



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 2020**

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* For identification purpose only

INTERIM RESULTS

The board of Directors of the Company (the “Board”) is pleased to announce the unaudited condensed consolidated financial results of the Company and its subsidiaries (the “Group”) for the three and six months ended 30 June 2020 with comparative figures for the corresponding period in the year 2019.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

		(Unaudited) Three months ended 30 June		(Unaudited) Six months ended 30 June	
		2020	2019	2020	2019
	Note	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Continuing operations					
Revenue	3	21,214	27,696	40,405	45,633
Cost of sales	5	(9,269)	(19,774)	(22,477)	(27,697)
Gross profit		11,945	7,922	17,928	17,936
Other income		3,152	5,159	5,249	9,985
Distribution and selling expenses		(125)	(643)	(2,532)	(1,203)
Administrative expenses	5	(8,894)	(9,370)	(17,517)	(17,447)
Provision for impairment of financial assets and contract assets		–	(230)	–	(230)
Other losses, net	4	(46)	(1,018)	(101)	(882)
Operating profit		6,032	1,820	3,027	8,159
Finance cost	6	(19)	(274)	(42)	(274)
Profit before income tax		6,013	1,546	2,985	7,885
Income tax expense	7	(1,246)	(194)	(653)	(2,365)
Profit for the period from continuing operations		4,767	1,352	2,332	5,520
Discontinued operation					
Profit/(loss) for the period	10	10,525	(5,029)	5,945	(8,984)
Profit/(loss) for the period		15,292	(3,677)	8,277	(3,464)
Other comprehensive loss:					
<i>Items that will not be reclassified to profit or loss:</i>					
– Exchange differences on translation to presentation currency		(126)	(8,222)	(4,074)	(323)
Other comprehensive loss for the period		(126)	(8,222)	(4,074)	(323)
Total comprehensive income/(loss) for the period		15,166	(11,899)	4,203	(3,787)

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

		(Unaudited) Three months ended 30 June		(Unaudited) Six months ended 30 June	
		2020	2019	2020	2019
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit/(loss) for the period attributable to:					
– Owners of the Company:					
– Continuing operations		4,767	1,352	2,332	5,606
– Discontinued operation		7,157	(3,420)	4,043	(6,110)
		<u>11,924</u>	<u>(2,068)</u>	<u>6,375</u>	<u>(504)</u>
– Non-controlling interests:					
– Continuing operations		–	–	–	(86)
– Discontinued operation		3,368	(1,609)	1,902	(2,874)
		<u>3,368</u>	<u>(1,609)</u>	<u>1,902</u>	<u>(2,960)</u>
		<u>15,292</u>	<u>(3,677)</u>	<u>8,277</u>	<u>(3,464)</u>
Total comprehensive income/(loss) for the period attributable to:					
– Owners of the Company:					
– Continuing operations		4,735	(18,191)	(8,531)	4,930
– Discontinued operation		7,094	4,279	8,659	(5,935)
		<u>11,829</u>	<u>(13,912)</u>	<u>128</u>	<u>(1,005)</u>
– Non-controlling interests		<u>3,337</u>	<u>2,013</u>	<u>4,075</u>	<u>(2,782)</u>
		<u>15,166</u>	<u>(11,899)</u>	<u>4,203</u>	<u>(3,787)</u>
		<i>HK cents</i>	<i>HK cents</i>	<i>HK cents</i>	<i>HK cents</i>
Earnings/(loss) per share attributable to the owners of the Company:					
Basic and diluted earnings/(loss) per share					
– Continuing operations	8	0.31	0.09	0.15	0.37
– Discontinued operation	8	0.47	(0.23)	0.27	(0.40)
		<u>0.78</u>	<u>(0.14)</u>	<u>0.42</u>	<u>(0.03)</u>

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

		30 June 2020	31 December 2019
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Audited)
Non-current assets			
Property, plant and equipment	11	24,257	4,771
Right-of-use assets		1,347	2,136
Investment property	12	225,893	229,922
Interest in an associate		–	–
Movies and television programmes rights	13	–	6,522
Productions work in progress	13	13,494	8,763
		<u>264,991</u>	<u>252,114</u>
Current assets			
Contract assets		3,746	5,547
Trade receivables	14	14,576	7,778
Deposits, prepayments and other receivables		6,104	3,069
Restricted bank deposits	16	46,275	34,802
Cash and cash equivalents		252,679	270,251
		<u>323,380</u>	<u>321,447</u>
Total assets		<u>588,371</u>	<u>573,561</u>
EQUITY			
Equity attributable to owners of the Company			
Share capital		15,157	15,177
Retained earnings		82,836	76,461
Other reserves		336,188	342,671
		<u>434,181</u>	<u>434,309</u>
Non-controlling interests		<u>(121,503)</u>	<u>(125,578)</u>
Total equity		<u>312,678</u>	<u>308,731</u>

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

		30 June	31 December
		2020	2019
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Audited)
LIABILITIES			
Non-current liabilities			
Lease liabilities		57	432
Deferred government grants		395	692
Contract liabilities		712	–
Deferred tax liabilities		18,693	19,467
		19,857	20,591
Current liabilities			
Trade payables	<i>15</i>	–	40
Accruals and other payables	<i>15</i>	78,626	62,452
Provision for rental and settlement payables	<i>16</i>	166,011	170,208
Contract liabilities		1,208	1,085
Deferred government grants		686	817
Lease liabilities		1,295	1,685
Current income tax payable		8,010	7,952
		255,836	244,239
Total liabilities		275,693	264,830
Total equity and liabilities		588,371	573,561

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1 GENERAL INFORMATION

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

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

The Company and its subsidiaries (the “Group”) are principally engaged in the provision of computer graphic (“CG”) creation and production and provision of property leasing and building management services.

This condensed consolidated interim financial information is presented in Hong Kong dollars (“HK\$”) unless otherwise stated. This condensed consolidated interim financial information was approved for issue by the Board of Directors on 12 August 2020.

This condensed consolidated interim financial information has not been audited.

2 BASIS OF PREPARATION AND ACCOUNTING POLICY

This condensed consolidated interim financial information for the six months ended 30 June 2020 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 ‘Interim financial reporting’ issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the applicable disclosure provisions of the GEM Listing Rules. This condensed consolidated interim financial information does not include all the notes of the type normally included in annual consolidated financial statements. Accordingly, this condensed consolidated interim financial information should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2019, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

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

The accounting policies applied are consistent with those of the annual consolidated financial statements for the year ended 31 December 2019, except for the estimation of income taxes which are accrued using the tax rate that would be applicable to expected total annual earnings.

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

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

3 SEGMENT INFORMATION

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

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

The management has identified two reportable segments based on the types of services, namely (i) CG creation and production and (ii) property leasing and building management services.

There were no material sales between the reportable segments for the six months ended 30 June 2020 (31 December 2019: Same).

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

	Three months ended 30 June 2019 (Unaudited)			Six months ended 30 June 2019 (Unaudited)		
	CG creation and production HK\$'000	Property leasing and building management services HK\$'000	Total HK\$'000	CG creation and production HK\$'000	Property leasing and building management services HK\$'000	Total HK\$'000
– Revenue from CG production	3,482	–	3,482	5,383	–	5,383
– Box office receipts	4,205	–	4,205	4,205	–	4,205
– Licensing income from television series and movies to online platform	4,647	–	4,647	5,022	–	5,022
– Patent fee income from granting the right to access of trademark	430	–	430	1,139	–	1,139
– Management service fee	–	3,162	3,162	–	6,137	6,137
– Rental income	–	11,770	11,770	–	23,747	23,747
Total revenue from external customers	<u>12,764</u>	<u>14,932</u>	<u>27,696</u>	<u>15,749</u>	<u>29,884</u>	<u>45,633</u>
Segment results	(3,803)	9,806	6,003	(4,973)	21,243	16,270
Unallocated income			146			305
Unallocated expenses			<u>(4,603)</u>			<u>(8,690)</u>
Profit before income tax from continuing operations			<u>1,546</u>			<u>7,885</u>
	Three months ended 30 June 2020 (Unaudited)			Six months ended 30 June 2020 (Unaudited)		
	CG creation and production HK\$'000	Property leasing and building management services HK\$'000	Total HK\$'000	CG creation and production HK\$'000	Property leasing and building management services HK\$'000	Total HK\$'000
Timing of revenue recognition for revenue from contracts with customers						
– At a point in time	339	–	339	2,256	–	2,256
– Over time	<u>6,940</u>	<u>2,891</u>	<u>9,831</u>	<u>10,629</u>	<u>5,652</u>	<u>16,281</u>
	7,279	2,891	10,170	12,885	5,652	18,537
Rental income	<u>–</u>	<u>11,044</u>	<u>11,044</u>	<u>–</u>	<u>21,868</u>	<u>21,868</u>
Total revenue from external customers	<u>7,279</u>	<u>13,935</u>	<u>21,214</u>	<u>12,885</u>	<u>27,520</u>	<u>40,405</u>

	Three months ended 30 June 2019 (Unaudited)			Six months ended 30 June 2019 (Unaudited)		
	CG creation and production <i>HK\$'000</i>	Property leasing and building management services <i>HK\$'000</i>	Total <i>HK\$'000</i>	CG creation and production <i>HK\$'000</i>	Property leasing and building management services <i>HK\$'000</i>	Total <i>HK\$'000</i>
Timing of revenue recognition for revenue from contracts with customers						
– At a point in time	8,852	–	8,852	9,227	–	9,227
– Over time	3,912	3,162	7,074	6,522	6,137	12,659
	12,764	3,162	15,926	15,749	6,137	21,886
Rental income	–	11,770	11,770	–	23,747	23,747
Total revenue from external customers	12,764	14,932	27,696	15,749	29,884	45,633

The segment assets and liabilities as at 30 June 2020 and 31 December 2019 are as follows:

	As at 30 June 2020 (Unaudited)			
	CG creation and production <i>HK\$'000</i>	Property leasing and building management services <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment assets	242,525	242,800	103,046	588,371
Segment liabilities	59,049	35,361	181,283	275,693
Additions to non-current assets	26,411	–	20	26,431

As at 31 December 2019 (Audited)

	CG creation and production <i>HK\$'000</i>	Property leasing and building management services <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment assets	276,183	246,002	51,376	<u>573,561</u>
Segment liabilities	42,840	34,986	187,004	<u>264,830</u>
Additions to non-current assets	<u>26,719</u>	<u>–</u>	<u>919</u>	<u>27,638</u>

Geographical information

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

	(Unaudited) Three months ended 30 June		(Unaudited) Six months ended 30 June	
	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
The People's Republic of China (the "PRC")	21,214	27,629	40,310	45,401
Hong Kong	<u>–</u>	<u>67</u>	<u>95</u>	<u>232</u>
	<u>21,214</u>	<u>27,696</u>	<u>40,405</u>	<u>45,633</u>

Revenue recognised in relation to contract liabilities:

The following table shows how much of the revenue recognised in the current period related to carried forward contract liabilities:

	(Unaudited)	
	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
Revenue recognised that was included in the contract liabilities balance at the beginning of the period:		
– CG creation and production	180	4,804
– Management services fee	265	439
	445	5,243

4 OTHER LOSSES, NET

	(Unaudited)		(Unaudited)	
	Three months ended 30 June		Six months ended 30 June	
	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Gains/(losses) on disposal of property, plant and equipment	–	48	(39)	184
Change in fair value of investment property (Note 12)	–	(1,066)	–	(1,066)
Others	(46)	–	(62)	–
	(46)	(1,018)	(101)	(882)

5 EXPENSES BY NATURE

	(Unaudited)		(Unaudited)	
	Three months ended 30 June		Six months ended 30 June	
	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Employee benefit expenses (<i>Note (i)</i>)	9,422	10,596	18,495	20,326
Amortisation of movies and television programmes rights (<i>Note 13</i>)	–	8,124	6,443	8,124
Provision for impairment of movies and television programmes rights and productions work in progress (<i>Note 13</i>)	–	1,803	–	1,803
Depreciation of property, plant and equipment (<i>Note 11</i>)	706	754	1,106	1,424
Depreciation of right-of-use assets	430	838	862	838

Note (i):

For the six months ended 30 June 2020, research and development costs of HK\$5,836,000 (six months ended 30 June 2019: HK\$6,436,000) have been incurred and HK\$1,696,000 (six months ended 30 June 2019: HK\$2,397,000) has been capitalised in movies and television programmes rights and productions work in progress.

Below represents the research and development costs which are recognised within “cost of sales” in the condensed consolidated interim statement of comprehensive income during the period.

	(Unaudited)		(Unaudited)	
	Three months ended 30 June		Six months ended 30 June	
	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Employee benefit expenses	1,801	1,877	3,407	3,304
Travelling expenses	4	147	4	184
Others	366	423	729	551
	2,171	2,447	4,140	4,039

6 FINANCE COST

	(Unaudited)		(Unaudited)	
	Three months ended 30 June		Six months ended 30 June	
	2020	2019	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Finance cost on lease liabilities	<u>19</u>	<u>274</u>	<u>42</u>	<u>274</u>

7 INCOME TAX EXPENSE

	(Unaudited)		(Unaudited)	
	Three months ended 30 June		Six months ended 30 June	
	2020	2019	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Continuing operations				
Current tax:				
– Hong Kong profits tax	–	–	–	–
– the PRC corporate income tax (“CIT”)	1,106	1,447	1,106	3,630
– Over provision for prior periods	<u>(18)</u>	<u>(947)</u>	<u>(18)</u>	<u>(947)</u>
	<u>1,088</u>	<u>500</u>	<u>1,088</u>	<u>2,683</u>
Deferred income tax	<u>158</u>	<u>(306)</u>	<u>(435)</u>	<u>(318)</u>
Income tax expense	<u>1,246</u>	<u>194</u>	<u>653</u>	<u>2,365</u>

8 EARNINGS/(LOSS) PER SHARE

	(Unaudited)		(Unaudited)	
	Three months ended 30 June		Six months ended 30 June	
	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Profit/(loss) attributable to owners of the Company				
– from continuing operations	4,767	1,352	2,332	5,606
– from discontinued operation	7,157	(3,420)	4,043	(6,110)
	<u>11,924</u>	<u>(2,068)</u>	<u>6,375</u>	<u>(504)</u>
	(Unaudited)		(Unaudited)	
	Three months ended 30 June		Six months ended 30 June	
	2020	2019	2020	2019
	No. of shares	No. of shares	No. of shares	No. of shares
	'000	'000	'000	'000
Weighted average number of ordinary shares in issue	1,516,509	1,518,256	1,516,928	1,518,256
	<u>1,516,509</u>	<u>1,518,256</u>	<u>1,516,928</u>	<u>1,518,256</u>
	(Unaudited)		(Unaudited)	
	Three months ended 30 June		Six months ended 30 June	
	2020	2019	2020	2019
	HK cents	HK cents	HK cents	HK cents
Basic and diluted earnings/(loss) per share				
– from continuing operations	0.31	0.09	0.15	0.37
– from discontinued operation	0.47	(0.23)	0.27	(0.40)
	<u>0.78</u>	<u>(0.14)</u>	<u>0.42</u>	<u>(0.03)</u>

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

Diluted earnings/(loss) per share is the same as basic earnings/(loss) per share as there were no potential dilutive ordinary shares outstanding during the six months ended 30 June 2020 (six months ended 30 June 2019: same).

9 DIVIDEND

The board of Directors does not recommend the payment of an interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: Nil).

10 DISCONTINUED OPERATION

In prior years, the Group was involved in the culture, entertainment and related commercial property investment operation through a non-wholly owned subsidiary of the Group. As a result of the full impairment of the investment property of Phase I of 珠影文化產業園 (the “Cultural Park”) as set out in Note 16, the Cultural Park operation was discontinued with effect from 1 December 2018. Certain costs continued to be incurred during the six months ended 30 June 2020 as the matters as set out in Note 16 remain unsolved.

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

(i) Cultural Park

	(Unaudited)		(Unaudited)	
	Three months ended 30 June		Six months ended 30 June	
	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Other income	–	–	–	13
Other losses, net	(3)	–	(3)	–
Administrative expenses	(2,086)	(3,608)	(4,811)	(5,894)
Reversal of/(provision for) rental and settlement expenses, net	<u>12,624</u>	<u>(1,536)</u>	<u>10,777</u>	<u>(3,091)</u>
Profit/(loss) before income tax	<u>10,535</u>	<u>(5,144)</u>	<u>5,963</u>	<u>(8,972)</u>
Income tax (expenses)/credit	<u>(10)</u>	<u>115</u>	<u>(18)</u>	<u>(12)</u>
Profit/(loss) for the period from discontinued operation	<u><u>10,525</u></u>	<u><u>(5,029)</u></u>	<u><u>5,945</u></u>	<u><u>(8,984)</u></u>

	(Unaudited)	
	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
Net cash (used in)/generated from operating activities	(8,873)	3,252
Net cash generated from investing activities	2	11
Net cash generated from/(used in) from financing activities	<u>8,865</u>	<u>(4,965)</u>
Net decrease in cash and cash equivalents	<u><u>(6)</u></u>	<u><u>(1,702)</u></u>

11 PROPERTY, PLANT AND EQUIPMENT

	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
Opening net book amount as at 1 January (audited)	4,771	5,831
Additions (<i>Note a</i>)	21,519	2,882
Depreciation (<i>Note b</i>)	(1,814)	(2,117)
Disposal	(45)	(2)
Exchange realignment	(174)	(11)
	<u>24,257</u>	<u>6,583</u>
Closing net book amount as at 30 June (unaudited)	<u>24,257</u>	<u>6,583</u>

Notes:

- Pursuant to the arrangement of the Cooperation Agreement as set out in Note 15, addition of RMB19,000,000 (equivalent to approximately of HK\$20,638,000) represented the fair value of the building transferred to the Group during the six months ended 30 June 2020.
- Depreciation expense of HK\$598,000 (six months ended 30 June 2019: HK\$922,000) has been charged in “cost of sales”, HK\$508,000 (six months ended 30 June 2019: HK\$502,000) in “administrative expenses” and HK\$37,000 (six months ended 30 June 2019: HK\$89,000) has been charged in “discontinued operation”. The remaining amount of HK\$671,000 (six months ended 30 June 2019: HK\$604,000) represents amount capitalised in movies and television programmes rights and productions work in progress. The amount will be subsequently recognised in “cost of sales” when sale is performed.

12 INVESTMENT PROPERTY

	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
Non-current assets – at fair value		
Opening balance as at 1 January (audited)	229,922	236,237
Net losses from fair value adjustment (<i>Note 4</i>)	–	(1,066)
Exchange realignment	(4,029)	(245)
	<u>225,893</u>	<u>234,926</u>
Closing balance as at 30 June (unaudited)	<u>225,893</u>	<u>234,926</u>

	Movies and television programmes rights HK\$'000	Productions work in progress HK\$'000	Total HK\$'000
Six months ended 30 June 2020			
Opening net book amount as at 1 January 2020 (audited)	6,522	8,763	15,285
Additions	–	4,912	4,912
Amortisation charge for the period	(6,443)	–	(6,443)
Exchange realignment	(79)	(181)	(260)
	<u>–</u>	<u>13,494</u>	<u>13,494</u>
Closing net book amount as at 30 June 2020 (unaudited)	<u>–</u>	<u>13,494</u>	<u>13,494</u>
Six months ended 30 June 2019			
Opening net book amount as at 1 January 2019 (audited)	–	5,207	5,207
Additions	–	12,371	12,371
Transfer	8,124	(8,124)	–
Amortisation charge for the period	(8,124)	–	(8,124)
Impairment recognised during the period	–	(1,803)	(1,803)
Exchange realignment	–	(51)	(51)
	<u>–</u>	<u>7,600</u>	<u>7,600</u>
Closing net book amount as at 30 June 2019 (unaudited)	<u>–</u>	<u>7,600</u>	<u>7,600</u>

For the six months ended 30 June 2020, amortisation amounting to HK\$6,443,000 (six months ended 30 June 2019: HK\$8,124,000) was included in the condensed consolidated interim statement of comprehensive income within “cost of sales”.

For the six months ended 30 June 2020, provision for impairment of movies and television programmes rights amounting to HK\$ Nil (six months ended 30 June 2019: HK\$ Nil) and provision for impairment of productions work in progress amounting to HK\$ Nil (six months ended 30 June 2019: HK\$1,803,000) was included in the condensed consolidated interim statement of comprehensive income within “cost of sales”.

14 TRADE RECEIVABLES

	As at 30 June 2020 <i>HK\$'000</i> (Unaudited)	As at 31 December 2019 <i>HK\$'000</i> (Audited)
Trade receivables from contracts with customers	8,589	3,767
Rental receivables	<u>6,010</u>	<u>4,467</u>
	14,599	8,234
Less: Provision for impairment	<u>(23)</u>	<u>(456)</u>
	<u>14,576</u>	<u>7,778</u>

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

	As at 30 June 2020 <i>HK\$'000</i> (Unaudited)	As at 31 December 2019 <i>HK\$'000</i> (Audited)
Current to 90 days	13,794	7,801
91 to 180 days	805	–
Over 365 days	<u>–</u>	<u>433</u>
	<u>14,599</u>	<u>8,234</u>

Since 1 January 2018, the Group has applied the simplified approach permitted by HKFRS 9, which requires the expected lifetime losses to be recognised from initial recognition of the assets. This provision matrix is determined based on historical observed default rates over the expected life of the trade receivables with similar credit risk characteristics and is adjusted for forward-looking estimates.

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

	Six months ended 30 June	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Opening loss allowance at 1 January	456	4,003
Increase in loss allowance recognised in profit or loss from continuing operations	–	230
Increase in loss allowance recognised in profit or loss from discontinued operation	–	–
Receivables written off during the period as uncollectible	(427)	–
Exchange realignment	(6)	(76)
	<hr/>	<hr/>
Closing loss allowance at 30 June	<u>23</u>	<u>4,157</u>

The carrying amounts of trade receivables approximate their fair values.

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

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

15 TRADE PAYABLES, ACCRUALS AND OTHER PAYABLES

(i) Trade payables

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

	As at 30 June 2020 HK\$'000 (Unaudited)	As at 31 December 2019 HK\$'000 (Audited)
Current to 90 days	<u>–</u>	<u>40</u>

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

(ii) Accruals and other payables

	As at 30 June 2020 HK\$'000 (Unaudited)	As at 31 December 2019 HK\$'000 (Audited)
Receipt in advance (Note)	42,830	22,297
Accruals	4,061	7,231
Salary payable	4,760	9,092
Deposits	16,066	15,892
Construction cost payables	2,146	2,178
Other tax payables	90	628
Advance from leasees	201	312
Others	<u>8,472</u>	<u>4,822</u>
Total	<u>78,626</u>	<u>62,452</u>
Denominated in:		
– RMB	76,208	58,918
– HK\$	2,418	3,040
– Others	<u>–</u>	<u>494</u>
	<u>78,626</u>	<u>62,452</u>

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

Notes:

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

Pursuant to the Cooperation Agreement, Foshan Xincui agreed to contribute a property located in Foshan (“the Property”) to Foshan GDM as capital contribution in exchange for 10% equity interest in Foshan GDM while Brilliant Link agreed to contribute cash in the amount of RMB26,000,000 (inclusive of RMB15,000,000 (equivalent to approximately HK\$16,429,000) that has been paid in full as at the date of the Cooperation Agreement) in exchange for 5% equity interest in Foshan GDM. On 1 February 2019, an additional of RMB5,000,000 (equivalent to approximately HK\$5,476,000) was paid by Brilliant Link to Foshan GDM. The full amount of the advance payment will form part of the cash consideration payable by Brilliant Link under the Cooperation Agreement.

During the six months ended 30 June 2020, the legal title of the Property has been transferred to Foshan GDM which is recognised as “property, plant and equipment” at its fair value of RMB19,000,000 (equivalent to approximately HK\$20,638,000) as at date of the transfer of legal title of the Property. The corresponding amount that will form the consideration by Foshan Xincui is recognised as “receipt in advance” accordingly.

As at the date of this announcement, the transactions with Foshan Xincui and Brilliant Link are to be yet completed as the transfers of the 10% equity interest and 5% equity interest in Foshan GDM to Foshan Xincui and Brilliant Link, respectively, have not been completed.

* *English entity name is for identification purpose only*

	As at 30 June 2020 <i>HK\$'000</i> (Unaudited)	As at 31 December 2019 <i>HK\$'000</i> (Audited)
Accrued rental and settlement payables and late payment surcharge (<i>Note</i>)	166,011	170,208

Note:

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

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

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

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

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

With respect to the parking space that was governed by a separate agreement dated 1 August 2012 (referred to as “Parking Space Agreement”), a civil judgement (“Parking Spaces Civil Judgement”) dated 30 April 2020 from the People’s Court of Haizhu District was received by the Group pursuant to which Guangdong GDC shall pay property occupation fee of these parking spaces and related interest for the period from 1 August 2015 to 21 June 2018 in the amounts of approximately RMB3.9 million and RMB0.6 million, respectively; on the basis that the property occupation fee shall relate to those parking spaces subject to the Parking Spaces Agreement only and exclude those parking space located within the Cultural Park that the People’s Court of Haizhu District viewed to be within the scope of the Framework Agreement and had been dealt with in the Civil Judgment dated 30 December 2019. Subsequently, Guangdong GDC and Pearl River Film Production both filed appeals with the Guangzhou Intermediate People’s Court on 16 May 2020 and 28 May 2020, respectively, with respect to the number of parking spaces subject to the property occupation fee.

Management engaged an independent external lawyer to assist in assessing the magnitude and likelihood of occurrence for the possible outcomes of the litigation as of 31 December 2019 and 30 June 2020 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 litigation as advised by the legal advisors, and with reference to the valuation results from the external valuer with respect to the Cultural Park, management determined that provision for rental and settlement payables in relation to the litigation amounting to HK\$166.0 million and HK\$170.2 million is required as at 30 June 2020 and 31 December 2019, respectively based on their best estimate.

As at 30 June 2020, restricted bank deposits of approximately HK\$46,275,000 (31 December 2019: HK\$34,802,000) were held at certain banks according to a court order granted to preserve these bank accounts for litigation claims relating to the Cultural Park.

17 CONTINGENT LIABILITIES

As detailed in Note 16, the Group is subject to uncertainty regarding the final outcome of the litigation claim. Having considered the various possible outcome of the litigation, management considered a provision for rental and settlement payables amounting to HK\$166.0 million as at 30 June 2020 to be sufficient and not excessive.

18 EVENTS OCCURRING AFTER THE REPORTING PERIOD

Since early 2020, the epidemic of Coronavirus Disease 2019 (“the COVID-19 outbreak”) has spread across China and other countries and it has affected the business and economic activities of the Group to some extent. As the COVID-19 outbreak continues to evolve, it is challenging to predict the full extent and duration of its impact on business and the economy.

The Group’s CG creation and production business has not been resumed as normal as at 30 June 2020 and may be further impacted in the remaining of 2020 by the short term economic downturn and the business performance of the Group’s customers, whilst the property management business may be further affected by the potential changes to the rental terms or rates adjustments that the Group is currently discussing with the tenants upon their request. In addition, fair value of the Group’s investment property may also be subject to fluctuation due to the COVID-19 outbreak, the impact of which is still under assessment. The Group will continue to communicate with the external valuer to further understand the impacts of the COVID-19 outbreak to the valuation of the investment property.

As of the date of this condensed consolidated interim financial information, the overall financial effect on COVID-19 outbreak cannot be reliably estimated and are subject to further evaluation. The Group will pay close attention to the development of the COVID-19 outbreak and evaluate its impact on the financial position and operating results of the Group.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

For the six months ended 30 June 2020 (the “Period”), the revenue from the continuing operations for the Period amounted to HK\$40,405,000, representing a decrease of HK\$5,228,000 as compared with HK\$45,633,000 for the corresponding period of 2019. The revenue of the CG creation and production division decreased by HK\$2,864,000 as compared to the corresponding period of last year, and the revenue of the property leasing and building management services division decreased by HK\$2,364,000 as compared to the corresponding period of last year.

Cost of sales from the continuing operations for the Period amounted to HK\$22,477,000, representing a decrease of HK\$5,220,000 as compared with HK\$27,697,000 for the corresponding period of 2019, which was mainly attributable to the decrease in the direct production cost for the CG creation and production.

Other income from the continuing operations for the Period amounted to HK\$5,249,000, representing a decrease of HK\$4,736,000 as compared with HK\$9,985,000 for the corresponding period of 2019, which was mainly attributable to the decrease in government grants of HK\$3,905,000.

Distribution and selling expenses from the continuing operations for the Period amounted to HK\$2,532,000, representing an increase of HK\$1,329,000 as compared with HK\$1,203,000 for the corresponding period of 2019. The distribution and selling expenses for the Period was mainly the marketing expenses arising from the animated film screened early this year.

Administrative expenses from the continuing operations for the Period amounted to HK\$17,517,000, which is approximate to HK\$17,447,000 for the corresponding period of last year. The administrative expenses for the Period mainly included staff costs, professional service and consultation fees, depreciation and amortization.

Other net loss from the continuing operations for the Period amounted to HK\$101,000 (six months ended 30 June 2019: HK\$882,000). The other loss for the Period was mainly exchange differences.

Finance costs from continuing operations for the Period amounted to HK\$42,000 (six months ended 30 June 2019: HK\$274,000). The Group does not have any loans and such finance costs for the Period arose from interest portion of the lease liabilities.

The profit recorded from the continuing operations for the Period amounted to HK\$2,332,000, representing a decrease of HK\$3,188,000 as compared to the profit of HK\$5,520,000 for the corresponding period of last year.

The profit recorded from the discontinued operation for the Period amounted to HK\$5,945,000, which was mainly attributable to the cost of certain administrative expenses and settlement expenses of HK\$7,674,000 and adjustment in provision for rental and settlement payables of HK\$13,640,000 generated in relation to the litigations of the Cultural Park for the Period (for details on the provision for rental and settlement payables, please refer to Note 16 to the condensed consolidated interim financial information of this announcement).

Based on the reasons set out above, profit for the Period of the Group was HK\$8,277,000, while a loss of HK\$3,464,000 was recorded for the corresponding period of last year. Earnings per share attributable to the owners of the Company for the Period was HK\$0.42 cents, represented an increase of HK\$0.45 cents when compared to a loss per share of HK\$0.03 cents in the corresponding period of last year.

Liquidity and Financial Resources

As at 30 June 2020, the Group had cash and cash equivalents of HK\$252,679,000 (31 December 2019: HK\$270,251,000), which were mainly denominated in Renminbi, United States dollars and Hong Kong dollars, and restricted bank deposits amounted to HK\$46,275,000 (31 December 2019: 34,802,000).

As at 30 June 2020 and 31 December 2019, the Group had no borrowings or overdrafts. The Group's current ratio was 1.26 (31 December 2019: 1.32), which was calculated based on current assets of HK\$323,380,000 and current liabilities of HK\$255,836,000.

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

Capital Structure

The equity attributable to owners of the Company amounted to HK\$434,181,000 as at 30 June 2020 (31 December 2019: HK\$434,309,000). The decrease was due to the profit attributable to owners of the Company, being HK\$6,375,000, net of exchange differences of HK\$6,247,000 on translation of financial statements from functional currency to presentation currency.

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 2020.

Charge on Assets

As at 30 June 2020, there were no charges on any of the Group's assets for loans and bank facilities.

Foreign Exchange Exposure

Currently, the Group earns revenue mainly in Renminbi, and incurs costs mainly in Renminbi, United States dollars 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 consider using forward exchange contracts to hedge against foreign currency exposure. As at 30 June 2020, the Group had no significant exposure under foreign exchange. During the period under review, the closing Renminbi exchange rate as at 30 June 2020 was 0.6% and 1.8% lower than the average Renminbi exchange rate and the exchange rate as at the end of 2019 respectively, and such exchange differences led to an additional exchange loss of approximately HK\$4.07 million being recognised in the other comprehensive income upon translation of its net assets in the financial statements of foreign operations in the PRC of the Group for the six months ended 30 June 2020.

Contingent Liabilities

Save for the disclosure in Note 17 to the condensed consolidated interim financial information, the Group had no significant contingent liabilities as at 30 June 2020.

Employees

As at 30 June 2020, the Group employed 237 (31 December 2019: 258) 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, discretionary bonus and employee share option scheme are also available to the employees of the Group.

During the six months ended 30 June 2020, neither the Company nor its subsidiaries had paid or committed to pay any amount as an inducement to join or upon joining the Company and/or its subsidiaries to any individuals.

BUSINESS REVIEW AND OUTLOOK

CG Creation and Production

The revenue of the CG creation and production division of the Group was mainly generated from production services of animated films and television series, box office receipts and copyrights of original animated films, copyrights of animated television series and businesses derived from animation brands.

During the first half of 2020, the animated film production projects undertaken by our CG creation and production division mainly came from the PRC, including the full production process of one animated television series and one animated film collaboration. The division has also been in negotiation actively for new animated film production projects. During the 2019 China (Shenzhen) International Cultural Industries Fair, an animated film project planned by the division featuring Yangtze finless porpoises as characters gained attention and support from Jiangxi Cultural Performance Group* (江西省文演集團), which procured the entering into a three-party cooperation agreement by IDMT Shenzhen, Jiangxi Cultural Performance Group* (江西省文演集團) and Jiangxi Hukou Cultural Tourism Group* (江西湖口文旅集團) in April 2020 for the collaborated creation of an IP new model for special local cultures. It also laid out the new ecosystem of promoting cultural tourism through the presentation of spectacular Chinese stories via animated film and travelling by following the animation. For original films and television series projects, “Soldier Shunliu: The Hero Battle”, a military-themed animated film adapted from an animated television series, was screened in mid-January 2020. However, due to the outbreak of the 2019 novel coronavirus disease (the “COVID-19 outbreak”), all movie theatres in the PRC were temporarily closed and the said film was suspended accordingly, thus affecting the box office receipt seriously. The film was subsequently released online, and it was expected to continue its screenings after the re-opening of movie theatres. On the other hand, the production of the eighth film of the “Happy Little Submarine” series has been completed, and will be screened in the PRC in due course after the movie theatres are re-opened. Besides, the division actively advanced with brand development and licensing, with some animated films released and licensed for the second round to maintain brand awareness.

The production team established in the Foshan Digital Animation Industry Base* (佛山數碼動漫產業基地) (“Foshan Base”) continued to synergize with the production team in Shenzhen by sharing the production work of animated films and television series to achieve the targeted production capacity by stages as planned and achieving the operation model of staff integration and resources sharing. Meanwhile, the division was increasing its collaboration with digital visual-related institutions, famous local scenic spots and cultural and creative enterprises for the creation of animated IP with Foshan cultural features and for the combination with competitive industries for creating social influences and commercial values. With animation culture as the theme and “urban living room” as the functional concept, we shall focus on the enhancement of animation internship and training, animated film production, virtual live broadcast of internet celebrities and establishment of creative incubation hub in the second half of the year to foster a digital creative industry base with IP and industry as its core. Subsequent to the division entering into a cooperation agreement with the independent third parties in December 2018, the title certificate of relevant properties was issued and the title was transferred to Foshan GDM. The fair value of such properties was approximately RMB19,000,000, which was recognized as “property, plant and equipment” of the Group, and it is currently undergoing the formalities of the transfer of equity interests. Please refer to the announcement of the Company dated 17 December 2018 for details of the cooperation agreement.

The division continued to invest resources in technology research and development, with the application of games engines and real-time graphics processing unit (GPU) rendering completed. Document automated management and optimized process system under production were further improved and developed for commercialization. Meanwhile, the research and development of a full-process collaboration platform of mobile terminals has started, and remote working was realized in the early stage of the COVID-19 outbreak to ensure the smooth operation of project production and management. As the animation film industry has entered into a phase of innovation and transformation driven by new technologies of artificial intelligence, cloud computing and big data, competition between short and long animated videos on the internet and mobile terminals emerged. The division would employ technical innovation as its core competitiveness to target the audience more precisely, creating animated IP content products with cutting-edge new technologies and developing a new interaction experience both for online and offline. At the same time, by leveraging on the animation IP and thematic interactive experience products, we shall lay out on the investment and business operation for the education integrated complex.

In terms of intellectual property protection, the division completed the registration of fifteen copyright works, twelve computer softwares, forty-seven trademarks and five patents during the first half of 2020 and has obtained relevant certificates.

As the COVID-19 outbreak still continues globally, it is expected that the animation subcontracting business and original production projects will be significantly and negatively affected by the economic downturn. Targeting the impacts from the outbreak and the latest development trend of the industry as well as driven by the visual technology, the division actively upgraded itself and transformed its development. In the innovation development of the animation business, the collaboration with Tencent and other players in the digital industry has resulted in the creation of digital visual effects for the Tencent AI Lab artificial intelligence virtual characters, with the cutting-edge technologies of animation performance, optic motion capture and digital scene construction reaching a leading level domestically. By relying on the technology and creativity with core competitiveness in the industry, the division will increase the number of animated visual content works on the internet such as animated network films, webisodes and cinematic short films. In the second half of 2020, the division will focus on business transformation and exploration with upgrading the animation production to a cultural and creative establishment with digital entertainment core technology. On the basis of the existing IP, we shall combine famous theme elements around the country to develop quality cultural and creative IP and merge the self-developed cloud data and information processing digital technology cloud platform to create our own cultural and creative zone with our unique cultural features. With a focus on the other provinces in the PRC, we expect to collaborate with local governments and enterprises to create cultural and creative zones for the provision of professional zone operation and service system.

Property Leasing and Building Management Services

Since the COVID-19 outbreak, all staff members of the property management company of the GDC Building of the Group located in Nanshan District, Shenzhen, the PRC were willing to report for duty during the holiday break for epidemic prevention and control in various aspects of the building. Relevant policies of epidemic prevention and control of Shenzhen Municipal Government and functional departments in the community were actively implemented and publicized to all corporate clients of the building as well as assisted corporate clients with their resumption of work and production and staff control management. Based on the current situation, the epidemic prevention and control will proceed as strictly as before and will not be loosened in the second half of the year. The focus will continue to be the disinfection of facilities in public areas of building, and monitoring body temperature check for personnel entering the building. The division will also seek to introduce smart parking platform. Designated parking space can be booked in advance by using the mobile booking platform and reached by real-time precision guidance in the car park. Thus, the parking space occupancy rate can be enhanced efficiently.

Due to the business impacted by the COVID-19 outbreak in the first half of 2020, certain tenants have requested for discussion on lease terms or rental adjustments. After the continuous and massive amount of replies and explanation carried out, the income and revenue from the division were not materially affected. Under the impact from the economic environment in the first half of the year, enterprises have to gradually increase revenue and lower the cost. Therefore, high turnover period of clients in the rental market may occur in the second half of the year. The division will actively enhance our property management services and the facilities within our properties to cater our clients' needs, and will focus on keeping the expiring tenants to mitigate the loss in tenancy. In the second half of the year, we intend to introduce office building business solicitation management system to enhance the efficiency in marketing, promotion and team management. Meanwhile, we shall explore online placement and seize the promotion of bonus data traffic. On the other hand, we shall seek to collaborate with surrounding buildings and establish a business solicitation cooperation alliance mechanism to recommend clients for each other and realize information sharing. The division will continue to actively study to broaden the source of revenue and strictly control fees and expenses to ensure profitability.

LITIGATIONS

On 16 March 2018, Guangdong GDC received a civil judgment (the “Higher Court Civil Judgment”) 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”), which rejected the appeal lodged in November 2016 and upheld the original decision. Details of the litigations are set out in announcements of the Company dated 12 April 2016, 21 October 2016, 16 December 2016 and 20 March 2018.

According to the Higher Court Civil Judgment, the Guangdong Higher People’s Court rejected Guangdong GDC’s appeal and the original decision (the “First Civil Judgment”) of the Guangzhou Intermediate People’s Court was upheld, which included, among others, the judgment that the Framework Agreement should be terminated on 22 March 2016; Guangdong GDC shall pay late payment surcharges for the overdue rental of approximately RMB2,722,000 (equivalent to approximately HK\$3,172,000) during the period from 1 October 2015 to 21 March 2016 and that Pearl River Film Production is entitled to keep the RMB20,000,000 (equivalent to approximately HK\$23,310,000) construction deposit paid by Guangdong GDC. All other claims made by Pearl River Film Production and the counterclaim made by Guangdong GDC were dismissed. The Guangzhou Intermediate People’s Court implemented the judgment at the end of April 2018 and subsequently released the frozen bank account. In light of the First Civil Judgment, the Group recognized an impairment loss on properties interest under construction of approximately HK\$84,467,000, a write-off of construction deposit of approximately HK\$23,310,000 and late payment surcharges for rental of approximately HK\$3,172,000 during the year ended 31 December 2016.

Following the receipt of the Higher Court Civil Judgment, our management met with the representatives of Pearl River Film Production for preliminary discussion on 27 March 2018. During the meeting, the representatives of Pearl River Film Production indicated that they expected Guangdong GDC to return Phase II of 珠影文化產業園 (the “Pearl River Film Cultural Park”) (i.e. the undeveloped land) as soon as possible, before proceeding to the further discussion on the future arrangement of Phase I of the Pearl River Film Cultural Park (i.e. the completed properties). After the meeting, our management and all shareholders of Guangdong GDC met with the PRC legal advisor on 3 April 2018 for legal advice. The PRC legal advisor recommended negotiating the overall arrangement of the Pearl River Film Cultural Park (both Phase I and Phase II) as a package, which all shareholders agreed and accepted. Our management met with the representatives of Pearl River Film Production for the second time on 17 April 2018. At that meeting, our management presented the proposal of discussion as a package to the representatives of Pearl River Film Production and indicated the hope to reach a consensus as soon as possible in respect of continuing operation of Phase I of the Pearl River Film Cultural Park. However, Pearl River Film Production still insisted Guangdong GDC to return the land of Phase II of the Pearl River Film Cultural Park before proceeding to discuss any related terms. After several discussions, Guangdong GDC returned a portion of the Pearl River Film Cultural Park, which had been used as parking space, to Pearl River Film Production in June 2018 to express the sincerity of the Company for continuing operation of Phase I of the Pearl River Film Cultural Park and continued to negotiate with Pearl River Film Production for the overall arrangement of Phase I and Phase II of the Pearl River Film Cultural Park.

On 7 August 2018, Guangdong GDC received a letter dated 6 August 2018 from the legal representatives of Pearl River Film Production demanding the delivery of the relevant properties of the Pearl River Film Cultural Park and claiming for compensation of related occupation fees and economic loss amounted to approximately RMB143,076,000 (equivalent to approximately HK\$169,521,000). Since then, Guangdong GDC has conducted a series of negotiations with Pearl River Film Production, including the submission of written proposals to Pearl River Film Production.

In September 2018, the corresponding appeal period for the Higher Court Civil Judgment received on 16 March 2018 lapsed.

At the end of November 2018, Pearl River Film Production attempted to seize Phase I of the Pearl River Film Cultural Park without the consent of the Group (the “November 2018 Incident”). After considering the attitude of Pearl River Film Production and uncertainties of the operating terms of Phase I of the Pearl River Film Cultural Park, the Group decided to fully impair Phase I of the Pearl River Film Cultural Park as investment properties, and recognised a loss on derecognition of Phase I of the Pearl River Film Cultural Park, which amounted to HK\$411,412,000. The Group has also ceased recognising all revenues derived from the Pearl River Film Cultural Park from 1 December 2018. In view of the derecognition of the investment properties of Phase I of the Pearl River Film Cultural Park, the Cultural Park operation was discontinued with effect from 1 December 2018. Accordingly, the results of the Cultural Park operation for the year ended 31 December 2018 were separately presented as discontinued operation in the consolidated statement of comprehensive income.

Notwithstanding any of the above decisions, the Board would like to emphasize that it did not represent the Group’s intention to give up any of its rights and legitimate interests in the Pearl River Film Cultural Park. Guangdong GDC remains committed to continuing the negotiation with Pearl River Film Production and finalizing the operating terms of Phase I of the Pearl River Film Cultural Park or reasonable investment compensation in order to protect its rights and legitimate interests in the Pearl River Film Cultural Park.

In March 2019, Guangdong GDC received a demand letter dated 7 March 2019 from Pearl River Film Production, which demanded Guangdong GDC to return the entire Pearl River Film Cultural Park and claimed for related occupation fee.

On 3 April and 4 April 2019, Guangdong GDC received two summonses (“Summons I” and “Summons II”) both dated 3 April 2019 from the People’s Court of Haizhu District and the Guangzhou Intermediate People’s Court, respectively. According to Summons I, Pearl River Film Production has initiated legal proceedings against Guangdong GDC and has pleaded for a court order to require Guangdong GDC to return the entire Pearl River Film Cultural Park and its facilities and related documents. According to Summons II, Pearl River Film Production has initiated legal proceedings against Guangdong GDC and claimed for property occupation fee of the Pearl River Film Cultural Park and related interest (which Pearl River Film Production estimated to be in the amounts of RMB148,745,800 and RMB9,593,000 as of 22 March 2019, respectively) to be paid by Guangdong GDC. On 8 April 2019, each of Guangdong GDC and 廣州高尚商業經營管理有限公司 (“Gaoshang Property Management”) received a summons (“Summons III”) dated 4 April 2019 from the People’s Court of Haizhu District. According to Summons III, Pearl River Film Production has initiated legal proceedings against Guangdong GDC and Gaoshang Property Management and claimed for property occupation fee of certain parking spaces of the Pearl River Film Cultural Park in the amount of RMB26,457,900 and related interest (which Pearl River Film Production estimated to be in the amount of RMB2,520,062 as of 27 March 2019).

In April 2019, Guangdong GDC and Gaoshang Property Management were informed by the People’s Court of Haizhu District that in relation to the legal proceedings under Summons III, the court had granted an order to preserve the bank account of each of Guangdong GDC and Gaoshang Property Management, respectively, based on the application by Pearl River Film Production. Such bank accounts were used by the respective companies for cash receipts and payments in relation to the Pearl River Film Cultural Park and the aggregate deposits in the two bank accounts amounted to HK\$46,275,000 as at 30 June 2020.

In July 2019, Guangdong GDC, as plaintiff, has filed a lawsuit (the “July 2019 Lawsuit”) against Pearl River Film Production and claimed for the compensation of damages of RMB10,000,000 in respect of the November 2018 Incident. The People’s Court of Haizhu District issued the Notice of Case Acceptance on 5 July 2019 and granted an order on 31 July 2019 to freeze the bank deposits of Pearl River Film Production in the amount of RMB10,000,000.

On 31 December 2019, a civil judgment from the Guangzhou Intermediate People’s Court dated 30 December 2019 (the “Summons II’s Civil Judgment”) was handed down to Guangdong GDC. Details of the Summons II’s Civil Judgment are set out in the announcement of the Company dated 3 January 2020.

In mid-February 2020, a civil judgment regarding the July 2019 Lawsuit was handed down by the People’s Court of Haizhu District, which rejected all claims from Guangdong GDC.

On 13 May 2020, a civil judgment from the People’s Court of Haizhu District dated 30 April 2020 (the “Summons III’s Civil Judgment”) was handed down to Guangdong GDC and Gaoshang Property Management. Details of the Summons III’s Civil Judgment are set out in the announcement of the Company dated 15 May 2020.

In July 2020, Guangdong GDC received a civil judgment from the Guangzhou Intermediate People’s Court, which rejected the appeal in respect of the July 2019 Lawsuit’s judgment and upheld the original decision.

As at the date of this announcement, each of Guangdong GDC and Pearl River Film Production has lodged appeal with the Guangdong Higher People’s Court in respect of Summons II’s judgment and was waiting for the notice on trial date from the court; each of Guangdong GDC and Gaoshang Property Management as well as Pearl River Film Production has lodged appeal with the Guangzhou Intermediate People’s Court in respect of Summons III’s judgment and was waiting for the notice on trial date from the court; Guangdong GDC was still waiting for the notice on trial date for Summons I from the court. Should there be any significant updates, the Company will make timely disclosure on both the Stock Exchange’s website and the Company’s website.

During the first half of 2020, the Cultural Park (discontinued operation) received rental income and management services fees of HK\$9,556,000 which were fully provided as accrued rental. As at 30 June 2020, the Group has provided for the accrued rental and settlement payables in relation to the abovementioned litigations amounted to HK\$166,011,000 in total (31 December 2019: HK\$170,208,000).

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

During the six months ended 30 June 2020, the Company repurchased its ordinary shares on the Stock Exchange as follows:

Month of the repurchases	Total 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>
May 2020	1,170,000	0.142	0.120	159,296
June 2020	222,000	0.134	0.100	27,012

All repurchased shares were cancelled during the Period and the issued share capital of the Company was reduced by the nominal value thereof.

Save as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities (whether on the Stock Exchange or otherwise) during the six months ended 30 June 2020.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company has complied with all the code provisions of the Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules throughout the six months ended 30 June 2020.

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 2020.

AUDIT COMMITTEE

The Group's interim results for the six months ended 30 June 2020 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 2020 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 2020.

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
Cheng Xiaoyu
Chairman

Hong Kong, 12 August 2020

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

This announcement will remain on the "Latest Company Announcements" page of the GEM website at www.hkgem.com for at least 7 days from the date of its posting and on the Company's website at www.gdc-world.com.