



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 2024

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* For identification purpose only

INTERIM RESULTS

The board of Directors (the “Board”) of Global Digital Creations Holdings Limited (the “Company”) hereby announces the unaudited interim condensed consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2024. These interim results have been reviewed by the Company’s Audit Committee and its Auditor.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2024

		(Unaudited)	
		Six months ended 30 June	
		2024	2023
	<i>Note</i>	<i>HK\$’000</i>	<i>HK\$’000</i>
Continuing operations			
Revenue	2	37,173	29,292
Cost of sales		<u>(34,984)</u>	<u>(17,096)</u>
Gross profit		2,189	12,196
Other income	3	5,221	5,333
Distribution and selling expenses		(12,839)	(1,697)
Administrative expenses		(16,090)	(15,518)
(Provision for)/reversal of provision for impairment of financial assets and contract assets		(75)	279
Other (loss)/gains, net		<u>(1,074)</u>	<u>4</u>
Operating (loss)/profit		(22,668)	597
Finance cost		<u>(165)</u>	<u>(8)</u>
(Loss)/profit before income tax	4	(22,833)	589
Income tax credit/(expense)	5	<u>613</u>	<u>(359)</u>
(Loss)/profit for the period from continuing operations		(22,220)	230
Discontinued operation			
Loss for the period from discontinued operation	8	<u>(472)</u>	<u>(5,113)</u>
Loss for the period		(22,692)	(4,883)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(Continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2024

	(Unaudited)	
	Six months ended 30 June	
	2024	2023
Note	HK\$'000	HK\$'000
Other comprehensive loss:		
<i>Item that will not be reclassified to profit or loss:</i>		
– Exchange differences on translation to presentation currency	(6,420)	(11,010)
Other comprehensive loss for the period	(6,420)	(11,010)
Total comprehensive loss for the period	(29,112)	(15,893)
(Loss)/profit for the period attributable to:		
– Owners of the Company:		
– Continuing operations	(22,220)	230
– Discontinued operation	(321)	(3,477)
	(22,541)	(3,247)
– Non-controlling interests:		
– Continuing operations	–	–
– Discontinued operation	(151)	(1,636)
	(151)	(1,636)
	(22,692)	(4,883)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(Continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2024

		(Unaudited)	
		Six months ended 30 June	
		2024	2023
Note		HK\$'000	HK\$'000
Total comprehensive (loss)/income for the period attributable to:			
– Owners of the Company:			
	– Continuing operations	(37,790)	(25,862)
	– Discontinued operation	<u>5,901</u>	<u>6,779</u>
		(31,889)	(19,083)
– Non-controlling interests:			
	– Continuing operations	–	–
	– Discontinued operation	<u>2,777</u>	<u>3,190</u>
		<u>2,777</u>	<u>3,190</u>
		<u>(29,112)</u>	<u>(15,893)</u>
		<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 (1.48)	0.02
	– Discontinued operation	6 (0.02)	(0.23)
		<u>(1.50)</u>	<u>(0.21)</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2024

	<i>Note</i>	30 June 2024 HK\$'000 (Unaudited)	31 December 2023 HK\$'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment		11,367	12,336
Right-of-use assets		21,852	8,126
Investment property		225,054	231,388
Interest in an associate		–	–
Movies and television programmes rights		5,604	15,229
Productions work in progress		1,967	4,567
Deposit		98	–
Total non-current assets		265,942	271,646
Current assets			
Contract assets		2,950	899
Trade receivables	9	10,761	11,120
Deposits, prepayments and other receivables		6,981	13,356
Restricted bank deposits		23	21
Cash and cash equivalents		233,846	248,039
Total current assets		254,561	273,435
Total assets		520,503	545,081
EQUITY			
Equity attributable to owners of the Company			
Share capital		15,033	15,036
Retained earnings		39,836	62,268
Other reserves		346,125	355,579
Total equity attributable to owners of the Company		400,994	432,883
Non-controlling interests		(121,918)	(124,695)
Total equity		279,076	308,188

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Continued)

AT 30 JUNE 2024

		30 June	31 December
		2024	2023
	<i>Note</i>	HK\$'000	HK\$'000
		(Unaudited)	(Audited)
LIABILITIES			
Non-current liabilities			
Lease liabilities		12,385	–
Contract liabilities		1,385	1,786
Deferred income tax liabilities		18,270	19,408
Other payables	<i>10</i>	289	289
		<hr/>	<hr/>
Total non-current liabilities		32,329	21,483
		<hr/>	<hr/>
Current liabilities			
Trade payables, accruals and other payables	<i>10</i>	58,634	58,655
Provision for rental and settlement payables	<i>11</i>	135,088	140,822
Contract liabilities		3,654	1,538
Lease liabilities		3,220	17
Current income tax payable		8,502	14,378
		<hr/>	<hr/>
Total current liabilities		209,098	215,410
		<hr/>	<hr/>
Total liabilities		241,427	236,893
		<hr/>	<hr/>
Total equity and liabilities		520,503	545,081
		<hr/> <hr/>	<hr/> <hr/>

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 2024 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 2023, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

This interim condensed consolidated financial information is presented 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 2023, 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. The Group is still assessing what the impact of the new standards and interpretations will be in the periods of initial application. It is not yet in a position to state whether these standards and interpretations will have a significant impact on the Group’s results of operations and financial position.

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.

The management has identified two reportable segments based on the types of services, namely (i) Interactive Entertainment and Digital Assets and (ii) New Cultural and Sports Space.

There were no material sales between the reportable segments for the six months ended 30 June 2024 (six months ended 30 June 2023: Same).

	(Unaudited)		
	Six months ended 30 June 2024		
	Interactive Entertainment and Digital Assets <i>HK\$'000</i>	New Cultural and Sports Space <i>HK\$'000</i>	Total <i>HK\$'000</i>
– Revenue from computer graphic (“CG”) production	5,178	–	5,178
– Box office receipt	7,389	–	7,389
– Licensing income from television programmes and movies to online platforms	1,395	–	1,395
– Patent fee income from granting the right to access of trademarks	613	–	613
– Management service fee	–	5,624	5,624
– Rental income	–	16,974	16,974
	<hr/>	<hr/>	<hr/>
Total revenue from external customers	14,575	22,598	37,173
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Segment results	(25,061)	9,556	(15,505)
Unallocated income			383
Unallocated expenses			(7,711)
			<hr/>
Loss before income tax from continuing operations			(22,833)
			<hr/> <hr/>

(Unaudited)

Six months ended 30 June 2023

	Interactive Entertainment and Digital Assets <i>HK\$'000</i>	New Cultural and Sports Space <i>HK\$'000</i>	Total <i>HK\$'000</i>
– Revenue from CG production	3,776	–	3,776
– Licensing income from television programmes and movies to online platforms	237	–	237
– Patent fee income from granting the right to access of trademarks	636	–	636
– Management service fee	–	5,969	5,969
– Rental income	–	18,674	18,674
	<hr/>	<hr/>	<hr/>
Total revenue from external customers	4,649	24,643	29,292
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Segment results	(3,053)	10,707	7,654
Unallocated income			44
Unallocated expenses			(7,109)
			<hr/>
Profit before income tax from continuing operations			589
			<hr/> <hr/>

The segment assets and liabilities as at 30 June 2024 and 31 December 2023 are as follows:

	As at 30 June 2024 (Unaudited)			
	Interactive Entertainment and Digital Assets <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>180,656</u>	<u>318,145</u>	<u>21,702</u>	<u>520,503</u>
Segment liabilities	<u>40,407</u>	<u>51,760</u>	<u>149,260</u>	<u>241,427</u>

As at 31 December 2023 (Audited)

	Interactive Entertainment and Digital Assets <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	210,125	304,860	30,096	545,081
Segment liabilities	44,083	38,914	153,896	236,893

3 OTHER INCOME

	(Unaudited) Six months ended 30 June	
	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Government grants	2,468	1,182
Interest income	2,327	3,808
Others	426	343
	<u>5,221</u>	<u>5,333</u>

4 (LOSS)/PROFIT BEFORE INCOME TAX

	(Unaudited) Six months ended 30 June	
	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
(Loss)/profit before income tax has been arrived at after charging:		
Employee benefit expenses	20,136	20,394
Amortisation of movies and television programmes rights	14,410	–
Provision for impairment of movies and television programmes rights	1,807	–
Depreciation of property, plant and equipment	1,055	999
Deprecation of right-of-use assets	1,471	505
	<u>40,879</u>	<u>21,898</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 2024 and 2023.

PRC Corporate Income Tax (“CIT”)

During the period, most of the PRC established subsidiaries of the Company are subject to the People’s Republic of China (“PRC”) corporate income tax rate of 25% (six months ended 30 June 2023: 25%) except that certain subsidiaries are subject to various preferential tax treatments.

Provision for PRC Corporate income tax credit amounted to HK\$613,000 has been made for the six months ended 30 June 2024 (income tax expense for six months ended 30 June 2023: HK\$359,000).

6 (LOSS)/EARNINGS PER SHARE

	(Unaudited) Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
(Loss)/profit attributable to owners of the Company		
– Continuing operations	(22,220)	230
– Discontinued operation	(321)	(3,477)
	<u>(22,541)</u>	<u>(3,247)</u>
	(Unaudited) Six months ended 30 June	
	2024	2023
	No. of shares	No. of shares
	'000	'000
Weighted average number of outstanding ordinary shares	<u>1,503,532</u>	<u>1,504,141</u>
	(Unaudited) Six months ended 30 June	
	2024	2023
	HK cents	HK cents
Basic and diluted (loss)/earnings per share		
– Continuing operations	(1.48)	0.02
– Discontinued operation	(0.02)	(0.23)
Total basic and diluted loss per share	<u>(1.50)</u>	<u>(0.21)</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 2024 (six months ended 30 June 2023: Same).

7 DIVIDEND

The board of Directors does not recommend the payment of an interim dividend for the six months ended 30 June 2024 (six months ended 30 June 2023: Nil).

8 DISCONTINUED OPERATION

As set out in Note 11, 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 2024 and 2023 as the matters as set out in Note 11 are still ongoing.

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

	(Unaudited)	
	Six months ended 30 June	
	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
Other income	2	29
Administrative expenses	(474)	(1,153)
Provision for rental and settlement expenses, net	—	(3,989)
	<u>—</u>	<u>(3,989)</u>
Loss before income tax	(472)	(5,113)
Income tax expenses	—	—
	<u>—</u>	<u>—</u>
Loss for the period from discontinued operation	<u>(472)</u>	<u>(5,113)</u>

9 TRADE RECEIVABLES

	As at	As at
	30 June	31 December
	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Trade receivables from contracts with customers	4,291	3,397
Rental receivables	6,854	8,043
	<u>11,145</u>	<u>11,440</u>
Less: Provision for impairment	(384)	(320)
	<u>10,761</u>	<u>11,120</u>

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

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 2024 <i>HK\$'000</i> (Unaudited)	As at 31 December 2023 <i>HK\$'000</i> (Audited)
Current to 90 days	11,129	11,440
91 to 180 days	16	–
	<u>11,145</u>	<u>11,440</u>

10 TRADE PAYABLES, ACCRUALS AND OTHER PAYABLES

	As at 30 June 2024 <i>HK\$'000</i> (Unaudited)	As at 31 December 2023 <i>HK\$'000</i> (Audited)
Trade payables	102	–
Advance from an investor of a subsidiary	21,505	22,026
Accruals	3,534	5,765
Salary payable	6,556	8,149
Deposits	11,923	11,404
Construction cost payables	1,930	1,968
Other tax payables	1,366	177
Advance from leasees	1,754	670
Others	10,253	8,785
	<u>58,923</u>	<u>58,944</u>
Total	58,923	58,944
Less: Current portion	(58,634)	(58,655)
	<u>289</u>	<u>289</u>
Denominated in:		
– RMB	55,327	55,705
– HK\$	3,596	3,239
	<u>58,923</u>	<u>58,944</u>

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

The aging analysis of the trade payables based on invoice date is as follows:

	As at 30 June 2024 HK\$'000 (Unaudited)	As at 31 December 2023 HK\$'000 (Audited)
Current to 90 days	102	–

11 PROVISION FOR RENTAL AND SETTLEMENT PAYABLES

	As at 30 June 2024 HK\$'000 (Unaudited)	As at 31 December 2023 HK\$'000 (Audited)
Accrued rental and settlement payables and late payment surcharge (<i>Note</i>)	135,088	140,822

Note:

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. Updates are as follows:

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

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

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

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

Thereafter, Guangdong GDC has applied to the Supreme People’s Court of the PRC (the “Supreme People’s Court”) for re-trial. On 26 February 2024, the Company has been informed that re-trial application had been rejected by the Supreme People’s Court.

On 29 March 2024, the Company received an enforcement order issued by the Guangzhou Intermediate People’s Court, which released the restricted deposits of approximately HK\$42,485,000 and rental receivable of approximately HK\$2,554,000 to Pearl River Film Production. This restricted deposit of approximately HK\$42,485,000 was transferred to the account under the name of the Guangzhou Intermediate People’s Court in December 2023 for partial settlement of provision of rental and settlement payables.

Based on the latest development of the litigation, provision for rental and settlement payables amounted to HK\$135,088,000 was made as at 30 June 2024. Management considered that the provision made is adequate but not excessive.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2024 (six months ended 30 June 2023: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

For the six months ended 30 June 2024 (the “Period”), revenue from the continuing operations amounted to HK\$37,173,000, representing an increase of HK\$7,881,000 as compared with HK\$29,292,000 for the corresponding period of 2023. The increase in revenue was attributable to the year-on-year increase in original project revenue of HK\$8,524,000 led by the distribution of two (six months ended 30 June 2023: Nil) animated films and year-on-year increase in revenue from production services of HK\$1,402,000 from Interactive Entertainment and Digital Assets Division during the period, as compared to the year-on-year decrease in rental and management service fee income of HK\$2,045,000.

Cost of sales from the continuing operations for the Period amounted to HK\$34,984,000, representing an increase of HK\$17,888,000 as compared with HK\$17,096,000 for the corresponding period of 2023, which was mainly attributable to the inclusion of amortised cost of original films of HK\$14,410,000 and provision for impairment of one co-produced original film of HK\$1,807,000 during the Period as compared to the same period of last year when no such costs were incurred.

Other income from the continuing operations for the Period amounted to HK\$5,221,000 (six months ended 30 June 2023: HK\$5,333,000) was mainly from government grants of HK\$2,468,000 and interest income of HK\$2,327,000.

Distribution and selling expenses from the continuing operations for the Period amounted to HK\$12,839,000, representing an increase of HK\$11,142,000 as compared to HK\$1,697,000 for the same period of 2023, which was mainly attributable to the increase in marketing and selling expenses incurred in connection with the distribution of the animated films and the sales staff costs by a total of HK\$11,303,000.

Administrative expenses from the continuing operations for the Period amounted to HK\$16,090,000 (six months ended 30 June 2023: HK\$15,518,000) were mainly staff costs, professional service fees and depreciation and amortisation.

Net other losses from the continuing operations for the Period amounted to HK\$1,074,000, representing an increase of HK\$1,078,000 in other losses as compared with net other gains of HK\$4,000 recorded last year, which was mainly attributable to the decrease in fair value of investment property by HK\$867,000.

Finance costs from the continuing operations for the Period amounted to HK\$165,000 (six months ended 30 June 2023: HK\$8,000). 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 Period amounted to HK\$472,000, representing the loss decreased by HK\$4,641,000 as compared with HK\$5,113,000 for the same period in 2023, which was mainly attributable to the decrease in the provision for rental and settlement expenses.

In summary, the loss for the Period was HK\$22,692,000, including a loss of HK\$14,750,000 incurred from the release of an animated film in January of this year. Compared with the loss of HK\$4,883,000 in the same period of last year, the loss increased by HK\$17,809,000.

Liquidity and Financial Resources

As at 30 June 2024, the Group had cash and cash equivalents of HK\$233,846,000 (31 December 2023: HK\$248,039,000), which were mainly denominated in RMB, United States dollars and Hong Kong dollars, and restricted bank deposits amounted to HK\$23,000 (31 December 2023: HK\$21,000).

As at 30 June 2024, the Group had no borrowings or overdrafts. The Group's current ratio was 1.22 (31 December 2023: 1.27), which was calculated based on current assets of HK\$254,561,000 and current liabilities of HK\$209,098,000.

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\$400,994,000 as at 30 June 2024 (31 December 2023: HK\$432,883,000). The decrease was due to exchange differences of HK\$9,348,000 on translation of financial statements from functional currency to presentation currency and the loss attributable to owners of the Company of HK\$22,541,000 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 2024.

Charge on Assets

As at 30 June 2024, there were no charges on any of the Group's assets for loans and bank facilities.

Foreign Exchange Exposure

As at 30 June 2024, the Group had no significant exposure under foreign exchange. Currently, the Group earns revenue mainly in RMB, and incurs costs mainly in RMB 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 RMB exchange rate as at 30 June 2024 was approximately 2.4% lower than the exchange rate as at the end of 2023, and such exchange differences led to an additional exchange loss of HK\$6,420,000 being recognised in the other comprehensive income upon translation of financial statements from functional currency to presentation currency for the Year.

Contingent Liabilities

The Group had no significant contingent liabilities as at 30 June 2024.

Employees

As at 30 June 2024, the Group employed 148 (31 December 2023: 148) 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

Interactive Entertainment and Digital Assets

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

In the first half year of 2024, Interactive Entertainment business has achieved 3A gaming standards in HD scene and character presentation on the UE (Unreal Engine) Platform and focuses on providing digital video content services for Tencent, with projects such as Tencent AI, Just Dance* (《星瞳》), and Dunhuang Gajiao* (《敦煌迦瑤》). In addition, the sample movie “Lin’an Fanghao”* (《臨安·芳好》)* produced by Artificial Intelligence Generated Content (“AIGC”) technology was a success, laying the foundation for the Company’s high-quality, low-cost production model in the future. The digital cultural tourism project “Fish Culture Museum”* (《魚文化館》) in Jiangxi Province and the digital transformation project “Shizhong Mountain”* (《石鐘山》) in Jiangxi Province were highly evaluated by customers, which expanded a new direction and new vitality injection for the Digital Cultural Tourism business.

The Virtual Character business entered Cairo, Egypt and Marrakech, Morocco for the first time in North Africa, which was regarded as one of the three highlights of “Gitex Africa 2024”. GDC successfully developed a real-person digital twin platform (“Phantom Mirror Platform”*(幻鏡平台)), which has already obtained orders. In addition, the business segment has completed several lightweight POC (Proof of Concept) of the large model structure of the Digital Human industry. GDC has realized three-dimensional (“3D”) digital human + industry data + multi-language intelligent Q&A service on smart phones, and demonstrated it for education, medical, pulp, aviation, and other industries.

As for the licensing business of films and derivatives, GDC and Jiangxi Province of China jointly invested in the animated film “Dance With the Finless Porpoise”* (《江豚·風時舞》) and the ten series of the original ocean-themed animated film, which were released in the first half of the year and were both well received by the audience. However, the box office receipts was affected by intense competition during it released.

* For identification purpose only

New Cultural and Sports Space

GDC has been operating Shenzhen GDC Building for many years, through years of exploration in Shenzhen, it has cultivated a team from industrial planning to operation, and successfully launching Chengdu GDC C8 Building Project, Suzhou Wuzhong Project, Chengdu Tiefo Park and Jiangxi Shangrao Project, etc.

The occupancy rate of the existing property, Shenzhen GDC Building, is currently maintained at a high level, providing basic financial support for the business transformation of the Group. GDC is now actively negotiating with the local government of mainland China in order to strive for an early inclusion in the sequence of government subsidies.

Research and Development

The Group has a first-mover advantage in the technical accumulation of Metaverse infrastructure and the construction of virtual reality. On the basis of the virtual digital simulation and full-real digital natives automatic intelligent control, highly accurate full-body motion capture solutions, the Group continues to develop cutting-edge technologies such as artificial intelligence-based speech and language recognition, large-model database training, and Q&A on professional knowledge. The research and development team has completed the development of computer animation and artificial intelligence engine driver interface, and the improvement and application of new technologies such as the combination of unreal engine and artificial intelligence, and has already formed the digital virtual character all-in-one products.

Around the “GDC Property” applet, the enterprise property service cloud was built. GDC has completed the research and development of comprehensive services such as customer contract expiration warning, and developed a business intelligence platform for data aggregation. Meanwhile, the functions of site and equipment operation and maintenance and customer call service have also been integrated into the unified platform.

In addition, GDC has taken the lead in the application of various technologies, such as the integration of 3D laser scanning technology and special effect movies, AIGC character emotion restoration technology, SD ComfyUI process construction, HeyGen labs audio and mouth shape conversion, as well as UE5 expression integration and blueprint development.

Government Awards

The 9th series of the original ocean-themed animated film was awarded the 2023 Quality Films Awards by the China Film Administration, and “Dance with the Finless Porpoise”* (《江豚•風時舞》) was shortlisted for the 20th Golden Monkey King Awards (中國國際動漫節金猴獎). In addition, GDC won the Prize of the Third MediaAIAC* (第三屆廣播電視和網絡視聽人工智能應用創新大賽獎), the Second Prize in the Virtual Digital Human Technology Application Category, the Gold Award of the 11th Shenzhen Copyright Works, the 2024 Jade Monkey Award: “Top 10 Most Commercially Valuable Cultural Tourism IPs”, and many other awards.

GDC has successfully hosted the GDC Branch of the 20th Cultural Expo, which was reported by People’s Daily, China News and other media, and enhanced the Group’s brand awareness and market influence through the Cultural Expo, which is the “No. 1 National Cultural Exhibition” platform.

GDC obtained two qualifications such as National High-Tech Enterprise, three honors for its works and 16 software copyrights.

* For identification purpose only

OUTLOOK

The Interactive Entertainment and Digital Assets will focus on strengthening two core technologies and two core scenarios: 1) the core technology of digital Virtua character, which deepens the research and development of all-round functions of the AI Holographic Virtual BOX, and maintains its leading position in the research and development and application of new technologies such as overseas remote for virtualization, and fully AI-powered movement and facial expressions; 2) the improvement of the AIGC production technology, which realizes more efficient, accurate and low-cost video content production and consolidate our leading position in the industry. We will select two core scenarios, namely Interactive Entertainment and Digital Cultural Tourism, to become a high-quality content provider for leading enterprises and the government, and strive for higher growth in the Interactive Entertainment and Digital Assets through continuous enhancement of technology and scenarios.

The film and television 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.

We will continue to work on projects in Shenzhen, Chengdu, Suzhou and Shangrao to seek more cooperation opportunities and expand our business scope of New Cultural and Sports Space in order to promote the innovation and development of the main business of GDC and create more growth points for the Company.

The Group continues to commit to talent development and technology optimization to improve business quality. At the same time, we will actively expand the market, 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.

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.

* For identification purpose only

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 was 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 Retrial, Guangdong GDC is required to pay property occupation fee to the Pearl River Film Production of RMB157,353,781 for the period between 23 March 2016 and the day when Guangdong GDC returned the entire Pearl River Film Cultural Park to Pearl River Film Production. All other claims made by Pearl River Film Production were dismissed. Each of Guangdong GDC and Pearl River Film Production filed an appeal with the Guangdong Higher People's Court. The Group has received a civil judgment (民事判決書) from the Guangdong Higher People's Court (the "Guangdong Higher People's Court Civil Judgment for Appeal") on 7 October 2023. According to the Guangdong Higher People's Court Civil Judgement for Appeal, the Appeal was rejected and the Guangzhou Intermediate People's Court Civil Judgment for Re-trial was upheld.

Thereafter, Guangdong GDC has applied to the Supreme People's Court of the PRC (the "Supreme People's Court") for re-trial. On 26 February 2024, the Company has been informed that re-trial application had been rejected by the Supreme People's Court.

2. 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. Thereafter, Guangdong GDC has applied to the Supreme People's Court for re-trial. On 27 June 2024, the Company has been informed that re-trial application had been rejected by the Supreme People's Court.

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 has 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 2024.

As at the date on 5 June 2024, total of 260,000 repurchased shares were cancelled which repurchased in December 2023.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company has complied with the code provisions of the Corporate Governance Code ("CG Code") as set out in Appendix C1 to the GEM Listing Rules throughout the six months ended 30 June 2024 except for the following deviation:

Under the code provision C.1.6 of the CG Code, independent non-executive directors and other non-executive directors should attend general meetings to gain and develop a balanced understanding of the views of shareholders. Prof. Japhet Sebastian Law, the former independent non-executive Director of the Company, was unable to attend the annual general meeting of the Company held on 24 May 2024 (the "AGM") due to other engagement, Prof. Japhet Sebastian Law retired as an independent non-executive director of the Company following the conclusion of the AGM.

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 2024.

CHANGES IN DIRECTORS' INFORMATION

Pursuant to Rule 17.50A(1) of the GEM Listing Rules, the change in information of existing Directors subsequent to the date of the Company's annual report 2023 are as follows:

Mr. Wang Hongpeng, an executive director of the Company has resigned as the managing director of the Company with effect from 3 August 2024, Mr. Wang Hongpeng remains as an executive director and a member of the executive committee of the Company.

AUDIT COMMITTEE

The Group's interim results for the six months ended 30 June 2024 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 2024 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 2024.

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, 16 August 2024

As at the date of this announcement, the Board comprises Mr. Xu Liang (Chairman), Mr. Feng Xianhuai (Managing Director) and Mr. Wang Hongpeng as Executive Directors; Mr. Chen Zheng (Deputy Chairman) as Non-executive Director; Mr. Lam Yiu Kin, Mr. Zheng Xiaodong 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>.