



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 2023**

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* 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 2023 with comparative figures for the corresponding period in the year 2022.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2023

	Note	(Unaudited) Three months ended 30 June		(Unaudited) Six months ended 30 June	
		2023 HK\$'000	2022 HK\$'000	2023 HK\$'000	2022 HK\$'000
Continuing operations					
Revenue	2	14,847	18,779	29,292	34,829
Cost of sales		<u>(8,828)</u>	<u>(11,812)</u>	<u>(17,096)</u>	<u>(20,584)</u>
Gross profit		6,019	6,967	12,196	14,245
Other income	3	2,106	4,999	5,333	8,203
Distribution and selling expenses		(1,311)	(746)	(1,697)	(1,760)
Administrative expenses		(7,736)	(9,126)	(15,518)	(17,878)
Reversal of provision for impairment of financial assets and contract assets		279	241	279	241
Other gains, net		<u>3</u>	<u>34</u>	<u>4</u>	<u>35</u>
Operating (loss)/profit		(640)	2,369	597	3,086
Finance cost		<u>(1)</u>	<u>(6)</u>	<u>(8)</u>	<u>(13)</u>
(Loss)/profit before income tax	4	(641)	2,363	589	3,073
Income tax credit/(expense)	5	<u>318</u>	<u>(315)</u>	<u>(359)</u>	<u>(915)</u>
(Loss)/profit for the period from continuing operations		(323)	2,048	230	2,158
Discontinued operation					
Loss for the period	8	<u>(2,201)</u>	<u>(4,988)</u>	<u>(5,113)</u>	<u>(7,485)</u>
Loss for the period		<u>(2,524)</u>	<u>(2,940)</u>	<u>(4,883)</u>	<u>(5,327)</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME *(Continued)*
FOR THE SIX MONTHS ENDED 30 JUNE 2023

	(Unaudited) Three months ended 30 June		(Unaudited) Six months ended 30 June	
	2023	2022	2023	2022
Note	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Other comprehensive loss:				
<i>Items that will not be reclassified to profit or loss:</i>				
– Exchange differences on translation to presentation currency	<u>(17,577)</u>	<u>(17,036)</u>	<u>(11,010)</u>	<u>(14,516)</u>
Other comprehensive loss for the period	<u><u>(17,577)</u></u>	<u><u>(17,036)</u></u>	<u><u>(11,010)</u></u>	<u><u>(14,516)</u></u>
Total comprehensive loss for the period	<u><u>(20,101)</u></u>	<u><u>(19,976)</u></u>	<u><u>(15,893)</u></u>	<u><u>(19,843)</u></u>
(Loss)/profit for the period attributable to:				
– Owners of the Company:				
– Continuing operations	<u>(323)</u>	<u>2,048</u>	<u>230</u>	<u>2,158</u>
– Discontinued operation	<u>(1,497)</u>	<u>(3,391)</u>	<u>(3,477)</u>	<u>(5,089)</u>
	<u><u>(1,820)</u></u>	<u><u>(1,343)</u></u>	<u><u>(3,247)</u></u>	<u><u>(2,931)</u></u>
– Non-controlling interests:				
– Continuing operations	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
– Discontinued operation	<u>(704)</u>	<u>(1,597)</u>	<u>(1,636)</u>	<u>(2,396)</u>
	<u><u>(704)</u></u>	<u><u>(1,597)</u></u>	<u><u>(1,636)</u></u>	<u><u>(2,396)</u></u>
	<u><u>(2,524)</u></u>	<u><u>(2,940)</u></u>	<u><u>(4,883)</u></u>	<u><u>(5,327)</u></u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME *(Continued)*
FOR THE SIX MONTHS ENDED 30 JUNE 2023

		(Unaudited) Three months ended 30 June		(Unaudited) Six months ended 30 June	
	2023	2022	2023	2022	
<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	
Total comprehensive (loss)/income for the period attributable to:					
– Owners of the Company:					
– Continuing operations	(41,079)	(37,198)	(25,862)	(31,286)	
– Discontinued operation	14,265	11,724	6,779	7,792	
	<u>(26,814)</u>	<u>(25,474)</u>	<u>(19,083)</u>	<u>(23,494)</u>	
– Non-controlling interests:					
– Continuing operations	–	–	–	–	
– Discontinued operation	6,713	5,498	3,190	3,651	
	<u>6,713</u>	<u>5,498</u>	<u>3,190</u>	<u>3,651</u>	
	<u><u>(20,101)</u></u>	<u><u>(19,976)</u></u>	<u><u>(15,893)</u></u>	<u><u>(19,843)</u></u>	
	<i>HK cents</i>	<i>HK cents</i>	<i>HK cents</i>	<i>HK cents</i>	
(Loss)/earnings per share attributable to the owners of the Company:					
Basic and diluted (loss)/earnings per share					
– Continuing operations	6	(0.02)	0.14	0.02	0.14
– Discontinued operation	6	(0.10)	(0.23)	(0.23)	(0.33)
		<u>(0.12)</u>	<u>(0.09)</u>	<u>(0.21)</u>	<u>(0.19)</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2023

	30 June	31 December
	2023	2022
<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
ASSETS		
Non-current assets		
Property, plant and equipment	12,470	13,770
Right-of-use assets	8,237	9,040
Investment property	230,162	238,677
Interest in an associate	–	–
Movies and television programmes rights	11,548	–
Productions work in progress	28,370	37,798
	<u>290,787</u>	<u>299,285</u>
Total non-current assets	290,787	299,285
Current assets		
Contract assets	3,059	1,610
Contract costs	664	–
Trade receivables	9 8,597	11,224
Deposits, prepayments and other receivables	6,468	6,971
Restricted bank deposits	10 41,193	42,689
Cash and cash equivalents	252,687	270,584
	<u>312,668</u>	<u>333,078</u>
Total current assets	312,668	333,078
Total assets	603,455	632,363
EQUITY		
Equity attributable to owners of the Company		
Share capital	15,042	15,042
Retained earnings	76,541	79,788
Other reserves	348,277	364,140
	<u>439,860</u>	<u>458,970</u>
Total equity attributable to owners of the Company	439,860	458,970
Non-controlling interests	(131,246)	(134,436)
	<u>308,614</u>	<u>324,534</u>
Total equity	308,614	324,534

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*
AT 30 JUNE 2023

	<i>Note</i>	30 June 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
LIABILITIES			
Non-current liabilities			
Lease liabilities		9	17
Contract liabilities		1,730	2,415
Deferred income tax liabilities		<u>23,039</u>	<u>23,831</u>
Total non-current liabilities		<u>24,778</u>	<u>26,263</u>
Current liabilities			
Trade payables		–	202
Accruals and other payables		53,748	59,990
Provision for rental and settlement payables	10	208,215	211,942
Contract liabilities		1,096	581
Lease liabilities		135	475
Current income tax payable		<u>6,869</u>	<u>8,376</u>
Total current liabilities		<u>270,063</u>	<u>281,566</u>
Total liabilities		<u>294,841</u>	<u>307,829</u>
Total equity and liabilities		<u>603,455</u>	<u>632,363</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1 BASIS OF PREPARATION AND ACCOUNTING POLICIES

This interim condensed consolidated financial information for the six months ended 30 June 2023 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 interim condensed consolidated financial information does not include all the notes of the type normally included in annual consolidated financial statements. Accordingly, this interim condensed consolidated financial information should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2022, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”). This interim condensed consolidated financial statement is prepared in Hong Kong dollars (“HK\$”) unless otherwise stated.

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 interim condensed consolidated financial information.

The accounting policies applied are consistent with those of the annual consolidated financial statements for the year ended 31 December 2022, except for the estimation of income taxes which are accrued using the tax rate that would be applicable to expected total annual earnings.

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 interim condensed consolidated 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.

2 SEGMENT INFORMATION

The chief operating decision-maker (“CODM”) has been identified as the Executive Directors. The Executive Directors review the Group’s internal reports 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 interim condensed consolidated financial information.

Management has renamed CG Creation and Production to Interactive Entertainment and Digital Assets to align more closely with the Group’s development and internal reporting.

The management has identified two reportable segments based on the types of services, namely (i) Interactive Entertainment and Digital Assets (formerly known as “CG Creation and Production”) and (ii) New Cultural and Sports Space.

There were no material sales between the reportable segments for the six months ended 30 June 2023 (six months ended 30 June 2022: same).

	(Unaudited) Three months ended 30 June 2023			(Unaudited) Six months ended 30 June 2023		
	Interactive Entertainment and Digital Assets (formerly known as “CG Creation and Production”) HK\$’000	New Cultural and Sports Space HK\$’000	Total HK\$’000	Interactive Entertainment and Digital Assets (formerly known as “CG Creation and Production”) HK\$’000	New Cultural and Sports Space HK\$’000	Total HK\$’000
– Revenue from CG production	2,436	–	2,436	3,776	–	3,776
– Licensing income from television programmes and movies to online platforms	129	–	129	237	–	237
– Patent fee income from granting the right to access of trademarks	359	–	359	636	–	636
– Management service fee	–	3,171	3,171	–	5,969	5,969
– Rental income	–	8,752	8,752	–	18,674	18,674
Total revenue from external customers	<u>2,924</u>	<u>11,923</u>	<u>14,847</u>	<u>4,649</u>	<u>24,643</u>	<u>29,292</u>
Segment results	(1,000)	3,990	2,990	(3,053)	10,707	7,654
Unallocated income			9			44
Unallocated expenses			<u>(3,640)</u>			<u>(7,109)</u>
(Loss)/profit before income tax from continuing operations			<u>(641)</u>			<u>589</u>

	(Unaudited) Three months ended 30 June 2022			(Unaudited) Six months ended 30 June 2022		
	Interactive Entertainment and Digital Assets (formerly known as “CG Creation and Production”) <i>HK\$’000</i>	New Cultural and Sports Space <i>HK\$’000</i>	Total <i>HK\$’000</i>	Interactive Entertainment and Digital Assets (formerly known as “CG Creation and Production”) <i>HK\$’000</i>	New Cultural and Sports Space <i>HK\$’000</i>	Total <i>HK\$’000</i>
– Revenue from CG production	3,053	–	3,053	4,788	–	4,788
– Licensing income from television programmes and movies to online platforms	311	–	311	347	–	347
– Patent fee income from granting the right to access of trademarks	394	–	394	674	–	674
– Management service fee	–	3,249	3,249	–	6,288	6,288
– Consultancy fee income	–	451	451	–	451	451
– Rental income	–	11,321	11,321	–	22,281	22,281
Total revenue from external customers	<u>3,758</u>	<u>15,021</u>	<u>18,779</u>	<u>5,809</u>	<u>29,020</u>	<u>34,829</u>
Segment results	(2,833)	8,715	5,882	(5,486)	15,658	10,172
Unallocated income			138			150
Unallocated expenses			<u>(3,657)</u>			<u>(7,249)</u>
Profit before income tax from continuing operations			<u>2,363</u>			<u>3,073</u>

The segment assets and liabilities as at 30 June 2023 and 31 December 2022 are as follows:

	As at 30 June 2023 (Unaudited)			
	Interactive Entertainment and Digital Assets (formerly known as “CG Creation and Production”) <i>HK\$’000</i>	New Cultural and Sports Space <i>HK\$’000</i>	Unallocated <i>HK\$’000</i>	Total <i>HK\$’000</i>
Segment assets	<u>225,154</u>	<u>329,688</u>	<u>48,613</u>	<u>603,455</u>
Segment liabilities	<u>39,116</u>	<u>33,632</u>	<u>222,093</u>	<u>294,841</u>

As at 31 December 2022 (Audited)

	Interactive Entertainment and Digital Assets (formerly known as “CG Creation and Production”) <i>HK\$’000</i>	New Cultural and Sports Space <i>HK\$’000</i>	Unallocated <i>HK\$’000</i>	Total <i>HK\$’000</i>
Segment assets	242,531	332,806	57,026	632,363
Segment liabilities	46,930	35,236	225,663	307,829

3 OTHER INCOME

	(Unaudited) Three months ended 30 June		(Unaudited) Six months ended 30 June	
	2023 <i>HK\$’000</i>	2022 <i>HK\$’000</i>	2023 <i>HK\$’000</i>	2022 <i>HK\$’000</i>
Government grants	78	2,925	1,182	3,709
Interest income	1,877	2,032	3,808	4,389
Others	151	42	343	105
	<u>2,106</u>	<u>4,999</u>	<u>5,333</u>	<u>8,203</u>

4 (LOSS)/PROFIT BEFORE INCOME TAX

	(Unaudited) Three months ended 30 June		(Unaudited) Six months ended 30 June	
	2023 <i>HK\$’000</i>	2022 <i>HK\$’000</i>	2023 <i>HK\$’000</i>	2022 <i>HK\$’000</i>
(Loss)/profit before income tax has been arrived at after charging:				
Employee benefit expenses	10,280	12,299	20,394	21,731
Amortisation of movies and television programmes rights	–	1,201	–	1,804
Provision for impairment of productions work in progress	–	534	–	534
Depreciation of property, plant and equipment	472	397	999	727
Depreciation of right-of-use assets	252	256	505	515
	<u>10,954</u>	<u>14,887</u>	<u>21,908</u>	<u>22,311</u>

5 INCOME TAX CREDIT/(EXPENSE)

Hong Kong profits tax

No Hong Kong profits tax has been provided as there is no assessable profit arising in Hong Kong for the six months ended 30 June 2023 and 2022.

PRC Corporate Income Tax (“CIT”)

During the period, most of the People's Republic of China (“PRC”) established subsidiaries of the Company are subject to the PRC corporate income tax rate of 25% (six months ended 30 June 2022: 25%) except that certain subsidiaries are subject to various preferential tax treatments.

Provision for PRC Corporate income tax amounted to HK\$359,000 has been made for the six months ended 30 June 2023 (six months ended 30 June 2022: HK\$915,000).

6 (LOSS)/EARNINGS PER SHARE

	(Unaudited)		(Unaudited)	
	Three months ended		Six months ended	
	30 June		30 June	
	2023	2022	2023	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
(Loss)/profit attributable to owners of the Company				
– Continuing operations	(323)	2,048	230	2,158
– Discontinued operation	(1,497)	(3,391)	(3,477)	(5,089)
	<u>(1,820)</u>	<u>(1,343)</u>	<u>(3,247)</u>	<u>(2,931)</u>
	(Unaudited)		(Unaudited)	
	Three months ended		Six months ended	
	30 June		30 June	
	2023	2022	2023	2022
	No. of shares	No. of shares	No. of shares	No. of shares
	'000	'000	'000	'000
Weighted average number of outstanding ordinary shares	<u>1,504,141</u>	<u>1,508,262</u>	<u>1,504,141</u>	<u>1,508,262</u>

	(Unaudited)		(Unaudited)	
	Three months ended		Six months ended	
	30 June		30 June	
	2023	2022	2023	2022
	HK cents	HK cents	HK cents	HK cents
Basic and diluted (loss)/earnings per share				
– Continuing operations	(0.02)	0.14	0.02	0.14
– Discontinued operation	(0.10)	(0.23)	(0.23)	(0.33)
	<u>(0.12)</u>	<u>(0.09)</u>	<u>(0.21)</u>	<u>(0.19)</u>
Total basic and diluted (loss)/earnings per share	(0.12)	(0.09)	(0.21)	(0.19)

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 2023 (six months ended 30 June 2022: same).

7 DIVIDEND

The board of Directors does not recommend the payment of an interim dividend for the six months ended 30 June 2023 (six months ended 30 June 2022: Nil).

8 DISCONTINUED OPERATION

As set out in Note 10, the 珠影文化產業園 (the “Cultural Park”) operation was classified as discontinued operation since 1 December 2018. Certain costs continued to be incurred during the six months ended 30 June 2023 and 2022 as the matters as set out in Note 10 are still ongoing.

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

	(Unaudited)		(Unaudited)	
	Three months ended		Six months ended	
	30 June		30 June	
	2023	2022	2023	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Other income	27	4	29	5
Administrative expenses	(242)	(2,968)	(1,153)	(3,400)
Provision for rental and settlement expenses, net	(1,986)	(2,024)	(3,989)	(4,090)
	<u>(2,201)</u>	<u>(4,988)</u>	<u>(5,113)</u>	<u>(7,485)</u>
Loss before income tax	(2,201)	(4,988)	(5,113)	(7,485)
Income tax expenses	–	–	–	–
	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
Loss for the period from discontinued operation	(2,201)	(4,988)	(5,113)	(7,485)

9 TRADE RECEIVABLES

	As at 30 June 2023 <i>HK\$'000</i> (Unaudited)	As at 31 December 2022 <i>HK\$'000</i> (Audited)
Trade receivables from contracts with customers	3,038	6,447
Rental receivables	<u>7,348</u>	<u>6,992</u>
	10,386	13,439
Less: Provision for impairment	<u>(1,789)</u>	<u>(2,215)</u>
	<u><u>8,597</u></u>	<u><u>11,224</u></u>

Except for rental receivables from tenants, which are 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 2023 <i>HK\$'000</i> (Unaudited)	As at 31 December 2022 <i>HK\$'000</i> (Audited)
Current to 90 days	8,490	11,597
91 to 180 days	–	6
Over 180 days	<u>1,896</u>	<u>1,836</u>
	<u><u>10,386</u></u>	<u><u>13,439</u></u>

The carrying amounts of trade receivables approximate their fair values and are denominated in Reminbi (“RMB”).

10 PROVISION FOR RENTAL AND SETTLEMENT PAYABLES

	As at 30 June 2023 HK\$'000 (Unaudited)	As at 31 December 2022 HK\$'000 (Audited)
Accrued rental and settlement payables and late payment surcharge (<i>Note</i>)	<u>208,215</u>	<u>211,942</u>

Note:

In prior years, the Group was involved in the investment and operation of the Cultural Park. The Cultural Park was 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 the Mainland China (for the purpose of this announcement, “Mainland China” refers to the mainland of the PRC and does not include Hong Kong, Macau and Taiwan) 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 (the “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 (“2016 litigation”). On 11 October 2016, 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”) 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.

In November 2018, Pearl River Film Production issued a formal demand letter which demanded Guangdong GDC to return the entire Cultural Park. On 1 December 2018, upon the lapse of the re-trial appeal period of 2016 litigation, 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.

In April 2019, Pearl River Film Production initiated three legal proceedings against Guangdong GDC: (1) to require Guangdong GDC to return the entire Cultural Park; (2) to claim for property occupation fee of the Cultural Park and related interests; and (3) to claim for property occupation fee of certain parking spaces and related interests.

(1) Return of the Cultural Park

With respect to the return of the 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. On 27 April 2021, Guangdong GDC returned the Cultural Park to Pearl River Film Production and ceased to receive rentals from tenants since then.

(2) Property occupation fee of the Cultural Park

A civil judgement ("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 and related interest for the period from 23 March 2016 to 11 September 2019 of the Cultural Park determined on the basis that the property occupation fee shall be calculated based on the Predetermined Rental as stipulated in the Framework Agreement. 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 ("Civil Judgement 2") from 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") dated 30 March 2021 was received by Guangdong GDC that 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.

On 13 December 2022, a civil judgement ("Civil Judgement 3") for re-trial from the Guangzhou Intermediate People's Court was handed down to Guangdong GDC. According to Civil Judgement 3, Guangdong GDC is required to pay property occupation fee to the Pearl River Film Production of RMB157,353,781 for the period between 23 March 2016 and the day when Guangdong GDC returned the entire Pearl River Film Cultural Park to Pearl River Film Production. All other claims made by Pearl River Film Production were dismissed. Subsequently, both Guangdong GDC and Pearl River Film Production have filed appeal with the Guangdong Higher People's Court on the matters about the Civil Judgement 3. Up to date of this announcement, no further court's judgement has been received by the Group.

(3) Parking space

With respect to the parking space that was governed by a separate agreement dated 1 August 2012, occupation fee of RMB4.6 million had been paid to Pearl River Film Production as settlement and a court order from the People's Court of Haizhu District of Guangzhou City of the PRC (中國廣州市海珠區人民法院) (the "People's Court of Haizhu District") was received on 19 November 2020, notifying Guangdong GDC the closure of this civil case. On 8 March 2021, Pearl River Film Production has initiated a re-trial to the Guangdong Higher People's Court. Up to date of this announcement, no further court's judgement has been received by the Group.

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 30 June 2023 and 31 December 2022 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 independent external lawyer, and with reference to the valuation results from the independent external valuer, management determined that provision for rental and settlement payables in relation to the litigation amounting to RMB192.6 million (equivalent to HK\$208.2 million) and RMB189.1 million (equivalent to HK\$211.9 million) is required as at 30 June 2023 and 31 December 2022, respectively based on their best estimate.

As at 30 June 2023, restricted bank deposits of approximately HK\$41,193,000 (31 December 2022: HK\$42,689,000) were held at one bank account (31 December 2022: one) according to a court order granted to preserve bank account for litigation claims relating to the Cultural Park.

11 CONTINGENT LIABILITIES

As detailed in Note 10, the Group is subject to uncertainty regarding the final outcome of the litigation claim. Having considered the various possible outcomes of the current litigation status, management considered a provision for rental and settlement payables amounting to HK\$208.2 million as at 30 June 2023 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 2023 (six months ended 30 June 2022: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

For the six months ended 30 June 2023 (the “Review Period”), revenue from the continuing operations amounted to HK\$29,292,000, representing a decrease of HK\$5,537,000 as compared with HK\$34,829,000 for the corresponding period of 2022, which was mainly attributable to the decrease in the average exchange rate of Renminbi against Hong Kong dollars by approximately 7% as compared with the corresponding period last year, as well as the decrease in rental income.

Cost of sales from the continuing operations for the Review Period amounted to HK\$17,096,000, representing a decrease of HK\$3,488,000 as compared with HK\$20,584,000 for the corresponding period of 2022, which was mainly attributable to the decrease in the average exchange rate of Renminbi against Hong Kong dollars during the Review Period, as well as the decrease in direct labor costs and outsourced production costs of the Interactive Entertainment and Digital Assets division as compared with the corresponding period last year.

Other income from the continuing operations for the Review Period amounted to HK\$5,333,000 (six months ended 30 June 2022: HK\$8,203,000) was mainly from government grants of HK\$1,182,000 and interest income of HK\$3,808,000.

Distribution and selling expenses from the continuing operations for the Review Period amounted to HK\$1,697,000 (six months ended 30 June 2022: HK\$1,760,000) which were mainly commission expenses for leasing agent in respect of Shenzhen building, staff travel expenses and business development expenses.

Administrative expenses from the continuing operations for the Review Period amounted to HK\$15,518,000, representing a decrease of HK\$2,360,000 as compared with HK\$17,878,000 for the corresponding period of 2022, which was mainly attributable to the decrease in labor costs and professional service fees.

Finance costs from continuing operations for the Review Period amounted to HK\$8,000 (six months ended 30 June 2022: HK\$13,000). The Group does not have any loans and such finance costs were the interest component of lease liabilities.

Loss recorded from the discontinued operation for the Review Period amounted to HK\$5,113,000, representing the loss decreased by HK\$2,372,000 as compared with HK\$7,485,000 for the corresponding period of 2022, which was mainly attributable to the decrease in legal and professional fee in relation to litigations for the Review Period as compared with the corresponding period last year.

Liquidity and Financial Resources

As at 30 June 2023, the Group had cash and cash equivalents of HK\$252,687,000 (31 December 2022: HK\$270,584,000), which were mainly denominated in Renminbi and Hong Kong dollars, and restricted bank deposits amounted to HK\$41,193,000 (31 December 2022: HK\$42,689,000).

As at 30 June 2023, the Group had no borrowings or overdrafts. The Group's current ratio was 1.16 (31 December 2022: 1.18), which was calculated based on current assets of HK\$312,668,000 and current liabilities of HK\$270,063,000.

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\$439,860,000 as at 30 June 2023 (31 December 2022: HK\$458,970,000). The decrease was mainly due to exchange differences of HK\$15,836,000 on translation of financial statements from functional currency to presentation currency and the loss attributable to owners of the Company of HK\$3,247,000 for the period.

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 2023.

Charge on Assets

As at 30 June 2023, there were no charges on any of the Group's assets for loans and bank facilities.

Foreign Exchange Exposure

As at 30 June 2023, the Group had no significant exposure under foreign exchange. 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 reasonable measures to hedge against foreign currency exposure. The closing Renminbi exchange rate as at 30 June 2023 was approximately 3.7% lower than the exchange rate as at the end of 2022, and such exchange differences led to an additional exchange loss of HK\$11,010,000 being recognised in the other comprehensive income upon translation of financial statements from functional currency to presentation currency for the Year.

Contingent Liabilities

Save for the disclosure in Note 11 to the interim condensed consolidated financial information, the Group had no significant contingent liabilities as at 30 June 2023.

Employees

As at 30 June 2023, the Group employed 147 (31 December 2022: 165) 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 Review 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

Interactive Entertainment and Digital Assets

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

During the first half year of 2023, the Group co-produced the Yangtze River-themed animated film “Dance with the Finless Porpoise” (《江豚•風時舞》) with Jiangxi Cultural Performance Group and Jiangxi Hukou Cultural Tourism Group. The Group is responsible for the creation, production and publicity of the entire film. The production of the film has been completed, a distribution agreement has been reached with the distribution company, and it will be released within this year. The production of the original ocean-themed animated film “Around the World in 80 Days” (《環遊地球80天》) has been completed and it is scheduled to be released in this summer. As for the production business, the division is currently undertaking the projects of Tencent interactive entertainment business group and Tencent technology engineering group.

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

In the first half year, the digital virtual character business has completed a series of customised projects such as Virtual Joy-E of China Mobile Hong Kong, Dunhuang Gajiao Livestream* (敦煌伽瑤直播), Just Dance (Tencent’s musical), production of digital virtual character-Yung Yi* (蓉兒) in Rongjiang New District, video of Tea Culture Festival, the Galaxy Twin Towers Conference hosted by Huawei Yunsheng and Huawei’s Spain project, all of which have been well received by the customers.

* For identification purpose only

We have organized the first Shunliu* (順溜) study camp in Southern China in terms of the IP Operation Business. We have formed cross-industry partnership with leading enterprises such as Alilo, Aima Electric Vehicle, Haichang Park, Umetrip, and KFC, to promote the original ocean-themed animated film. As part of the film project — “Dance with the Finless Porpoise”, the Finless Porpoise cultural festival was planned to promote the distribution of Finless Porpoise film.

New Cultural and Sports Space

GDC Building in Shenzhen continued to attract high quality animated film and television, high technology and cultural and creative enterprises. The Group utilised its self-developed cloud platform for cloud information processing to provide professional operation management services for the properties, continued to enhance the digital technology management system and improved ancillary facilities and services.

To empower the urban renewal with technology, the preparation for the Chengdu Sports Park project* (成都體育公園項目) is under progress. The project will be ready for operation after the comprehensive acceptance. The project focuses on the philosophy of “Cultural IP + Technology + Sports”, forming a special package with a composite operating model, gaining commercial forces around six aspects, namely, matching, differentiation, theme, purpose, coordination, and vision. It integrates sports, leisure and smart experience, and rejuvenates the Sports Park.

A subsidiary of the Group located in Chengdu has developed a smart city business to facilitate the creation of smart cities, we have executed and initiated production on two project contracts, while the third project is currently in the bidding process. Additionally, we have undertaken the production of an educational video project for the “Digital Intelligence and Casting Heart Project*” (數智·鑄心工程) of Chengdu Wuhou State Owned Capital Investment and Operation Group Co., Ltd.

The project undertaken by our Beijing branch for Qualcomm has now entered the mid-stage of production. Futhermore, we have also undertaken the projects of producing promotional videos and building websites for Shoucheng Group, moreover, we reached a strategic cooperation agreement with Yingquan Technology Limited* (映泉科技有限公司) and Landmark Mark Metaverse Platform* (地標馬克元宇宙平台).

The training business is also gradually creating a new business model to support the upgrade of new teaching technologies with cloud platform technology. It is intended to co-establish academic disciplines with Wuzhou Vocational College and Bailie Vocational College* (培黎職業學院). Moreover, the deep collaboration with the Shenzhen Polytechnic has reached a consensus.

* For identification purpose only

Research and Development

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

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

The hyperparameter artificial intelligence machine learning model is introduced by the Group to enhance the efficiency of processing the artificial intelligence machine learning of virtual characters and to improve the controllability of the intelligent virtual characters’ functions. In this regard, the intelligent and highly imitated voice broadcast, intelligent action movement and intelligent dialogue of digital virtual characters are realised. The hyperparameter artificial intelligence technology has been practically applied in Huawei’s virtual character live broadcast and the Kiehl’s virtual character projects and has been highly recognised by customers and brands.

Government Awards

As for government awards, the Group was granted government incentives of RMB1.05 million during the first half of the year, including Award for Original R&D and Industrialization Projects of Shenzhen Municipal Bureau of Culture, Radio, Television, Tourism and Sports, 2023 Funding for the Cultivation of High-tech Enterprises of Science, Technology and Innovation Commission of Shenzhen Municipality, Original Operation Income Reward and Copyright Subsidy of Nanshan District Culture, Radio, Television, Tourism and Sports Bureau, and the Subsidy for Improving the Creative Ability of Smart Property Rights of Market Supervision and Regulation Bureau of Shenzhen Municipality. The Group has been awarded the recognition of technology-based small and medium enterprises and the recognition of the 19th Cultural Expo Branch. We have organised various events such as the participation in the Hong Kong International Film and TV Market, the 19th Shenzhen Cultural Expo Global Digital Branch and the High Quality Development Conference of the Cultural and Entertainment Association, and the participation in the first China (Harbin) International Animation and Comic Game Expo. In addition, “Thru The Mobius Strip” (《魔比斯環》) and “Shunliu*” (《順溜》) were awarded the 100 Outstanding Animation Works Award in the Flowing Light — China Animation Centenary Exhibition* (流光浮動 — 中國動畫百年紀念展), and the original ocean-themed film “Around the World in 80 Days” (《環遊地球80天》) was successfully shortlisted for the “Chasing Light Project” of the 15th Straits Film and Television Season, and won the 2022 Sports Metaverse Innovation Enterprise Award.

* For identification purpose only

OUTLOOK

Leveraging on its existing business advantages, GDC will continue to optimise the city-level Metaverse solution and empower the local digital economic development, promotion of traditional Chinese culture as well as rural revitalisation with its cultural tourism Metaverse products. The interactive entertainment and digital assets business will continue to explore the unique, local cultural content, and develop multiple themes such as ocean exploration, Yangtze River stories, Chinese mythology and science fictions in the future. Self-production and co-production modes will both be adopted to produce one to two animated films every year. The Group strives to recreate good Chinese stories through cutting-edge computer animation technology and novel art style. In terms of the undertaking and production business, the Group will continue to provide high-quality and stable production services. The undertaking and production business of digital virtual characters will form a platform business model to expand market shares.

Following the inception of Chengdu Sports Park project* (成都體育公園項目), the Group will embrace “Cultural IP + Technology + Sports” as the core strategy, operate the New Cultural and Sports Space with the concept of commercialisation, and create an innovative, commercial and ecological sports park, thereby redefining the city with culture. Meanwhile, GDC’s digital genes will facilitate the creation of smart cities and the construction of the digital twin project “Smart City Rongcheng*” (智能蓉城) based in Chengdu, serving multiple Metaverse scenarios, such as digital twin cities, digital cultural and creative contents, brand digital marketing, digital media technology, and digital asset management.

In 2023, the Group continues to commit to talent development and technology optimisation to improve business quality. At the same time, we will actively expand the market, boost efforts to expand the Metaverse virtual characters and New Cultural and Sports Space business. The Group will also fully achieve breakthroughs in the urban culture and tourism and the provision of variety shows in the Metaverse, gradually expand the Metaverse products of various industries, and make every effort to become China’s leading digital asset management group in Metaverse.

LITIGATIONS

Updates of the litigations between 廣東環球數碼創意產業有限公司 (“Guangdong GDC*”), an indirect non-wholly owned subsidiary of the Company, and 珠江電影製片有限公司 (“Pearl River Film Production*”) in respect of the Pearl River Film Cultural Park are as follows:

1. In April 2019, Pearl River Film Production filed an action with the Intermediate People’s Court of Guangzhou City of Guangdong Province of the PRC (中國廣東省廣州市中級人民法院) (the “Guangzhou Intermediate People’s Court”), requiring Guangdong GDC to pay the property occupation fee of the Pearl River Film Cultural Park and related interest for the period between 23 March 2016 and 22 March 2019 in the amounts of RMB148,745,800 and RMB9,593,000 respectively.

* For identification purpose only

On 30 December 2019, the decision for the trial of first instance was made by the Guangzhou Intermediate People’s Court that Guangdong GDC was required to pay the property occupation fee of the Pearl River Film Cultural Park and related interest for the period between 23 March 2016 and 11 September 2019 in the amounts of RMB41,656,989 and RMB3,813,331, respectively.

Each of Pearl River Film Production and Guangdong GDC filed an appeal with the Higher People’s Court of Guangdong Province of the PRC (中國廣東省高級人民法院) (the “Guangdong Higher People’s Court”). On 30 March 2021, a civil judgment from the Guangdong Higher People’s Court was made, the judgment from the Guangzhou Intermediate People’s Court was set aside and the case shall be returned to the Guangzhou Intermediate People’s Court for re-trial.

On 13 December 2022, a civil judgment for re-trial from Guangzhou Intermediate People’s Court (the “Guangzhou Intermediate People’s Court Civil Judgment for Re-trial”) was handed down to Guangdong GDC. According to the Guangzhou Intermediate People’s Court Civil Judgment for Re-trial, Guangdong GDC is required to pay property occupation fee to the Pearl River Film Production of RMB157,353,781 for the period between 23 March 2016 and the day when Guangdong GDC returned the entire Pearl River Film Cultural Park to Pearl River Film Production. All other claims made by Pearl River Film Production were dismissed. Each of Guangdong GDC and Pearl River Film Production filed an appeal with the Guangdong Higher People’s Court. As at the date of this Announcement, no judgment has been handed down for the appeal.

2. In April 2019, Pearl River Film Production filed an action with the People’s Court of Haizhu District of Guangzhou City of the PRC (中國廣州市海珠區人民法院) (the “People’s Court of Haizhu District”), requiring Guangdong GDC and 廣州高尚商業經營管理有限公司 (“Gaoshang Property Management*”), an indirect non-wholly owned subsidiary of the Company to pay the property occupation fee of the car park of the Pearl River Film Cultural Park in an amount of RMB26,457,900 for the period between 1 August 2015 and 21 June 2018 and related interest in the amount of RMB2,520,062 for the interest as of 27 March 2019.

On 30 April 2020, the decision for the trial of first instance was made by the People’s Court of Haizhu District that Guangdong GDC and Gaoshang Property Management were required to pay the property occupation fee of the car park of the Pearl River Film Cultural Park in the amount of RMB3,854,363 and related interest for the period between 1 August 2015 and 21 June 2018.

The Guangzhou Intermediate People’s Court made the final judgment on 27 September 2020 in which the original judgment was upheld. The judgment was enforced by both parties in November 2020 and the case proceedings were concluded.

On 8 March 2021, Pearl River Film Production has applied to the Guangdong Higher People’s Court for setting aside of the abovementioned final judgment, and initiated a re-trial of the legal proceedings. As at the date of this Announcement, no judgment has been handed down for the re-trial.

* For identification purpose only

3. In April 2021, Guangdong GDC has initiated legal proceedings against Pearl River Film Production, claiming for the (i) return of capital contribution invested in the construction for the Pearl River Film Cultural Park and the related interests in the amount of approximately RMB240,000,000 and RMB54,900,000, respectively, and (ii) compensation on losses of RMB20,000,000 borne by Guangdong GDC arising from the said investment due to breach of contract by Pearl River Film Production.

On 18 May 2022, a civil judgment (民事判決書) (the “Civil Judgment”) from the Guangzhou Intermediate People’s Court was handed down to Guangdong GDC. According to the Civil Judgment, the Claims have been rejected by the Guangzhou Intermediate People’s Court. Guangdong GDC filed an appeal with the Guangdong Higher People’s Court on 1 June 2022 (the “Appeal”). On 21 July 2023, Guangdong GDC received a civil judgment (民事判決書) from the Guangdong Higher People’s Court (the “Higher Court Civil Judgment”). According to the Higher Court Civil Judgement, the Appeal was rejected and the judgment of the Guangzhou Intermediate People’s Court was upheld. As at the date of this Announcement, Guangdong GDC is seeking legal advice in response to the Higher Court Civil Judgment.

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

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

During the six months ended 30 June 2023, the Company repurchased its ordinary shares on the Stock Exchange as follows:

Month of the repurchases	Number of ordinary shares repurchased	Highest price paid per share <i>HK\$</i>	Lowest price paid per share <i>HK\$</i>	Aggregate consideration paid <i>HK\$</i>
June 2023	342,000	0.080	0.075	26,578

As at the date on 30 June 2023, total of 342,000 repurchased shares not yet been cancelled. These 342,000 shares were subsequently cancelled on 24 July 2023.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company has complied with the code provisions of the Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules throughout the six months ended 30 June 2023.

COMPLIANCE WITH CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiries with the Directors, all Directors confirmed that they have complied with such code of conduct and the required standard of dealings regarding securities transactions by the Directors throughout the six months ended 30 June 2023.

CHANGES IN DIRECTORS' INFORMATION

Pursuant to Rule 17.50A(1) of the GEM Listing Rules, the changes in information of Directors subsequent to the date of the Company's annual report 2022 are as follows:

Mr. Lam Yiu Kin, an independent non-executive director of the Company retired as an independent non-executive director of Shanghai Fudan – Zhangjiang Bio-Pharmaceutical Co., Ltd on 30 May 2023.

EVENT AFTER REPORTING PERIOD

On 24 July 2023, total of 342,000 shares repurchased on 19 June 2023 were cancelled.

AUDIT COMMITTEE

The Group's interim results for the six months ended 30 June 2023 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 2023 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 2023.

APPRECIATION

On behalf of the Board, I would like to extend our sincere gratitude to our shareholders, business partners and clients for their utmost support to the Group. I would also like to take this opportunity to extend my gratitude and appreciations to management members and all of the staff of the Group for their hard work and dedication throughout the Period.

By Order of the Board
Global Digital Creations Holdings Limited
Xu Liang
Chairman

Hong Kong, 10 August 2023

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

This announcement will remain on the websites of The Stock Exchange of Hong Kong Limited at <http://www.hkexnews.hk> on the “Latest Listed Company Information” page for at least 7 days from the date of its publications and on the website of Company at <http://www.gdc-world.com>.