



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)

FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020

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

* For identification purpose only

FINAL RESULTS

The board of Directors of the Company (the “Board”) is pleased to announce the audited financial results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2020 with comparative figures for the year ended 31 December 2019.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2020

	Note	2020 HK\$'000	2019 HK\$'000
Continuing operations			
Revenue	3	78,635	96,771
Cost of sales	5	(42,833)	(48,225)
Gross profit		35,802	48,546
Other income		13,061	23,131
Distribution and selling expenses	5	(3,714)	(9,648)
Administrative expenses	5	(35,759)	(35,406)
Provision for impairment of financial assets and contract assets		(586)	(1,405)
Other gains/(losses), net	4	1,757	(935)
Operating profit		10,561	24,283
Finance cost	6	(65)	(135)
Profit before income tax		10,496	24,148
Income tax expense	7	(2,389)	(3,460)
Profit for the year from continuing operations		8,107	20,688
Discontinued operation			
Loss for the year	10	(1,035)	(16,258)
Profit for the year		7,072	4,430
Other comprehensive income/(loss):			
<i>Items that will not be reclassified to profit or loss:</i>			
– Exchange differences on translation to presentation currency		18,044	(6,344)
Other comprehensive income/(loss) for the year		18,044	(6,344)
Total comprehensive income/(loss) for the year		25,116	(1,914)

	2020	2019
<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit/(loss) for the year attributable to:		
– Owners of the Company:		
– Continuing operations	8,107	20,773
– Discontinued operation	<u>(704)</u>	<u>(11,055)</u>
	7,403	9,718
– Non-controlling interests:		
– Continuing operations	–	(85)
– Discontinued operation	<u>(331)</u>	<u>(5,203)</u>
	<u>(331)</u>	<u>(5,288)</u>
	7,072	4,430
Total comprehensive income/(loss)		
for the year attributable to:		
– Owners of the Company		
– Continuing operations	51,647	4,977
– Discontinued operation	<u>(18,041)</u>	<u>(4,269)</u>
	33,606	708
– Non-controlling interests	<u>(8,490)</u>	<u>(2,622)</u>
	<u>25,116</u>	<u>(1,914)</u>
	<i>HK cents</i>	<i>HK cents</i>
Earnings per share attributable to the		
owners of the Company:		
8		
Basic and diluted earnings/(loss) per share		
– Continuing operations	0.54	1.37
– Discontinued operation	<u>(0.05)</u>	<u>(0.73)</u>
	<u>0.49</u>	<u>0.64</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

		2020	2019
	Note	HK\$'000	HK\$'000
Non-current assets			
Property, plant and equipment	11	15,599	4,771
Right-of-use assets		10,110	2,136
Investment property	12	246,912	229,922
Interest in an associate		—	—
Movies and television programmes rights	13	11,606	6,522
Productions work in progress	13	5,345	8,763
		<u>289,572</u>	<u>252,114</u>
Current assets			
Contract assets		537	5,547
Trade receivables	14	10,178	7,778
Deposits, prepayments and other receivables		6,703	3,069
Restricted bank deposits		36,462	34,802
Cash and cash equivalents		306,850	270,251
		<u>360,730</u>	<u>321,447</u>
Total assets		<u><u>650,302</u></u>	<u><u>573,561</u></u>
EQUITY			
Equity attributable to owners of the Company			
Share capital		15,100	15,177
Retained earnings		82,180	76,461
Other reserves		369,888	342,671
		<u>467,168</u>	<u>434,309</u>
Non-controlling interests		<u>(134,068)</u>	<u>(125,578)</u>
Total equity		<u><u>333,100</u></u>	<u><u>308,731</u></u>

		2020	2019
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
LIABILITIES			
Non-current liabilities			
Lease liabilities		50	432
Deferred government grants		190	692
Contact liabilities		1,982	–
Deferred tax liabilities		20,974	19,467
		23,196	20,591
Current liabilities			
Trade payables	<i>15</i>	108	40
Accruals and other payables		85,702	62,452
Provision for rental and settlement payables	<i>16</i>	196,570	170,208
Contract liabilities		3,501	1,085
Deferred government grants		548	817
Lease liabilities		447	1,685
Current income tax payable		7,130	7,952
		294,006	244,239
Total liabilities		317,202	264,830
Total equity and liabilities		650,302	573,561

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

1 GENERAL INFORMATION

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

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

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

These consolidated financial statements are presented in Hong Kong dollars (“HK\$”), unless otherwise stated.

2 BASIS OF PREPARATION

The consolidated financial statements of the Company have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the disclosure requirements of the Hong Kong Companies Ordinance Cap. 622. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment property which are carried at fair value.

The preparation of the consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies.

New and amended standards, improvements and interpretations adopted by the Group

The Group has applied the following new and amended standards, improvements and interpretations for the first time for their annual reporting period commencing 1 January 2020:

HKFRS 3 (Amendments)	Definition of a Business
HKAS 1 and HKAS 8 (Amendments)	Definition of Material
HKFRS 9, HKAS 39 and HKFRS 7 (Amendments)	Interest Rate Benchmark Reform (Phase 1)
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting

The standards and amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

New and amended standards, improvements and interpretations that have been issued but are not yet adopted

Certain new and amended standards, improvements and interpretations have been published that are not mandatory for 31 December 2020 reporting periods and have not been early adopted by the Group:

		Effective for accounting periods beginning on or after
HKFRS 16 (Amendments)	Covid-19-Related Rent Concessions	1 June 2020
HKFRS 17	Insurance Contracts	1 January 2021
HKAS 16 (Amendments)	Property, Plant and Equipment – Proceeds before Intended Use	1 January 2022
HKAS 37 (Amendments)	Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
HKFRS 3 (Amendments)	Reference to the Conceptual Framework	1 January 2022
Annual Improvements Projects	Annual Improvements 2018–2020 Cycle	1 January 2022
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current	1 January 2023
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

The Group is in the process of making an assessment of what the impact of these amendments, new standards and interpretations is expected to be in the period of initial application. The Group does not anticipate the adoption of them to have a significant impact on the Group's results of operations and financial position.

3 REVENUE AND SEGMENT INFORMATION

Segment information

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

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

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

The management has identified two reportable segments based on the types of services, namely (i) CG creation and production and (ii) new cultural space (2019: property leasing and building management services).

There were no material sales between the reportable segments for the year ended 31 December 2020 (2019: same).

	Year ended 31 December 2020		
	CG creation and production <i>HK\$'000</i>	New cultural space (Formerly known as "Property leasing and building management services") <i>HK\$'000</i>	Total <i>HK\$'000</i>
– Revenue from CG production	14,585	–	14,585
– Box office receipts	728	–	728
– Licensing income from television programmes and movies to online platform	2,820	–	2,820
– Patent fee income from granting the right to access of trademark	1,314	–	1,314
– Management service fee	–	13,440	13,440
– Rental income	–	45,748	45,748
	<hr/>	<hr/>	<hr/>
Total revenue from external customers	19,447	59,188	78,635
	<hr/>	<hr/>	<hr/>
Segment results	(14,819)	42,696	27,877
Unallocated income			738
Unallocated expenses			(18,119)
			<hr/>
Profit before income tax from continuing operations			10,496
			<hr/>

Other information:

	Year ended 31 December 2020			
	CG creation and production <i>HK\$'000</i>	New cultural space (Formerly known as “Property leasing and building management services”) <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Depreciation of property, plant and equipment (<i>Note 5</i>)	(1,804)	(234)	(480)	(2,518)
Depreciation of right-of-use assets (<i>Note 5</i>)	–	(161)	(1,721)	(1,882)
Provision for impairment of trade receivables (<i>Note 14</i>)	–	(586)	–	(586)
Provision for impairment of movies and television programmes rights and productions work in progress (<i>Note 5</i>)	(691)	–	–	(691)
Amortisation of movies and television programmes rights (<i>Note 5</i>)	(6,580)	–	–	(6,580)
Interest income	5,318	175	216	5,709
Government grants	5,937	682	516	7,135

	Year ended 31 December 2020		
	CG creation and production <i>HK\$'000</i>	New cultural space (Formerly known as “Property leasing and building management services”) <i>HK\$'000</i>	Total <i>HK\$'000</i>
Timing of revenue recognition for revenue from contracts with customers			
– At a point in time	3,548	–	3,548
– Over time	15,899	13,440	29,339
	19,447	13,440	32,887
Rental income	–	45,748	45,748
Total revenue from external customers	19,447	59,188	78,635

Year ended 31 December 2019

	CG creation and production <i>HK\$'000</i>	New cultural space (Formerly known as “Property leasing and building management services”) <i>HK\$'000</i>	Total <i>HK\$'000</i>
– Revenue from CG production	21,911	–	21,911
– Box office receipts	9,770	–	9,770
– Licensing income from television programmes and movies to online platform	5,550	–	5,550
– Patent fee income from granting the right to access of trademark	680	–	680
– Management service fee	–	13,446	13,446
– Rental income	–	45,414	45,414
	<hr/>	<hr/>	<hr/>
Total revenue from external customers	<u>37,911</u>	<u>58,860</u>	<u>96,771</u>
Segment results	(618)	42,255	41,637
Unallocated income			636
Unallocated expenses			<u>(18,125)</u>
Profit before income tax from continuing operations			<u>24,148</u>

Other information:

	Year ended 31 December 2019			
	CG creation and production <i>HK\$'000</i>	New cultural space (Formerly known as “Property leasing and building management services”) <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Depreciation of property, plant and equipment (<i>Note 5</i>)	(1,285)	(290)	(655)	(2,230)
Depreciation of right-of-use assets (<i>Note 5</i>)	–	–	(1,728)	(1,728)
Provision for impairment of trade receivables (<i>Note 14</i>)	(464)	(1)	–	(465)
Provision for impairment of amount due from an associate	(940)	–	–	(940)
Provision for impairment of movies and television programmes rights and productions work in progress (<i>Note 5</i>)	(6,181)	–	–	(6,181)
Amortisation of movies and television programmes rights (<i>Note 5</i>)	(7,958)	–	–	(7,958)
Interest income	6,466	85	430	6,981
Government grants	15,379	6	–	15,385

	Year ended 31 December 2019		
	CG creation and production <i>HK\$'000</i>	New cultural space (Formerly known as “Property leasing and building management services”) <i>HK\$'000</i>	Total <i>HK\$'000</i>
Timing of revenue recognition for revenue from contracts with customers			
– At a point in time	15,320	–	15,320
– Over time	22,591	13,446	36,037
	37,911	13,446	51,357
Rental income	–	45,414	45,414
Total revenue from external customers	37,911	58,860	96,771

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

	Year ended 31 December 2020			
	CG creation and production <i>HK\$'000</i>	New cultural space (Formerly known as “Property leasing and building management services”) <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment assets	<u>279,997</u>	<u>285,657</u>	<u>84,648</u>	<u>650,302</u>
Segment liabilities	<u>50,427</u>	<u>54,586</u>	<u>212,189</u>	<u>317,202</u>
Additions to non-current assets	<u>9,750</u>	<u>21,080</u>	<u>88</u>	<u>30,918</u>
	Year ended 31 December 2019			
	CG creation and production <i>HK\$'000</i>	New cultural space (Formerly known as “Property leasing and building management services”) <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment assets	<u>276,183</u>	<u>246,002</u>	<u>51,376</u>	<u>573,561</u>
Segment liabilities	<u>42,840</u>	<u>34,986</u>	<u>187,004</u>	<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:

	2020 HK\$'000	2019 HK\$'000
Mainland China (for the purpose of this announcement, “Mainland China” refer to the mainland of the People’s Republic of China (the “PRC”) and does not include Hong Kong, Macau and Taiwan)	78,541	96,212
Hong Kong	94	280
Others	—	279
	<u>78,635</u>	<u>96,771</u>

The following table shows non-current assets by geographical segment as according to the location where the assets are located:

	2020 HK\$'000	2019 HK\$'000
Mainland China	288,460	248,887
Hong Kong	1,112	3,227
	<u>289,572</u>	<u>252,114</u>

Information about major customers

Revenue from customers contributing 10% or more of the total revenue of the Group are as follows:

	2020 HK\$'000	2019 HK\$'000
Customer A	9,925	15,865
Customer B	9,655	10,111
Customer C	—	9,770
	<u>—</u>	<u>9,770</u>

4 OTHER GAINS/(LOSSES), NET

	2020 HK\$'000	2019 HK\$'000
Gains on disposal of property, plant and equipment	34	213
Change in fair value of investment property (<i>Note 12</i>)	1,867	(1,339)
Exchange (losses)/gains	(144)	191
	<u>1,757</u>	<u>(935)</u>

5 EXPENSES BY NATURE

	2020 HK\$'000	2019 HK\$'000
Employee benefit expenses	41,253	36,791
Marketing expenses	2,683	8,323
Subcontracting and movie services fee	5,533	7,445
Amortisation of movies and television programmes rights	6,580	7,958
Provision for impairment of movies and television programmes rights and productions work in progress	691	6,181
Utility expenses	5,547	5,739
Legal and professional expenses	2,146	2,492
Consultancy fee	2,880	2,880
Depreciation of property, plant and equipment (<i>Note 11</i>)	2,518	2,230
Real estate duty and land use tax	1,744	2,229
Deprecation of right-of-use assets	1,882	1,728
Auditor's remuneration		
– Audit services	1,320	1,570
– Non-audit services	360	691
Cleaning expenses	1,001	1,022
Travelling expenses	605	1,274
Others	5,563	4,726
Total cost of sales, distribution and selling expenses and administrative expenses	<u>82,306</u>	<u>93,279</u>

6 FINANCE COST

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Finance cost on lease liabilities	<u>(65)</u>	<u>(135)</u>

7 INCOME TAX EXPENSE

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Continuing operations		
Current tax:		
– Hong Kong profits tax	–	–
– the PRC corporate income tax	2,186	2,187
– Over provision for prior years	<u>(20)</u>	<u>(988)</u>
	<u>2,166</u>	<u>1,199</u>
Deferred income tax	<u>223</u>	<u>2,261</u>
Income tax expense	<u>2,389</u>	<u>3,460</u>

8 EARNINGS PER SHARE

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Profit/(loss) attributable to owners of the Company		
– continuing operations	8,107	20,773
– discontinued operation	<u>(704)</u>	<u>(11,055)</u>
	<u>7,403</u>	<u>9,718</u>
	2020 No. of shares '000	2019 No. of shares '000
Weighted average number of ordinary shares in issue	<u>1,514,074</u>	<u>1,518,230</u>
	2020 <i>HK cents</i>	2019 <i>HK cents</i>
Basic and diluted earnings/(loss) per share		
– continuing operations	0.54	1.37
– discontinued operation	<u>(0.05)</u>	<u>(0.73)</u>
Total basic and diluted earnings per share	<u>0.49</u>	<u>0.64</u>

Basic earnings/(loss) per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year 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 year (2019: same).

9 DIVIDENDS

No dividend has been proposed since the end of the reporting period.

10 DISCONTINUED OPERATION

In prior years, the Group was involved in the culture, entertainment and related commercial property investment operation through a non-wholly owned subsidiary of the Group. As a result of the full impairment of the investment property of Phase I of 珠影文化產業園 (the “Cultural Park”) as set out in Note 16, the Cultural Park operation was classified as discontinued operation since 1 December 2018. Certain costs continued to be incurred during the years ended 31 December 2019 and 2020 as the matters as set out in Note 16 remain unsolved.

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

Cultural Park

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Other income	113	20
Other losses, net	(4)	–
Administrative expenses	(8,804)	(9,576)
Reversal of provision for/(provision for) rental and settlement expenses	<u>7,662</u>	<u>(6,505)</u>
Loss before income tax	(1,033)	(16,061)
Income tax expenses	<u>(2)</u>	<u>(197)</u>
Loss for the year from discontinued operation	<u><u>(1,035)</u></u>	<u><u>(16,258)</u></u>
	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Net cash inflow/(outflow) from operating activities (<i>Note</i>)	11,311	(1,246)
Net cash inflow/(outflow) from investing activities	19	(10)
Net cash outflow from financing activities	<u>(10,305)</u>	<u>(440)</u>
Net increase/(decrease) in cash and cash equivalents in discontinued operation	<u><u>1,025</u></u>	<u><u>(1,696)</u></u>

Note:

Net cash inflow from operating activities for the year ended 31 December 2020 included the cash received from the release of one bank account of the restricted bank deposits during the year (see Note 16).

11 PROPERTY, PLANT AND EQUIPMENT

	2020 HK\$'000	2019 HK\$'000
Opening net book amount at 1 January	4,771	5,831
Additions (<i>Note (i)</i>)	13,663	3,125
Depreciation (<i>Note (ii)</i>)	(3,612)	(4,097)
Disposal	(45)	(3)
Exchange realignment	822	(85)
	<u>15,599</u>	<u>4,771</u>
Closing net book amount at 31 December	<u>15,599</u>	<u>4,771</u>

Note:

- (i) The building acquired during the year ended 31 December 2020 is located at Foshan City, Mainland China.
- (ii) Depreciation expense of HK\$1,830,000 (2019: HK\$1,245,000) has been charged in “cost of sales”, HK\$688,000 (2019: HK\$985,000) in “administrative expenses” and HK\$71,000 (2019: HK\$134,000) has been charged in “discontinued operation”. The remaining amount of HK\$1,023,000 (2019: HK\$1,733,000) 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

	2020 HK\$'000	2019 HK\$'000
Non-current assets – at fair value		
Opening balance as at 1 January	229,922	236,237
Net gain/(loss) from fair value adjustment	1,867	(1,339)
Exchange realignment	15,123	(4,976)
	<u>246,912</u>	<u>229,922</u>
Closing balance as at 31 December	<u>246,912</u>	<u>229,922</u>

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

13 MOVIES AND TELEVISION PROGRAMMES RIGHTS AND PRODUCTIONS WORK IN PROGRESS

	Movies and television programmes rights <i>HK\$'000</i>	Productions work in progress <i>HK\$'000</i>	Total <i>HK\$'000</i>
Net book amount			
At 1 January 2019	–	5,207	5,207
Addition	–	24,513	24,513
Transfer	18,651	(18,651)	–
Charge for the year	(7,958)	–	(7,958)
Impairment recognised during the year	(4,053)	(2,128)	(6,181)
Exchange difference	(118)	(178)	(296)
	<hr/>	<hr/>	<hr/>
At 31 December 2019 and 1 January 2020	6,522	8,763	15,285
Addition	–	7,905	7,905
Transfer	10,993	(10,993)	–
Charge for the year	(6,580)	–	(6,580)
Impairment recognised during the year	–	(691)	(691)
Exchange difference	671	361	1,032
	<hr/>	<hr/>	<hr/>
At 31 December 2020	<u>11,606</u>	<u>5,345</u>	<u>16,951</u>

14 TRADE RECEIVABLES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade receivables from contracts with customers	4,999	3,767
Rental receivables	<u>5,821</u>	<u>4,467</u>
	10,820	8,234
<i>Less: Provision for impairment</i>	<u>(642)</u>	<u>(456)</u>
	<u>10,178</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:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Current to 90 days	10,166	7,801
91 to 180 days	12	–
Over 180 days	642	–
Over 365 days	<u>–</u>	<u>433</u>
	<u>10,820</u>	<u>8,234</u>

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

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Opening loss allowance at 1 January	456	4,003
Increase in loss allowance recognised in profit or loss from continuing operations	586	465
Receivables written off during the year as uncollectible	(436)	(3,989)
Exchange realignment	36	(23)
	<u>642</u>	<u>456</u>
Closing loss allowance at 31 December	<u>642</u>	<u>456</u>

The carrying amounts of trade receivables approximate their fair values.

Balances are denominated in Chinese Reminbi (“RMB”) and HK\$ 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 consolidated 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

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Current to 90 days	<u>108</u>	<u>40</u>

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

16 PROVISION FOR RENTAL AND SETTLEMENT PAYABLES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Accrued rental and settlement payables and late payment surcharge (<i>Note</i>)	<u>196,570</u>	<u>170,208</u>

Notes:

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

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

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

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

A civil judgement (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 RMB0.7 million, respectively; on the basis that the property occupation fee shall relate to those parking spaces subject to the Parking Spaces Agreement only and exclude parking spaces located within the Cultural Park that the People’s Court of Haizhu District viewed to be within the scope of the Framework Agreement and had been dealt with in the Civil Judgement dated 30 December 2019. Subsequently, Guangdong GDC and Pearl River Film Production both filed appeals with the Guangzhou Intermediate People’s Court on 16 May 2020 and 28 May 2020, respectively, with respect to the number of parking spaces subject to the property occupation fee. On 27 September 2020, Guangzhou Intermediate People’s Court uphold the original ruling of the People’s Court of Haizhu District as final judgement of this civil case. On 11 November 2020, the corresponding occupation fee of RMB4.6 million had been paid to Pearl River Film Production. A court order from the People’s Court of Haizhu District was received on 19 November 2020, notifying Guangdong GDC the closure of this civil case.

Management engaged an independent external lawyer to assist in assessing the magnitude and likelihood of occurrence for the possible outcomes of the litigation as of 31 December 2020 and 31 December 2019 based on the relevant information obtainable at the relevant stage of the litigation, including court decisions and related legal correspondence. Management also engaged an independent external valuer to assist in assessing the fair value of the economic benefits that could be derived from the Cultural Park during the periods in dispute.

Based on the magnitude and likelihood of occurrence for the possible outcomes of the current litigation status as advised by the legal advisors, and with reference to the valuation results from the external valuer, management determined that provision for rental and settlement payables in relation to the litigation amounting to HK\$196.6 million and HK\$170.2 million is required as at 31 December 2020 and 31 December 2019, respectively based on their best estimate.

As at 31 December 2020, restricted bank deposits of approximately HK\$36,462,000 (2019: HK\$34,802,000) were held at a bank account (2019: two) 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 current litigation status, management considered a provision for rental and settlement payables amounting to HK\$196,570,000 as at 31 December 2020 to be sufficient and not excessive.

18 EVENTS OCCURRING AFTER THE REPORTING PERIOD

- (i) 10% equity interest in Foshan Global Digital Media Technology Co., Ltd.* (佛山環球數碼媒體科技有限公司) (“Foshan GDM”) has been transferred to Foshan Xincai Property Development Co., Ltd.* (佛山信財置業開發有限公司) on 11 January 2021 following which Foshan GDM is owned as to approximately 90.00% by the Group.

** English entity name is for identification purpose only*

- (ii) A final judgement under civil case dated 8 February 2021 from Guangzhou Intermediate People’s Court was received by the Group pursuant to which Guangdong GDC shall return the Cultural Park to Pearl River Film Production within a specified period.
- (iii) A notice of response to civil re-trial petitions dated 8 March 2021 from 中國廣東省高級人民法院 (“Guangdong Higher People’s Court”) was received by the Group pursuant to which Pearl River Film Production has initiated a re-trial of the legal proceedings regarding Parking Spaces Civil Judgement.

FINAL DIVIDEND

The Board does not recommend the payment of final dividend for the year ended 31 December 2020 (2019: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2020 (the “Year”), the revenue from the continuing operations amounted to HK\$78,635,000, representing a decrease of HK\$18,136,000 as compared with HK\$96,771,000 for 2019, which was mainly attributable to the decrease in revenue from the CG creation and production division by HK\$18,464,000 as compared with that of last year. The outbreak of the COVID-19 epidemic (the “Epidemic”) that occurred in 2020 has crippled the film industry, resulting in the cancellation of broadcasting of one of our original animated films at the beginning of the Year. Meanwhile, coupled with the impact of fierce competition in the industry, revenue from animation production subcontracting undertaken by the CG production and creation division also decreased as compared with that of last year. As a result, revenue from original projects and CG production decreased by HK\$11,138,000 and HK\$7,326,000, respectively, as compared with that of last year.

Cost of sales

Cost of sales from the continuing operations for the Year amounted to HK\$42,833,000, representing a decrease of HK\$5,392,000 as compared with HK\$48,225,000 of last year, which was mainly attributable to the decrease of HK\$5,490,000 in the provision for impairment of movies and television programmes rights and productions work in progress.

Other income

Other income from the continuing operations for the Year amounted to HK\$13,061,000, representing a decrease of HK\$10,070,000 as compared with HK\$23,131,000 for 2019, which was mainly attributable to the decrease in government grants and interest income of HK\$8,250,000 and HK\$1,272,000 respectively.

Distribution and selling expenses

Distribution and selling expenses from the continuing operations for the Year amounted to HK\$3,714,000, representing a decrease of HK\$5,934,000 as compared with HK\$9,648,000 for 2019, which was mainly attributable to the decrease in the marketing expenses for animated film.

Administrative expenses

Administrative expenses from the continuing operations for the Year amounted to HK\$35,759,000, representing a slight increase of HK\$353,000 as compared with HK\$35,406,000 for 2019. The administrative expenses for the Year mainly included staff costs, consultancy and professional service fees, office running costs, depreciation and amortisation.

Provision for impairment of financial assets and contract assets

Provision for impairment of financial assets and contract assets from the continuing operations for the Year amounted to HK\$586,000 (2019: HK\$1,405,000), which was the provision for impairment of trade receivables.

Other gains/(losses), net

Other net gains from the continuing operations for the Year amounted to HK\$1,757,000, representing an increase of HK\$2,692,000 as compared with other net losses of HK\$935,000 of last year, which was mainly due to the increase of HK\$3,206,000 in change in fair value of investment property as compared with that of last year.

Finance cost

Finance cost from continuing operations for the Year amounted to HK\$65,000 (2019: HK\$135,000). The Group does not have any loans and such cost represented the interest element on lease liabilities.

Profit from continuing operations

Profit from the continuing operations for the Year amounted to HK\$8,107,000, representing a decrease of HK\$12,581,000 as compared with HK\$20,688,000 for 2019.

Loss from discontinued operation

Loss from discontinued operation for the Year amounted to HK\$1,035,000. Such loss narrowed by HK\$15,223,000 as compared with HK\$16,258,000 for 2019, which was mainly attributable to the adjustment in provision for rental and settlement payables of HK\$13,931,000 (equivalent to RMB12,385,000) generated in relation to the litigations of the cultural park for the Year.

Profit for the Year

Based on the above factors, the Group's profit for the Year amounted to HK\$7,072,000, representing an increase of HK\$2,642,000 as compared with the profit of HK\$4,430,000 of last year.

Liquidity and financial resources

As at 31 December 2020, the Group had cash and cash equivalents of HK\$306,850,000 (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\$36,462,000 (2019: HK\$34,802,000). The increase in cash and cash equivalents was mainly due to the fact that one bank account of the restricted bank deposits used for the relevant revenue and expenditure of 珠影文化產業園 was released by the court in mid-November upon the conclusion of the litigation.

As at 31 December 2020 and 2019, the Group had no borrowings or overdrafts. The Group's current ratio was 1.23 (2019: 1.32), which was calculated based on current assets of HK\$360,730,000 and current liabilities of HK\$294,006,000. 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\$467,168,000 as at 31 December 2020 (2019: HK\$434,309,000). The increase was mainly due to the profit attributable to owners of the Company of HK\$7,403,000, and the exchange differences of HK\$26,203,000 on translation of financial statements attributable to owners of the Company from functional currency to presentation currency.

Material acquisitions, disposals and significant investment

The Group did not have any material acquisitions, disposals and significant investment for the year ended 31 December 2020.

Charge on assets

As at 31 December 2020, there were no charges on any of the Group's assets for loans and banking facilities.

Foreign exchange exposure

Currently, the Group earns revenue mainly in Renminbi and incurs costs mainly in Renminbi, Hong Kong dollars and United States dollars. The Directors believe that the Group's operating cash flow and liquidity are not subject to significant foreign exchange risks, 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 31 December 2020, the Group had no significant exposure under foreign exchange.

Contingent liabilities

Save for note 17 to the consolidated financial statements, the Group had no significant contingent liabilities as at 31 December 2020.

Employees

As at 31 December 2020, the Group employed 221 (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.

For the year ended 31 December 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 individual.

BUSINESS REVIEW AND OUTLOOK

CG Creation and Production

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

In 2020, the Epidemic raged, the film and television industry was severely ravaged, and movie theatres in Mainland China were almost completely shut down in the first half of the year. For original film and television business, the screening of "Soldier Shunliu: The Hero Battle", a military-themed animated film adapted from an animated television series, was temporarily suspended; the rescreening of "Toy Guardians", an animated film, was in vain. The production of "Journey to the Center of the Deep Ocean", which belongs to the "Happy Little Submarine" series, an original ocean-themed animated film based on marine scientific research robot creation with newly designed characters and scenes, was completed. It was not released as scheduled in 2020 and is now scheduled to be released in 2021. The force majeure factor of the Epidemic alone has dramatically reduced the revenue of CG creation and production business.

Despite the difficulties, under the leadership of the management, employees worked together to overcome the obstacles. A series of short- and medium-term measures have been taken to explore various business opportunities and potentials, meanwhile, a series of measures to streamline manpower and reduce costs have been implemented. Moreover, through in-depth cooperation with leading companies in the industry, projects such as animations, including “Finless Porpoise” (《江豚》) (tentative name), “Deer Squad”, digital virtual human, etc. were quickly confirmed. Among them, “Finless Porpoise” is a brand new IP jointly created by the division and the local government of Jiangxi Province. 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 Development Group* (江西省文化演藝發展集團) (“Jiangxi Cultural Performance Group”), which procured the entering into a three-party cooperation agreement by the division, Jiangxi Cultural Performance Group 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 local culture and digital economy through the presentation of spectacular Chinese stories via animated film and travelling by following the animation. Preliminary creation of the project has been completed, and it has entered the mid-term production stage and the respective marketing effort has commenced. It is planned to be screened in theatres across the country and on the internet on the National Day in 2021. During the creation process of “Deer Squad”, iQiyi and Nick Studio, our clients, and the production team of the division underwent in-depth discussions and adaptations, and effectively handled various problems that are easy to encounter in overseas markets, resulting in the successful completion of the project. The digital virtual human project was a key development project for technological and industrial upgrade in 2020. In addition, the application of new game engine technology has laid a concrete foundation for the future development of the linkage industry of film and gaming. In light of the severe impact of the Epidemic, revenue from derivatives and new media has become a highlight. Such segments have successfully opened up new categories and markets, increased our brand value simultaneously, and obtained more grand awards.

In 2020, the division was enlisted in the League of Popular Science for Child Education* (兒童教育科普聯盟) and labeled as an off-campus practice base for the Young Pioneers* (少先隊). The original animated film “Soldier Shunliu: The Hero Battle” was nominated for “Animated Feature Film under General Award” in the 16th Golden Monkey King Awards in China International Cartoon & Animation Festival, “Best Animated Feature Film Award” (「最佳動畫長片獎」) in the 17th China Animation & Comic Competition Golden Dragon Award, the “Excellent Animation” (「動畫影片優秀獎」) in the “Dynamic Golden Sheep” Excellent Work Support Plan in 2020, the “International Cultural and Creative Forum Awards” (「國際文創論壇大獎」) in the Boao Forum and the “Copyrighted Works Golden Award” (「版權作品金獎」) in the “Shenzhen Copyright Golden Award” in 2020, respectively. It has also been included in the China International Children’s Film Festival 2020. The “Happy Little Submarine” brand was awarded the “Animation Derivatives Design Excellence Award” (「動漫衍生品設計優秀獎」) in the Dynamic Golden Sheep” Excellent Work Support Plan in 2020.

* For identification purpose only

New Cultural Space

The division includes the original business of property leasing and building management services, as well as the new businesses that are planned to be expanded starting from the fourth quarter in accordance with the Group's development plan for the next five years in 2020 (the "Five-Year Plan (2021-2025)").

Since the outbreak of the Epidemic in 2020, the property management business of the GDC Building of the Group located in Nanshan District, Shenzhen, the PRC was also under the great pressure of tenancy termination and rental reduction due to the Epidemic. Certain clients have asked to adjust lease terms or rent. Relevant instructions of Epidemic prevention and control of Shenzhen Municipal Government and the respective departments in the community were actively implemented and publicized to all clients of the building, and building clients were instructed by our property management company for their resumption of work and production as well as staff control management. The focus of work was on the disinfection of facilities in public areas of building, and monitoring body temperature check for personnel entering the building. All of the staff members worked against the clock to guard the building strictly and did a good job in Epidemic prevention. Upon the professional communication and meticulous service undergone by the management personnel of the division, and the active optimization on property management services and facilities to improve customer satisfaction, as well as the active stabilizing work that was carried out for clients whose lease contracts were about to expire, there was no occurrence of material bad debts and major tenancy termination eventually. Based on the latest development of the Epidemic, the subsequent prevention and control work is still severe and we cannot afford to relax.

OUTLOOK

Looking forward, the Company aims to create a digital and visual service ecosystem driven by culture and technology, and drive the transformation and upgrading of traditional CG creation and production business to an IP-based high value-added digital and visual industry, while expanding new cultural space business at the same time to create a new popular spot for urban culture. The first step is to reshape the corporate culture. In face of transformation, we shall re-establish the theoretical commanding heights of the new cultural infrastructure, and create a culture which involves comprehensive innovation and embraces changes, thereby leading employees out of the comfort zone. Through the formulation of corporate positioning, vision, mission, values, as well as training and promotion, we strive to acquire a completely new outlook for the Company and its employees; the Company then revolves around its new vision and mission to formulate the Five-Year Plan (2021-2025), pursuant to which it plans and pushes on its major tasks and projects, and speeds up the realization of its goal through mergers and acquisitions and the introduction of strategic investors in a timely manner. On the other hand, during the process of corporate transformation, our employees are faced with challenges in technology, concepts, mindsets, execution of new business, etc. Through evaluation and screening of the leadership, decision-making ability, execution ability, innovation ability and communication ability of personnel at all levels, and introduction of new teams, new talents according to business needs, the reasonable allocation of new and old resources will be achieved. Meanwhile, the Company will proceed to reform the performance mechanism to ensure that the transformation will be realized in a quick and effective manner.

UPDATE ON LITIGATIONS

Details of the business disputes between Guangdong GDC and Pearl River Film Production in respect of 珠影文化產業園 (the “Pearl River Film Cultural Park”) and litigations resulted therefrom were reported in the preceding financial year. Updates are as follows:

1. In April 2019, Pearl River Film Production filed an action with the People’s Court of Haizhu District, requiring Guangdong GDC to return the entire Pearl River Film Cultural Park and its facilities and related documents.

On 24 September 2020, the decision for the trial of first instance made by the People’s Court of Haizhu District was in favour of Pearl River Film Production. Guangdong GDC filed an appeal with the Guangzhou Intermediate People’s Court accordingly. The appeal case was proceeded by the Guangzhou Intermediate People’s Court on 14 January 2021.

On 8 February 2021, the Guangzhou Intermediate People's Court made the final judgment in which the original judgment was upheld. The Group sought legal advice in this respect. It was recommended to deal with the judgment in accordance with the requirements under the relevant laws.

As the Group had already derecognised the Pearl River Film Cultural Park as an investment property of the Group since 1 December 2018, the Board does not consider the judgment to have any material impact on the financial position and cash flow of the Group.

2. In April 2019, Pearl River Film Production filed an action with the Guangzhou Intermediate People's Court, requiring Guangdong GDC to pay the property occupation fee of the Pearl River Film Cultural Park and related interest for the period between 23 March 2016 and 22 March 2019 (which Pearl River Film Production estimated to be in the amounts of RMB148,745,800 and RMB9,593,000 as of 22 March 2019, respectively).

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

Each of Pearl River Film Production and Guangdong GDC filed an appeal with the Guangdong Higher People's Court. The appeal case was proceeded by the Guangdong Higher People's Court on 8 December 2020.

As at the date of this announcement, the Group is yet to receive the final judgment made in respect of the appeals by the Guangdong Higher People's Court.

3. In April 2019, Pearl River Film Production filed an action with the People's Court of Haizhu District, requiring Guangdong GDC and 廣州高尚商業經營管理有限公司 ("Gaoshang Property Management") to pay the property occupation fee of the car park of the Pearl River Film Cultural Park in an amount of RMB26,457,900 and related interest for the period between 1 August 2015 and 21 June 2018 (which Pearl River Film Production estimated to be in the amount of RMB2,520,062 for the interest as of 27 March 2019).

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

Each of Pearl River Film Production as well as Guangdong GDC and Gaoshang Property Management filed an appeal with the Guangzhou Intermediate People's Court. The Guangzhou Intermediate People's Court made the final judgment on 27 September 2020 in which the original judgment was upheld. The judgment was enforced by both parties in November 2020 and the frozen bank accounts of Gaoshang Property Management were released. The case proceedings were concluded.

Subsequently, Guangdong GDC and Gaoshang Property Management received the Notice of Respondence to Civil Re-trial Petitions (民事申請再審案件應訴通知書) from the Guangdong Higher People's Court dated 8 March 2021, in which Pearl River Film Production has applied for setting aside of the abovementioned final judgment, and initiated a re-trial of the legal proceedings.

4. In July 2019, Guangdong GDC filed an action with the People's Court of Haizhu District, requiring Pearl River Film Production to pay the compensation of damages of RMB10,000,000 arising from the incident in respect of which Pearl River Film Production attempted to seize Phase I of the Pearl River Film Cultural Park without the consent of the Group at the end of November 2018.

In mid-February 2020, the People's Court of Haizhu District dismissed all claims for actions made by Guangdong GDC. Subsequently, Guangdong GDC filed an appeal with the Guangzhou Intermediate People's Court. In July 2020, the Guangzhou Intermediate People's Court made the final judgment in which the original judgment was upheld. The case proceedings were concluded.

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

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

During the year ended 31 December 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>
January 2020	162,000	0.157	0.135	23,438
February 2020	336,000	0.150	0.125	46,240
May 2020	1,170,000	0.142	0.120	159,296
June 2020	222,000	0.134	0.100	27,012
July 2020	954,000	0.116	0.105	107,338
August 2020	4,588,000	0.084	0.079	367,428
September 2020	<u>166,000</u>	0.110	0.090	<u>16,214</u>
	<u><u>7,598,000</u></u>			<u><u>746,966</u></u>

During the year, all repurchased shares were cancelled and the issued share capital of the Company was reduced by the nominal value thereof. The purchases were made for the benefit of the Company's shareholders with a view to enhancing the net value of the Company and its assets and/or its earnings per share of the Company.

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 year ended 31 December 2020.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company has complied with all the code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 15 to the GEM Listing Rules throughout the year ended 31 December 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 year ended 31 December 2020.

AUDIT COMMITTEE

The Company's Audit Committee together with the auditor and the management of the Company have reviewed the final results of the Group for the year ended 31 December 2020.

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of comprehensive income and the related notes thereto for the year ending 31 December 2020 as set out in the preliminary announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's draft consolidated financial statements for the Year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

ANNUAL GENERAL MEETING

The annual general meeting of the Company (the "Annual General Meeting") will be held on Thursday, 27 May 2021. The notice of the Annual General Meeting will be separately published in due course.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 21 May 2021 to Thursday, 27 May 2021, both dates inclusive, during which period, no transfer of shares will be registered. In order to qualify for attend and vote at the Annual General Meeting, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with Hong Kong branch share registrar and transfer office of the Company, Tricor Standard Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. (H.K. time) on Thursday, 20 May 2021.

PUBLICATION OF 2020 FINAL RESULTS AND 2020 ANNUAL REPORT

The 2020 final results announcement of the Company is published on the GEM website (www.hkgem.com) and the Company's website (www.gdc-world.com). The 2020 annual report of the Company will be despatched to the shareholders of the Company and published on the above websites in due course.

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 take this opportunity to extend my gratitude and appreciations to management members and all of the staff for their hard work and dedication throughout the year.

By Order of the Board

Cheng Xiaoyu

Chairman

Hong Kong, 26 March 2021

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.