected this stable growth will continue in the coming years as the national economy of the PRC continues to grow. In particular, the cooperation will increase the Group's production capability for digital animation and ability to take on larger scale projects in the market, thus grasping additional opportunities.

The Directors consider that the terms of the Cooperation Agreement are fair and reasonable, based on normal commercial terms and are in the best interests of the Company and its shareholders as a whole.

IMPLICATIONS UNDER THE GEM LISTING RULES

The contribution of Property A by Foshan Xincai and cash by Brilliant Link into Foshan GDM, respectively, constituted deemed disposal of equity interest in Foshan GDM. In addition, pursuant to the terms of the Cooperation Agreement, Foshan GDM will be acquiring Property A and become the owner of Property A upon its completion.

As the relevant percentage ratios (as defined under the GEM Listing Rules) in respect of the Acquisition, the Cash Contribution and the Disposals are more than 5% but less than 25%, the transactions contemplated under the Cooperation Agreement constitute discloseable transactions under Chapter 19 of the GEM Listing Rules. Accordingly, the Cooperation Agreement and the transactions contemplated thereunder are subject to the reporting and announcement requirements but exempt from shareholders' approval under the GEM Listing Rules.

DEFINITIONS

In this announcement, the following expressions shall have the meanings set out below unless the context requires otherwise:

"Acquisition"	the acquisition of Property A by Foshan GDM from Foshan Xincai pursuant to the Cooperation Agreement
"Board"	the board of Directors of the Company
"Brilliant Link"	Brilliant Link International Limited, a limited company incorporated in Hong Kong
"Cash Contribution"	Contribution of cash in the amount of RMB26 million in aggregate to Foshan GDM by Brilliant Link pursuant to the Cooperation Agreement
"Company"	Global Digital Creations Holdings Limited（環球數碼創意控股有限公司*）, a company incorporated in Bermuda with limited liability whose securities are listed on GEM
"Cooperation Agreement"	the "Cooperation Agreement in relation to the Construction of the Foshan Digital Animation Industry Base and the Implementation of Manufacture and Production Capabilities" dated 17 December 2018 entered into among Shenzhen IDMT, Foshan GDM, Foshan Xincai, and Brilliant Link
"connected person(s)"	has the meaning ascribed to it under the GEM Listing Rules
"Directors"	the directors of the Company
"Disposals"	the deemed disposal of 15% equity interest in Foshan GDM, of which 10% to Foshan Xincai and 5% to Brilliant Link, respectively, pursuant to the Cooperation Agreement
"Foshan GDM"	Foshan Global Digital Media Technology Co., Ltd.*（佛山環球數碼媒體科技有限公司）, a company incorporated in the PRC with limited liability and is an indirect wholly-owned subsidiary of the Company immediately prior to signing of the Cooperation Agreement
"Foshan Xincai"	Foshan Xincai Property Development Co., Ltd.*（佛山信財置業開發有限公司）, a company incorporated in the PRC with limited liability

"GDM Group"	Shenzhen IDMT and Foshan GDM collectively
"GEM"	GEM of the Stock Exchange
"GEM Listing Rules"	the Rules Governing the Listing of Securities on GEM
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"PRC"	the People's Republic of China excluding Hong Kong, Macau Special Administrative Region of the PRC and Taiwan for the purpose of this announcement
"Property A"	Levels 4 and 5 of GDC Animation Industry Building*（環球數碼動漫產業大廈）, located at 1 Hucuiyi Road, Nanzhuang Town, Chancheng District, Foshan City, the PRC*（中國佛山市禪城區南莊鎮湖翠一路1號）, with an aggregate floor area of approximately 2,000 sq.m.
"Property B"	Levels 6, 7 and 8 of GDC Animation Industry Building*（環球數碼動漫產業大廈）, located at 1 Hucuiyi Road, Nanzhuang Town, Chancheng District, Foshan City, the PRC*（中國佛山市禪城區南莊鎮湖翠一路1號）, with an aggregate floor area of approximately 3,000 sq.m.
"Properties"	Property A and Property B collectively
"RMB"	Renminbi, the lawful currency of the PRC
"Shenzhen IDMT"	Institute of Digital Media Technology (Shenzhen) Limited*（環球數碼媒體科技研究（深圳）有限公司）, a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
"sq. m."	square metres
"Stock Exchange"	The Stock Exchange of Hong Kong Limited

"subsidiary"	any entity within the meaning of the term "subsidiary" as defined in the GEM Listing Rules and the term "subsidiaries" shall be construed accordingly
"%"	per cent

By Order of the Board
Global Digital Creations Holdings Limited
Cheng Xiaoyu
Chairman and Managing Director

Hong Kong, 17 December 2018

In this announcement, conversion of RMB into HK$ is based on the exchange rate of HK$1: RMB0.88. No representation is made that any amount in RMB and HK$ can be or could have been converted at the above exchange rate or any other rates.

As at the date of this announcement, the Board comprises Ms. Cheng Xiaoyu (Chairman and Managing Director), Mr. Jin Guo Ping (Deputy Managing Director) and Mr. Xu Liang as Executive Directors; Mr. Chen Zheng (Deputy Chairman) as Non-executive Director; Mr. Kwong Che Keung, Gordon, Prof. Japhet Sebastian Law and Mr. Lam Yiu Kin as Independent Non-executive Directors.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

This announcement will remain on the "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.

* *For identification purpose only*