



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)

**INTERIM RESULTS  
FOR THE SIX MONTHS ENDED 30 JUNE 2021**

**CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

**GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.**

**Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the main board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.**

*Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*

*This announcement, for which the directors (the “Director(s)”) of Global Digital Creations Holdings Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (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.*

\* For identification purpose only

## INTERIM 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 and six months ended 30 June 2021 with comparative figures for the corresponding period in the year 2020.

### CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

	<i>Note</i>	<b>(Unaudited)</b> <b>Three months ended</b> <b>30 June</b>		<b>(Unaudited)</b> <b>Six months ended</b> <b>30 June</b>	
		<b>2021</b> <b>HK\$'000</b>	<b>2020</b> <b>HK\$'000</b>	<b>2021</b> <b>HK\$'000</b>	<b>2020</b> <b>HK\$'000</b>
<b>Continuing operations</b>					
Revenue	3	<b>27,581</b>	21,214	<b>45,017</b>	40,405
Cost of sales		<b>(11,040)</b>	(9,269)	<b>(18,865)</b>	(22,477)
<b>Gross profit</b>		<b>16,541</b>	11,945	<b>26,152</b>	17,928
Other income		<b>2,315</b>	3,152	<b>5,454</b>	5,249
Distribution and selling expenses		<b>(9,893)</b>	(125)	<b>(10,225)</b>	(2,532)
Administrative expenses		<b>(9,893)</b>	(8,894)	<b>(19,786)</b>	(17,517)
Other losses, net	4	<b>(34)</b>	(46)	<b>(75)</b>	(101)
<b>Operating (loss)/profit</b>		<b>(964)</b>	6,032	<b>1,520</b>	3,027
Finance cost	6	<b>(1)</b>	(19)	<b>(5)</b>	(42)
<b>(Loss)/profit before income tax</b>	5	<b>(965)</b>	6,013	<b>1,515</b>	2,985
Income tax credit/(expense)	7	<b>43</b>	(1,246)	<b>(697)</b>	(653)
<b>(Loss)/profit for the period from continuing operations</b>		<b>(922)</b>	4,767	<b>818</b>	2,332
<b>Discontinued operation</b>					
(Loss)/profit for the period	10	<b>(4,886)</b>	10,525	<b>(12,405)</b>	5,945
<b>(Loss)/profit for the period</b>		<b>(5,808)</b>	15,292	<b>(11,587)</b>	8,277

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

	(Unaudited)		(Unaudited)	
	Three months ended		Six months ended	
	30 June		30 June	
Note	2021	2020	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Other comprehensive income/(loss):</b>				
<i>Items that will not be reclassified to profit or loss:</i>				
– Exchange differences on translation to presentation currency	4,418	(126)	3,670	(4,074)
Other comprehensive income/(loss) for the period	<u>4,418</u>	<u>(126)</u>	<u>3,670</u>	<u>(4,074)</u>
<b>Total comprehensive (loss)/income for the period</b>	<b><u>(1,390)</u></b>	<b><u>15,166</u></b>	<b><u>(7,917)</u></b>	<b><u>4,203</u></b>
<b>(Loss)/profit for the period attributable to:</b>				
– Owners of the Company:				
– Continuing operations	(922)	4,767	818	2,332
– Discontinued operation	(3,322)	7,157	(8,435)	4,043
	<u>(4,244)</u>	<u>11,924</u>	<u>(7,617)</u>	<u>6,375</u>
– Non-controlling interests:				
– Continuing operations	–	–	–	–
– Discontinued operation	(1,564)	3,368	(3,970)	1,902
	<u>(1,564)</u>	<u>3,368</u>	<u>(3,970)</u>	<u>1,902</u>
	<b><u>(5,808)</u></b>	<b><u>15,292</u></b>	<b><u>(11,587)</u></b>	<b><u>8,277</u></b>

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

		(Unaudited) Three months ended 30 June		(Unaudited) Six months ended 30 June	
	<i>Note</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<b>Total comprehensive income/(loss) for the period attributable to:</b>					
– Owners of the Company:					
– Continuing operations		9,537	4,735	9,473	(8,531)
– Discontinued operation		(7,430)	7,094	(11,825)	8,659
		<u>2,107</u>	<u>11,829</u>	<u>(2,352)</u>	<u>128</u>
– Non-controlling interests		(3,497)	3,337	(5,565)	4,075
		<u>(1,390)</u>	<u>15,166</u>	<u>(7,917)</u>	<u>4,203</u>
		<i>HK cents</i>	<i>HK cents</i>	<i>HK cents</i>	<i>HK cents</i>
<b>(Loss)/earnings per share attributable to the owners of the Company:</b>					
Basic and diluted (loss)/earnings per share					
– Continuing operations	8	(0.06)	0.31	0.05	0.15
– Discontinued operation	8	(0.22)	0.47	(0.56)	0.27
		<u>(0.28)</u>	<u>0.78</u>	<u>(0.51)</u>	<u>0.42</u>

## CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

		<b>30 June</b>	31 December
		<b>2021</b>	2020
		<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>Note</i>	<b>(Unaudited)</b>	(Audited)
<b>Non-current assets</b>			
Property, plant and equipment	<i>11</i>	<b>14,821</b>	15,599
Right-of-use assets		<b>9,643</b>	10,110
Investment property	<i>12</i>	<b>249,880</b>	246,912
Interest in an associate		–	–
Movies and television programmes rights	<i>13</i>	<b>7,048</b>	11,606
Productions work in progress	<i>13</i>	<b>10,971</b>	5,345
		<b>292,363</b>	289,572
<b>Current assets</b>			
Contract assets		<b>1,046</b>	537
Trade receivables	<i>14</i>	<b>11,339</b>	10,178
Deposits, prepayments and other receivables		<b>9,097</b>	6,703
Amount due from an associate		<b>240</b>	–
Restricted bank deposits	<i>16</i>	<b>45,763</b>	36,462
Cash and cash equivalents		<b>300,919</b>	306,850
		<b>368,404</b>	360,730
<b>Total assets</b>		<b>660,767</b>	650,302
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital		<b>15,100</b>	15,100
Retained earnings		<b>74,563</b>	82,180
Other reserves		<b>394,966</b>	369,888
<b>Total equity attributable to owners of the Company</b>		<b>484,629</b>	467,168
<b>Non-controlling interests</b>		<b>(139,274)</b>	(134,068)
<b>Total equity</b>		<b>345,355</b>	333,100

**CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION** *(Continued)*

		<b>30 June</b>	31 December
		<b>2021</b>	2020
		<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>Note</i>	<b>(Unaudited)</b>	(Audited)
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Lease liabilities		42	50
Deferred government grants		–	190
Contract liabilities		2,182	1,982
Deferred tax liabilities		21,482	20,974
		<u>23,706</u>	<u>23,196</u>
		-----	-----
<b>Current liabilities</b>			
Trade payables	15	–	108
Accruals and other payables	15	67,173	85,702
Provision for rental and settlement payables	16	214,206	196,570
Contract liabilities		3,076	3,501
Deferred government grants		434	548
Lease liabilities		15	447
Current income tax payable		6,802	7,130
		<u>291,706</u>	<u>294,006</u>
		-----	-----
<b>Total liabilities</b>		<u>315,412</u>	<u>317,202</u>
		-----	-----
<b>Total equity and liabilities</b>		<u>660,767</u>	<u>650,302</u>
		=====	=====

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 1 GENERAL INFORMATION

Global Digital Creations Holdings Limited (the “Company”) was incorporated in Bermuda on 9 October 2002 as an exempted company with limited liability. The address of the Company’s registered office is at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.

The Company has its primary listing on GEM of The Stock Exchange of Hong Kong Limited on 4 August 2003.

The Company and its subsidiaries (the “Group”) are principally engaged in the provision of computer graphic (“CG”) creation and production services, the intellectual property (“IP”)-based value-added digital visual business, the new cultural space integrating culture and technology development business, and the provision of property leasing and management services in the People’s Republic of China (“PRC”).

This condensed consolidated interim financial information is presented in Hong Kong dollars (“HK\$”) unless otherwise stated. This condensed consolidated interim financial information was approved for issue by the Board of Directors on 12 August 2021.

This condensed consolidated interim financial information has not been audited.

## 2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

This condensed consolidated interim financial information for the six months ended 30 June 2021 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 ‘Interim financial reporting’ issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the applicable disclosure provisions of the GEM Listing Rules. This condensed consolidated interim financial information does not include all the notes of the type normally included in annual consolidated financial statements. Accordingly, this condensed consolidated interim financial information should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2020, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

The directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group therefore continues to adopt the going concern basis in preparing this condensed consolidated interim financial information.

The accounting policies applied are consistent with those of the annual consolidated financial statements for the year ended 31 December 2020, except for the estimation of income taxes which are accrued using the tax rate that would be applicable to expected total annual earnings.

A number of new or amended HKFRSs became applicable for the current reporting period. The application of these new or amended HKFRSs did not have material effect on the amounts reported and/or disclosures set out in the condensed consolidated interim financial information.

Certain new accounting standards and interpretations have been published that are not mandatory for this reporting period and have not been early adopted by the Group. These standards are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

### 3 SEGMENT INFORMATION

The chief operating decision-maker (“CODM”) has been identified as the Executive Directors. The Executive Directors review the Group’s internal report in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

The CODM considers the business from service perspective and assess the performance of the operating segments based on a measure of adjusted profit before income tax before unallocated income/expenses for the purpose of allocating resources and assessing performance. These reports are prepared on the same basis as the condensed consolidated interim financial information.

Due to continual development of the Group, management has changed its internal organisational structure to align more closely with the Group’s strategic decision and market dynamics to better serve customers. Property leasing and building management services has been renamed to new cultural space. The Group has adopted the new organisational structure as the reporting format effective during the year ended 31 December 2020.

The management has identified two reportable segments based on the types of services, namely (i) CG creation and production and (ii) new cultural space (formerly known as “property leasing and building management services”).

There were no material revenue transactions transacted between the reportable segments for the six months ended 30 June 2021 (six months ended 30 June 2020: Same).

	Three months ended 30 June 2021 (Unaudited)			Six months ended 30 June 2021 (Unaudited)		
	CG creation and production HK\$'000	New Cultural Space (Formerly known as “Property leasing and building management services”) HK\$'000	Total HK\$'000	CG creation and production HK\$'000	New Cultural Space (Formerly known as “Property leasing and building management services”) HK\$'000	Total HK\$'000
– Revenue from CG production	1,041	–	1,041	2,466	–	2,466
– Box office receipts	10,423	–	10,423	10,423	–	10,423
– Licensing income from television programmes and movies to online platform	101	–	101	321	–	321
– Patent fee income from granting the right to access of trademark	553	–	553	879	–	879
– Management service fee	–	3,770	3,770	–	6,966	6,966
– Rental income	–	11,693	11,693	–	23,962	23,962
Total revenue from external customers	<u>12,118</u>	<u>15,463</u>	<u>27,581</u>	<u>14,089</u>	<u>30,928</u>	<u>45,017</u>
Segment results	(4,950)	8,515	3,565	(7,257)	17,920	10,663
Unallocated income			20			46
Unallocated expenses			(4,550)			(9,194)
(Loss)/profit before income tax from continuing operations			<u>(965)</u>			<u>1,515</u>



	Three months ended 30 June 2020 (Unaudited)			Six months ended 30 June 2020 (Unaudited)		
	CG creation and production <i>HK\$'000</i>	New Cultural Space (Formerly known as "Property leasing and building management services") <i>HK\$'000</i>	Total <i>HK\$'000</i>	CG creation and production <i>HK\$'000</i>	New Cultural Space (Formerly known as "Property leasing and building management services") <i>HK\$'000</i>	Total <i>HK\$'000</i>
– Revenue from CG production	6,269	–	6,269	9,858	–	9,858
– Box office receipts	–	–	–	712	–	712
– Licensing income from television programmes and movies to online platform	339	–	339	1,544	–	1,544
– Patent fee income from granting the right to access of trademark	671	–	671	771	–	771
– Management service fee	–	2,891	2,891	–	5,652	5,652
– Rental income	–	11,044	11,044	–	21,868	21,868
Total revenue from external customers	<u>7,279</u>	<u>13,935</u>	<u>21,214</u>	<u>12,885</u>	<u>27,520</u>	<u>40,405</u>
Segment results	(770)	11,278	10,508	(9,178)	21,535	12,357
Unallocated income			402			407
Unallocated expenses			(4,897)			(9,779)
Profit before income tax from continuing operations			<u>6,013</u>			<u>2,985</u>

	Three months ended 30 June 2021 (Unaudited)			Six months ended 30 June 2021 (Unaudited)		
	CG creation and production <i>HK\$'000</i>	New Cultural Space (Formerly known as "Property leasing and building management services") <i>HK\$'000</i>	Total <i>HK\$'000</i>	CG Creation and production <i>HK\$'000</i>	New Cultural Space (Formerly known as "Property leasing and building management services") <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Timing of revenue recognition for revenue from contracts with customers</b>						
– At a point in time	10,524	–	10,524	10,744	–	10,744
– Over time	1,594	3,770	5,364	3,345	6,966	10,311
Rental income	12,118	3,770	15,888	14,089	6,966	21,055
	–	11,693	11,693	–	23,962	23,962
Total revenue from external customers	<u>12,118</u>	<u>15,463</u>	<u>27,581</u>	<u>14,089</u>	<u>30,928</u>	<u>45,017</u>

	Three months ended 30 June 2020 (Unaudited)			Six months ended 30 June 2020 (Unaudited)		
	New Cultural Space (Formerly known as “Property leasing and building management services”) CG creation and production <i>HK\$’000</i>	<i>HK\$’000</i>	Total <i>HK\$’000</i>	New Cultural Space (Formerly known as “Property leasing and building management services”) CG Creation and production <i>HK\$’000</i>	<i>HK\$’000</i>	Total <i>HK\$’000</i>
<b>Timing of revenue recognition for revenue from contracts with customers</b>						
– At a point in time	339	–	339	2,256	–	2,256
– Over time	6,940	2,891	9,831	10,629	5,652	16,281
	7,279	2,891	10,170	12,885	5,652	18,537
Rental income	–	11,044	11,044	–	21,868	21,868
Total revenue from external customers	<u>7,279</u>	<u>13,935</u>	<u>21,214</u>	<u>12,885</u>	<u>27,520</u>	<u>40,405</u>

The segment assets and liabilities as at 30 June 2021 and 31 December 2020 are as follows:

	As at 30 June 2021 (Unaudited)			
	CG creation and production <i>HK\$’000</i>	New Cultural Space (Formerly known as “Property leasing and building management services”) <i>HK\$’000</i>	Unallocated <i>HK\$’000</i>	Total <i>HK\$’000</i>
Segment assets	<u>284,511</u>	<u>294,383</u>	<u>81,873</u>	<u>660,767</u>
Segment liabilities	<u>51,201</u>	<u>34,964</u>	<u>229,247</u>	<u>315,412</u>
Additions to non-current assets	<u>4,849</u>	<u>1,294</u>	<u>24</u>	<u>6,167</u>

	As at 31 December 2020 (Audited)			
	CG creation and production <i>HK\$'000</i>	New Cultural Space (Formerly known as “Property leasing and building management services”) <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment assets	279,997	285,657	84,648	650,302
Segment liabilities	50,427	54,586	212,189	317,202
Additions to non-current assets	9,750	21,080	88	30,918

### Geographical information

The following table shows revenue generated from the reportable segments by geographical area as according to the location of the customers:

	(Unaudited) Three months ended 30 June		(Unaudited) Six months ended 30 June	
	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Mainland China (for the purpose of this announcement, “Mainland China” refer to the mainland of the PRC and does not include Hong Kong, Macau and Taiwan)	27,581	21,214	45,017	40,310
Hong Kong	–	–	–	95
	<b>27,581</b>	<b>21,214</b>	<b>45,017</b>	<b>40,405</b>

#### 4 OTHER LOSSES, NET

	<b>(Unaudited)</b>		<b>(Unaudited)</b>	
	<b>Three months ended 30 June</b>		<b>Six months ended 30 June</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Losses on disposal of property, plant and equipment	–	–	–	(39)
Others	<b>(34)</b>	<b>(46)</b>	<b>(75)</b>	<b>(62)</b>
	<b>(34)</b>	<b>(46)</b>	<b>(75)</b>	<b>(101)</b>

#### 5 (LOSS)/PROFIT BEFORE INCOME TAX

	<b>(Unaudited)</b>		<b>(Unaudited)</b>	
	<b>Three months ended 30 June</b>		<b>Six months ended 30 June</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
(Loss)/profit for the period has been arrived at after charging:				
Employee benefit expenses	<b>8,985</b>	9,422	<b>20,458</b>	18,495
Amortisation of movies and television programmes rights ( <i>Note 13</i> )	<b>4,699</b>	–	<b>4,699</b>	6,443
Depreciation of property, plant and equipment ( <i>Note 11</i> )	<b>273</b>	706	<b>812</b>	1,106
Deprecation of right-of-use assets	<b>78</b>	430	<b>581</b>	862

#### 6 FINANCE COST

	<b>(Unaudited)</b>		<b>(Unaudited)</b>	
	<b>Three months ended 30 June</b>		<b>Six months ended 30 June</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Finance cost on lease liabilities	<b>1</b>	19	<b>5</b>	42

## 7 INCOME TAX (CREDIT)/EXPENSE

	<b>(Unaudited)</b>		<b>(Unaudited)</b>	
	<b>Three months ended 30 June</b>		<b>Six months ended 30 June</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Continuing operations</b>				
Current tax:				
– Hong Kong profits tax	–	–	–	–
– the PRC corporate income tax	<b>156</b>	1,106	<b>442</b>	1,106
– Over provision for prior periods	<b>(1)</b>	(18)	<b>(1)</b>	(18)
	<b>155</b>	1,088	<b>441</b>	1,088
Deferred income tax	<b>(198)</b>	158	<b>256</b>	(435)
Income tax (credit)/expense	<b>(43)</b>	1,246	<b>697</b>	653

## 8 (LOSS)/EARNINGS PER SHARE

	<b>(Unaudited)</b>		<b>(Unaudited)</b>	
	<b>Three months ended 30 June</b>		<b>Six months ended 30 June</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
(Loss)/profit attributable to owners of the Company				
– continuing operations	<b>(922)</b>	4,767	<b>818</b>	2,332
– discontinued operation	<b>(3,322)</b>	7,157	<b>(8,435)</b>	4,043
	<b>(4,244)</b>	11,924	<b>(7,617)</b>	6,375
	<b>(Unaudited)</b>		<b>(Unaudited)</b>	
	<b>Three months ended 30 June</b>		<b>Six months ended 30 June</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>No. of shares</b>	<b>No. of shares</b>	<b>No. of shares</b>	<b>No. of shares</b>
	<i>'000</i>	<i>'000</i>	<i>'000</i>	<i>'000</i>
Weighted average number of ordinary shares in issue	<b>1,510,036</b>	1,516,509	<b>1,510,036</b>	1,516,928
	<b>1,510,036</b>	1,516,509	<b>1,510,036</b>	1,516,928

	(Unaudited)		(Unaudited)	
	Three months ended 30 June		Six months ended 30 June	
	2021	2020	2021	2020
	<i>HK cents</i>	<i>HK cents</i>	<i>HK cents</i>	<i>HK cents</i>
Basic and diluted (loss)/earnings per share				
– continuing operations	(0.06)	0.31	0.05	0.15
– discontinued operation	(0.22)	0.47	(0.56)	0.27
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total basic and diluted (loss)/earnings per share	<u>(0.28)</u>	<u>0.78</u>	<u>(0.51)</u>	<u>0.42</u>

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

Diluted (loss)/earnings per share is the same as basic (loss)/earnings per share as there were no potential dilutive ordinary shares outstanding during the six months ended 30 June 2021 (six months ended 30 June 2020: same).

## 9 DIVIDEND

The board of Directors does not recommend the payment of an interim dividend for the six months ended 30 June 2021 (six months ended 30 June 2020: Nil).

## 10 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”) as set out in Note 16, the Cultural Park operation was classified as discontinued operation with effect from 1 December 2018. Certain costs continued to be incurred during the six months ended 30 June 2021 as the matters as set out in Note 16 remain unsolved.

### Cultural Park

Financial information relating to the discontinued operation for the period is set out below:

	(Unaudited)		(Unaudited)	
	Three months ended 30 June		Six months ended 30 June	
	2021	2020	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Other income	208	–	340	–
Other losses, net	–	(3)	–	(3)
Administrative expenses	(3,051)	(2,086)	(8,865)	(4,811)
(Provision for)/reversal of rental and settlement expenses	(1,991)	12,624	(3,828)	10,777
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
(Loss)/profit before income tax	(4,834)	10,535	(12,353)	5,963
Income tax expenses	(52)	(10)	(52)	(18)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
(Loss)/profit for the period from discontinued operation	<u>(4,886)</u>	<u>10,525</u>	<u>(12,405)</u>	<u>5,945</u>

## 11 PROPERTY, PLANT AND EQUIPMENT

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
Opening net book amount as at 1 January (audited)	15,599	4,771
Additions (Note a)	605	21,519
Depreciation (Note b)	(1,564)	(1,814)
Disposal	–	(45)
Exchange realignment	181	(174)
	<hr/>	<hr/>
Closing net book amount as at 30 June (unaudited)	<b>14,821</b>	<b>24,257</b>
	<hr/> <hr/>	<hr/> <hr/>

Notes:

- Pursuant to the arrangement of the Cooperation Agreement as set out in Note 15, addition of RMB19,000,000 (equivalent to approximately of HK\$20,638,000) represented the fair value of the building transferred to the Group during the six months ended 30 June 2020.
- Depreciation expense of HK\$630,000 (six months ended 30 June 2020: HK\$598,000) has been charged in “cost of sales”, HK\$182,000 (six months ended 30 June 2020: HK\$508,000) in “administrative expenses” and HK\$15,000 (six months ended 30 June 2020: HK\$37,000) has been charged in “discontinued operation”. The remaining amount of HK\$737,000 (six months ended 30 June 2020: HK\$671,000) represents amount capitalised in movies and television programmes rights and productions work in progress. The amount will be subsequently recognised in “cost of sales” when sale is performed.

## 12 INVESTMENT PROPERTY

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
<b>Non-current assets – at fair value</b>		
Opening balance as at 1 January (audited)	246,912	229,922
Exchange realignment	2,968	(4,029)
	<hr/>	<hr/>
Closing balance as at 30 June (unaudited)	<b>249,880</b>	<b>225,893</b>
	<hr/> <hr/>	<hr/> <hr/>

The investment property is located at Shenzhen City, Mainland China.

### 13 MOVIES AND TELEVISION PROGRAMMES RIGHTS AND PRODUCTIONS WORK IN PROGRESS

	<b>Movies and television programmes rights <i>HK\$'000</i></b>	<b>Productions work in progress <i>HK\$'000</i></b>	<b>Total <i>HK\$'000</i></b>
<b>Six months ended 30 June 2021</b>			
Opening net book amount as at 1 January 2021 (audited)	11,606	5,345	16,951
Additions	–	5,562	5,562
Amortisation charge for the period	(4,699)	–	(4,699)
Exchange realignment	141	64	205
	<u>7,048</u>	<u>10,971</u>	<u>18,019</u>
Closing net book amount as at 30 June 2021 (unaudited)	<u><b>7,048</b></u>	<u><b>10,971</b></u>	<u><b>18,019</b></u>
	<b>Movies and television programmes rights <i>HK\$'000</i></b>	<b>Productions work in progress <i>HK\$'000</i></b>	<b>Total <i>HK\$'000</i></b>
<b>Six months ended 30 June 2020</b>			
Opening net book amount as at 1 January 2020 (audited)	6,522	8,763	15,285
Additions	–	4,912	4,912
Amortisation charge for the period	(6,443)	–	(6,443)
Exchange realignment	(79)	(181)	(260)
	<u>–</u>	<u>13,494</u>	<u>13,494</u>
Closing net book amount as at 30 June 2020 (unaudited)	<u><b>–</b></u>	<u><b>13,494</b></u>	<u><b>13,494</b></u>



## 14 TRADE RECEIVABLES

	As at 30 June 2021 <i>HK\$'000</i> (Unaudited)	As at 31 December 2020 <i>HK\$'000</i> (Audited)
Trade receivables from contracts with customers	6,800	4,999
Rental receivables	5,189	5,821
	<u>11,989</u>	<u>10,820</u>
<i>Less:</i> Provision for impairment	(650)	(642)
	<u><u>11,339</u></u>	<u><u>10,178</u></u>

Except for rental receivables from tenants, which is due for settlement upon issuance of invoices, the Group generally grants a credit period ranging from 30 days to 120 days. The aging analysis of the gross trade receivables based on invoice date is as follows:

	As at 30 June 2021 <i>HK\$'000</i> (Unaudited)	As at 31 December 2020 <i>HK\$'000</i> (Audited)
Current to 90 days	11,157	10,166
91 to 180 days	6	12
181 to 365 days	221	642
Over 365 days	605	–
	<u>11,989</u>	<u>10,820</u>

The Group has applied the simplified approach permitted by HKFRS 9, which requires the expected lifetime losses to be recognised from initial recognition of the assets. This provision matrix is determined based on historical observed default rates over the expected life of the trade receivables with similar credit risk characteristics and is adjusted for forward-looking estimates.

Movements in the provision for impairment of trade receivables are as follows:

	<b>Six months ended 30 June</b>	
	<b>2021</b>	<b>2020</b>
	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Opening loss allowance at 1 January	<b>642</b>	456
Receivables written off during the period as uncollectible	–	(427)
Exchange realignment	<b>8</b>	(6)
	<hr/>	<hr/>
Closing loss allowance at 30 June	<b>650</b>	23
	<hr/> <hr/>	<hr/> <hr/>

The carrying amounts of trade receivables approximate their fair values.

Balances are denominated in RMB and there is no concentration of credit risk with respect to trade receivables as the Group has a large number of customers.

The creation and release of provision for impaired receivables have been included in the condensed consolidated interim statement of comprehensive income. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

## 15 TRADE PAYABLES, ACCRUALS AND OTHER PAYABLES

### (i) Trade payables

The ageing analysis of the trade payables based on invoice date were as follows:

	As at 30 June 2021 <i>HK\$'000</i> (Unaudited)	As at 31 December 2020 <i>HK\$'000</i> (Audited)
Current to 90 days	—	108

The carrying amounts of trade payables approximate their fair values and are denominated in RMB.

### (ii) Accruals and other payables

	As at 30 June 2021 <i>HK\$'000</i> (Unaudited)	As at 31 December 2020 <i>HK\$'000</i> (Audited)
Receipt in advance ( <i>Note</i> )	24,038	43,923
Accruals	4,442	4,355
Salary payable	8,201	9,770
Deposits	17,338	18,025
Construction cost payables	2,116	2,298
Other tax payables	1,206	243
Advance from leasees	401	135
Others	9,431	6,953
Total	67,173	85,702
<b>Denominated in:</b>		
– RMB	65,177	83,206
– HK\$	1,996	2,496
	67,173	85,702

The carrying amounts of accruals and other payables approximate their fair values.

*Note:*

On 17 December 2018, Institute of Digital Media Technology (Shenzhen) Limited\* (環球數碼媒體科技研究(深圳)有限公司) (“IDMT Shenzhen”) and Foshan Global Digital Media Technology Co. Ltd.\* (佛山環球數碼媒體科技有限公司) (“Foshan GDM”), both indirect wholly-owned subsidiaries of the Company, entered into a cooperation agreement (the “Cooperation Agreement”) with Foshan Xincai Property Development Co., Ltd.\*(佛山信財置業開發有限公司) (“Foshan Xincai”) and Brilliant Link International Limited (信業國際有限公司) (“Brilliant Link”), both independent third parties.

Pursuant to the Cooperation Agreement, Foshan Xincai agreed to contribute a property located in Foshan (“the Property”) to Foshan GDM as capital contribution in exchange for 10% equity interest in Foshan GDM while Brilliant Link agreed to contribute cash in the amount of RMB26,000,000 (inclusive of RMB15,000,000 (equivalent to approximately HK\$18,029,000) that has been paid in full as at the date of the Cooperation Agreement) in exchange for 5% equity interest in Foshan GDM. On 1 February 2019, an additional of RMB5,000,000 (equivalent to approximately HK\$6,009,000) was paid by Brilliant Link to Foshan GDM. The full amount of the advance payment will form part of the cash consideration payable by Brilliant Link under the Cooperation Agreement.

During the six months ended 30 June 2020, the legal title of the Property has been transferred to Foshan GDM at its fair value of RMB19,000,000 (equivalent to approximately HK\$20,638,000) as at date of the transfer of legal title of the Property. The corresponding amount forms a part of the consideration by Foshan Xincai for the acquisition of 10% equity interest in Foshan GDM which the transaction was completed during the six months ended 30 June 2021.

As at the date of this announcement, the transactions with Brilliant Link are to be yet completed as the transfers of the 5% equity interest in Foshan GDM to Brilliant Link has not been completed.

\* *English entity name is for identification purpose only*

## 16 PROVISION FOR RENTAL AND SETTLEMENT PAYABLES

	As at 30 June 2021 HK\$'000 (Unaudited)	As at 31 December 2020 HK\$'000 (Audited)
Accrued rental and settlement payables and late payment surcharge ( <i>Note</i> )	<u>214,206</u>	<u>196,570</u>

### *Note:*

In prior years, the Group was involved in the cultural, entertainment and related commercial property investment operation. The Cultural Park is a property project based on a framework agreement on 28 March 2007 (as supplemented on 3 April 2008) (the “Framework Agreement”) entered into by 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”), a limited liability company established in Mainland China and a state-owned enterprise, to redevelop the Cultural Park. Pursuant to the Framework Agreement, Pearl River Film Production, as the landlord of the Cultural Park, agreed to grant the property leasing right to Guangdong GDC, in return for predetermined monthly rental payments (“Predetermined Rental”) from Guangdong GDC for a term up to 31 December 2045. Guangdong GDC is responsible for the design, financing, construction and operation of the Cultural Park and the funding of the entire construction project. Upon the expiration of the Framework Agreement, Guangdong GDC has to return all properties to Pearl River Film Production. After the redevelopment, the whole Cultural Park project will have a commercial area, a cultural entertainment area and a film production and development area, which was intended to be held for investment purpose.

On 11 April 2016, Pearl River Film Production as the plaintiff initiated legal proceedings against Guangdong GDC in respect of alleged breach of the Framework Agreement governing the lease and reconstruction of the Cultural Park. On 11 October 2016, 中國廣東省廣州市中級人民法院 (the “Guangzhou Intermediate People’s Court”) declared that the Framework Agreement was terminated as of 22 March 2016. Accordingly, the Group had been providing for rental and settlement payables based on the actual rental amounts it received from the tenants as stipulated in the rental agreements entered between the Group and these tenants, the amounts of which were higher than the Predetermined Rental stipulated in the Framework Agreement with Pearl River Film Production.

Since 11 October 2016, Guangdong GDC filed an appeal with the Guangzhou Intermediate People’s Court and had then been engaged in numerous discussion and meetings with the representatives of Pearl River Film Production. Then, in November 2018, Pearl River Film Production issued a formal demand letter which demanded Guangdong GDC to return the entire Cultural Park and Pearl River Film Production also attempted to take possession of the Cultural Park without the consent of the Group (the “November Incident”). On 1 December 2018, upon the lapse of the appeal period and the November Incident, the Group decided to derecognise the investment property and cease recognition of all revenue in relation to the operation of the Cultural Park. The Cultural Park operation was classified as discontinued operation since 1 December 2018.

Subsequently, in April 2019, Guangdong GDC received a total of three summons from 中國廣州市海珠區人民法院 (the “People’s Court of Haizhu District”) and the Guangzhou Intermediate People’s Court. According to the summons, Pearl River Film Production initiated legal proceedings against Guangdong GDC to require it to return the entire Cultural Park as well as to claim for property occupation fee of the Cultural Park, certain parking spaces and related interests to the extent of RMB175.2 million and RMB12.1 million, respectively, up to 22 March 2019, which were in excess of both the Predetermined Rental stipulated in the Framework Agreement as well as the actual rental amounts the Group had received from its tenants. In July 2019, Guangdong GDC, as a plaintiff, filed a lawsuit against Pearl River Film Production and claimed for the compensation of damages in respect of the November Incident.

With respect to the property occupation fee, a civil judgement (the “Civil Judgement 1”) dated 30 December 2019 from the Guangzhou Intermediate People’s Court was received by the Group pursuant to which Guangdong GDC shall pay property occupation fee of the Cultural Park and related interest for the period from 23 March 2016 to 11 September 2019 in the amounts of approximately RMB41.7 million and RMB3.8 million, respectively; on the basis that the property occupation fee shall be calculated based on the Predetermined Rental as stipulated in the Framework Agreement. All other claims made by Pearl River Film Production were dismissed. Subsequently, Guangdong GDC and Pearl River Film Production both filed appeals with the Guangzhou Intermediate People’s Court on 6 January 2020 and 14 January 2020, respectively on various matters about the Civil Judgement 1.

On 16 April 2021, a civil judgement (the “Civil Judgement 2”) 中國廣東省高級人民法院 (the “Guangdong Higher People’s Court”) dated 30 March 2021 was received by Guangdong GDC. According to the Civil Judgement 2, the judgement 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.

With respect to the return of Cultural Park, a final judgement under civil case dated 8 February 2021 from Guangzhou Intermediate People’s Court was received by the Group pursuant to which Guangdong GDC shall return the Cultural Park to Pearl River Film Production within a specified period. On 27 April 2021, Guangdong GDC has returned the Cultural Park to Pearl River Film Production. Guangdong GDC ceased to receive rentals from tenants and to accrue property occupation fees since then. Subsequently on 6 May 2021, Guangdong GDC initiated a re-trial of the legal proceedings against Pearl River Film Production on return of Cultural Park and received the Notice of Acceptance of Civil Re-trial Petitions from the Guangdong Higher People’s Court on 31 May 2021.

With respect to the parking space that was governed by a separate agreement dated 1 August 2012 (referred to as “Parking Space Agreement”), a civil judgement (“Parking Spaces Civil Judgement”) dated 30 April 2020 from the People’s Court of Haizhu District was received by the Group pursuant to which Guangdong GDC shall pay property occupation fee of these parking spaces and related interest for the period from 1 August 2015 to 21 June 2018 in the amounts of approximately RMB3.9 million and RMB0.7 million, respectively; on the basis that the property occupation fee shall relate to those parking spaces subject to the Parking Spaces Agreement only and exclude parking spaces located within the Cultural Park that the People’s Court of Haizhu District viewed to be within the scope of the Framework Agreement and had been dealt with in the Civil Judgement dated 30 December 2019. Subsequently, Guangdong GDC and Pearl River Film Production both filed appeals with the Guangzhou Intermediate People’s Court on 16 May 2020 and 28 May 2020, respectively, with respect to the number of parking spaces subject to the property occupation fee. On 27 September 2020, Guangzhou Intermediate People’s Court uphold the original ruling of the People’s Court of Haizhu District as final judgement of this civil case. On 11 November 2020, the corresponding occupation fee of RMB4.6 million had been paid to Pearl River Film Production. A court order from the People’s Court of Haizhu District was received on 19 November 2020, notifying Guangdong GDC the closure of this civil case. On 8 March 2021, a notice of response to civil re-trial petitions from Guangdong Higher People’s Court was received by the Group pursuant to which Pearl River Film Production has initiated a re-trial of the legal proceedings regarding Parking Spaces Civil Judgment.

Management engaged an independent external lawyer to assist in assessing the magnitude and likelihood of occurrence for the possible outcomes of the litigation as of 31 December 2020 and 30 June 2021 based on the relevant information obtainable at the relevant stage of the litigation, including court decisions and related legal correspondence. Management also engaged an independent external valuer to assist in assessing the fair value of the economic benefits that could be derived from the Cultural Park during the periods in dispute.

Based on the magnitude and likelihood of occurrence for the possible outcomes of the current litigation status as advised by the legal advisors, and with reference to the valuation results from the external valuer, management determined that provision for rental and settlement payables in relation to the litigation amounting to HK\$214.2 million and HK\$196.6 million is required as at 30 June 2021 and 31 December 2020, respectively based on their best estimate.

As at 30 June 2021, restricted bank deposits of approximately HK\$45,763,000 (31 December 2020: HK\$36,462,000) were held at a bank according to a court order granted to preserve one bank account for litigation claims relating to the Cultural Park.

## **17 CONTINGENT LIABILITIES**

As detailed in Note 16, the Group is subject to uncertainty regarding the final outcome of the litigation claims. Having considered the various possible outcome of the litigations, management considered a provision for rental and settlement payables amounting to HK\$214.2 million as at 30 June 2021 to be sufficient and not excessive.

## **INTERIM DIVIDEND**

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

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **FINANCIAL REVIEW**

For the six months ended 30 June 2021 (the “Period”), revenue from the continuing operations for the Period amounted to HK\$45,017,000, representing an increase of HK\$4,612,000 as compared with HK\$40,405,000 for the corresponding period of 2020. Revenue of the new cultural space division increased by HK\$3,408,000 as compared to the corresponding period of last year, and revenue of the CG creation and production division increased by HK\$1,204,000 as compared to the corresponding period of last year.

Cost of sales from the continuing operations for the Period amounted to HK\$18,865,000, representing a decrease of HK\$3,612,000 as compared with HK\$22,477,000 for the corresponding period of 2020, which was mainly attributable to the decrease in the outsourcing production cost for the CG creation and production.

Other income from the continuing operations for the Period amounted to HK\$5,454,000 (six months ended 30 June 2020: HK\$5,249,000) was mainly from interest income and government grants.

Distribution and selling expenses from the continuing operations for the Period amounted to HK\$10,225,000, representing an increase of HK\$7,693,000 as compared with HK\$2,532,000 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\$19,786,000, representing an increase of HK\$2,269,000 as compared with HK\$17,517,000 for the corresponding period of 2020, which was mainly attributable to the increase in staff costs and office running costs.

Other net loss from the continuing operations for the Period amounted to HK\$75,000 (six months ended 30 June 2020: HK\$101,000) was exchange differences.



Finance costs from continuing operations for the Period amounted to HK\$5,000 (six months ended 30 June 2020: HK\$42,000). 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\$818,000, representing a decrease of HK\$1,514,000 as compared to the profit of HK\$2,332,000 for the corresponding period of last year.

Loss recorded from the discontinued operation for the Period amounted to HK\$12,405,000, representing a decrease of HK\$18,350,000 as compared to the profit recorded of HK\$5,945,000 for the corresponding period of last year, which was mainly attributable to: 1) the adjustment in provision for rental and settlement payables of HK\$13,640,000 generated in relation to the litigations of the Cultural Park for the six months ended 30 June 2020, while there was no similar adjustment for the Period; and 2) the increase of litigation expenses and payment of employee severance compensation for the Period.

## **Liquidity and Financial Resources**

As at 30 June 2021, the Group had cash and cash equivalents of HK\$300,919,000 (31 December 2020: HK\$306,850,000), which were mainly denominated in Renminbi, United States dollars and Hong Kong dollars, and restricted bank deposits amounted to HK\$45,763,000 (31 December 2020: HK\$36,462,000).

As at 30 June 2021 and 31 December 2020, the Group had no borrowings or overdrafts. The Group's current ratio was 1.26 (31 December 2020: 1.23), which was calculated based on current assets of HK\$368,404,000 and current liabilities of HK\$291,706,000.

The Group adheres to the principle of prudent financial management and investment and strives to maintain healthy financial position.

## **Capital Structure**

Equity attributable to owners of the Company amounted to HK\$484,629,000 as at 30 June 2021 (31 December 2020: HK\$467,168,000). The increase was due to increase in special reserve of HK\$19,813,000 from the disposal of 10% equity interest in Foshan GDM to Foshan Xincui for the Period, and exchange differences of HK\$5,265,000 on translation of financial statements from functional currency to presentation currency, net of the loss attributable to owners of the Company of HK\$7,617,000.

## **Material Acquisitions, Disposals and Significant Investment**

The Group did not have any material acquisitions, disposals and significant investment during the six months ended 30 June 2021.

## **Charge on Assets**

As at 30 June 2021, there were no charges on any of the Group's assets for loans and bank facilities.

## **Foreign Exchange Exposure**

Currently, the Group earns revenue mainly in Renminbi, and incurs costs mainly in Renminbi and Hong Kong dollars. The Directors believe that the Group's operational cash flow and liquidity do not have significant foreign exchange exposure, and thus has not implemented any foreign currency hedging policy at the moment. However, if necessary, the Group will use forward exchange contracts to hedge against foreign currency exposure. As at 30 June 2021, the Group had no significant exposure under foreign exchange. During the Period, the closing Renminbi exchange rate as at 30 June 2021 was approximately 1% higher than the exchange rate as at the end of 2020, and such exchange differences led to an additional exchange gain of approximately HK\$3.67 million being recognised in the other comprehensive income upon translation of its net assets in the financial statements of operations in Mainland China of the Group for the Period.

## **Contingent Liabilities**

Save for the disclosure in Note 17 to the condensed consolidated interim financial information, the Group had no significant contingent liabilities as at 30 June 2021.

## **Employees**

As at 30 June 2021, the Group employed 196 (31 December 2020: 221) full time employees (other than employees of the Group's associates). The Group remunerates its employees mainly with reference to the prevailing market practice, individual performance and experience. Other benefits, such as medical coverage, insurance plan, mandatory provident fund, and discretionary bonus are also available to the employees of the Group.

During the Period, neither the Company nor its subsidiaries had paid or committed to pay any amount as an inducement to join or upon joining the Company and/or its subsidiaries to any individuals.

## **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 and copyrights of original animated films, copyrights of animated television series, and product operation businesses derived from the IP of animation.

During the Period, the animated film project undertaken by the CG creation and production division was from Mainland China, and it was the entire production process for an animated film developed by local IP. The pre-production of such film was fully completed, and it was in mid-term production. As for original animated films, the newly produced animated film “Journey to the Center of the Deep Ocean” was screened in district theatres across the country on 1 June 2021, and it 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, with a cumulative box office of nearly RMB25 million since its release in June.

The IP authorization for animation field has been fully expanded, and the Group also 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. The Group has negotiated with over 10 first-tier cities, with a current focus on developing authorization business in apparel and food categories.

### **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\* 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.

Leveraging on the cutting-edge technology in terms of original IP and interactive experience, the base and industrial model are used to conduct the expansion and deployment in areas such as education integrated complex, sports integrated complex, virtual museums and other business fields. Currently, local government bodies and organizations of Qingdao, Chengdu and other 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, GDC 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.

With “activating digital economy with animation films and creating a new popular spot for urban culture” as the position of our local IP business, and leveraging on GDC’s excellent project production, managing and operating capabilities, the Group has explored local IP in stages, focusing on developing themes such as oceans, Yangtze River, mythology and science fictions, and used animated films as entry point, creating a complete industry chain.

## **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\* (虛擬直播帶貨), financial service field and local digital spokesperson.

## **Government Awards**

As to government awards, the Group applied for China Film Administration’s Special Funds for 2021 Quality Films\* (國家電影局2021電影精品專項資金) and Special Funds for Cultural and Prosperity Development in Guangdong Province\* (廣東省文化繁榮發展專項資金), and also applied for “Guangdong Broadcast Film and Television Award\* (廣東省廣播影視獎)”, “Dynamic Golden Goat” Excellent Work Selection as well as awards such as the original animated film and television projects, technical tackling projects and copyright projects of Propagandizing Department of Shenzhen Municipal Committee\* (深圳市委宣傳部). The Group received government awards in a total of HK\$1.55 million during the Period. As to intellectual property rights, the Group obtained 18 computer software copyright certificates during the Period.

## **Outlook**

Apart from investment in the development of original films, the Group analyses the local and international trends of animated film and television, strive for cooperation with leading companies, and effectively leverage on the production capacity and human resources, with the hope to maximize the overall benefits and sustainable development. The Group will actively utilize our own advantages in production and IP content to vigorously promote businesses such as local IP, new cultural space and digital virtual characters, and further expand 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 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 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.

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 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"). 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 six months ended 30 June 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 six months ended 30 June 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 six months ended 30 June 2021.

## **AUDIT COMMITTEE**

The Group’s interim results for the six months ended 30 June 2021 were unaudited. However, the Company has engaged the Company’s auditor, PricewaterhouseCoopers (the “Auditor”) to assist the Company’s audit committee (the “Audit Committee”) to review the 2021 interim results of the Group. The Audit Committee together with the Auditor and the management of the Company have reviewed the unaudited interim results of the Group for the six months ended 30 June 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, 12 August 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](http://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](http://www.gdc-world.com).*