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 2019

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

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

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

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 2019 with comparative figures for the year ended 31 December 2018.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019

	NOTE	**2019** *HK$'000*	2018 *HK$'000*
Continuing operations			
Revenue	*3*	**96,771**	107,642
Cost of sales	*5*	**(48,225)**	(70,404)
Gross profit		**48,546**	37,238
Other income		**23,131**	29,252
Distribution and selling expenses	*5*	**(9,648)**	(4,552)
Administrative expenses	*5*	**(35,406)**	(41,285)
Provision for impairment of financial assets and contract assets		**(1,405)**	(71)
Other (losses)/gains, net	*4*	**(935)**	422
Operating profit		**24,283**	21,004
Finance cost	*6*	**(135)**	–
Profit before income tax		**24,148**	21,004
Income tax expense	*7*	**(3,460)**	(11,320)
Profit for the year from continuing operations		**20,688**	9,684
Discontinued operations			
Loss for the year	*10*	**(16,258)**	(456,221)
Profit/(loss) for the year		**4,430**	(446,537)
Other comprehensive (loss)/income:			
Items that will not be reclassified to profit or loss:			
– Gain on revaluation upon transfer from property, plant and equipment and prepaid lease payments to investments property		**–**	61,049
– Deferred tax on revaluation upon transfer from property, plant and equipment and prepaid lease payments to investment property		**–**	(15,262)
– Exchange differences on translation to presentation currency		**(6,344)**	(42,710)
Other comprehensive (loss)/income for the year		**(6,344)**	3,077
Total comprehensive loss for the year		**(1,914)**	(443,460)

	NOTE	2019 HK$'000	2018 HK$'000
Profit/(loss) for the year attributable to:			
– Equity holders of the Company:			
– Continuing operations		**20,773**	9,549
– Discontinued operations		**(11,055)**	(310,090)
		9,718	(300,541)
– Non-controlling interests:			
– Continuing operations		**(85)**	135
– Discontinued operations		**(5,203)**	(146,131)
		(5,288)	(145,996)
		4,430	(446,537)
Total comprehensive income/(loss) for the year attributable to:			
– Equity holders of the Company			
– Continuing operations		**4,977**	18,394
– Discontinued operations		**(4,269)**	(313,186)
		708	(294,792)
– Non-controlling interests		**(2,622)**	(148,668)
		(1,914)	(443,460)
		HK cents	*HK cents*
Earnings/(loss) per share attributable to the equity holders of the Company:	*8*		
Basic and diluted earnings/(loss) per share			
– Continuing operations		**1.37**	0.63
– Discontinued operations		**(0.73)**	(20.42)
		0.64	(19.79)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	NOTE	2019 HK$'000	2018 HK$'000
Non-current assets			
Property, plant and equipment	11	**4,771**	5,831
Right-of-use assets		**2,136**	–
Investment property	12	**229,922**	236,237
Interest in an associate		**–**	–
Movies and television programmes rights	13	**6,522**	–
Productions work in progress	13	**8,763**	–
		252,114	242,068
Current assets			
Contract assets	3	**5,547**	–
Productions work in progress	13	**–**	5,207
Trade receivables	14	**7,778**	8,631
Deposits, prepayments and other receivables		**3,069**	4,058
Amount due from an associate		**–**	1,185
Restricted bank deposit		**34,802**	–
Cash and cash equivalents		**270,251**	273,133
		321,447	292,214
Total assets		**573,561**	534,282
EQUITY			
Equity attributable to owners of the Company			
Share capital		**15,177**	15,183
Retained earnings		**76,461**	68,228
Other reserves		**342,671**	351,010
		434,309	434,421
Non-controlling interests		**(125,578)**	(123,586)
Total equity		**308,731**	310,835

	NOTE	2019 HK$'000	2018 HK$'000
LIABILITIES			
Non-current liabilities			
Lease liabilities		**432**	–
Deferred government grants		**692**	–
Deferred tax liabilities		**19,467**	16,317
		20,591	16,317
Current liabilities			
Trade payables	*15*	**40**	3
Accruals and other payables		**62,452**	58,033
Provision for rental and settlement payables	*16*	**170,208**	128,800
Contract liabilities	*3*	**1,085**	5,295
Deferred government grants		**817**	2,521
Lease liabilities		**1,685**	–
Current income tax payable		**7,952**	12,478
		244,239	207,130
Total liabilities		**264,830**	223,447
Total equity and liabilities		**573,561**	534,282

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

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 CG creation and production and provision of property leasing and building 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.

(a) 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 2019:

HKFRS 16	Leases
HKFRS 9 (Amendments)	Prepayment features with negative compensation
HK (IFRIC) – Int 23	Uncertainty over income tax treatments
HKAS 28 (Amendments)	Long-term interests in associates and joint ventures
HKAS 19 (Amendments)	Plan amendment, curtailment or settlement
Annual Improvements Project	Annual improvements to HKFRSs 2015-2017 cycle

The Group had to change its accounting policies as a result of adopting HKFRS 16. The Group elected to adopt the new rules retrospectively but recognised the cumulative effect of initially applying the new standard on 1 January 2019. This is disclosed in Note 2(c). Other amendments listed above did not have any material impact on these consolidated financial statements.

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

The following new and amended standards, improvements and interpretations are effective for annual periods beginning on or after 1 January 2020 and have not been early adopted by the Group:

		Effective for accounting periods beginning on or after
HKFRS 3 (Amendments)	Definition of a business	1 January 2020
Amendments to HKAS 1 and HKAS 8	Definition of material	1 January 2020
Conceptual Framework for Financial Reporting 2018	Revised conceptual framework for financial reporting	1 January 2020
HKAS 39, HKFRS 7 and HKFRS 9 (Amendments)	Hedging accounting	1 January 2020
HKFRS 17	Insurance contracts	1 January 2021
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.

(c) Changes in accounting policies

This note explains the impact of the adoption of HKFRS 16 Leases on the Group's consolidated financial statements.

As indicated in Note 2(a) above, the Group has adopted HKFRS 16 Leases retrospectively from 1 January 2019, but has not restated comparatives for the year ended 31 December 2018, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening consolidated statement of financial position on 1 January 2019.

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of HKAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 4.50%.

(i) Practical expedients applied

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics

- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review – there were no onerous contracts as at 1 January 2019

- accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases

- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application, and

- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying HKAS 17 and Interpretation 4 *Determining whether an Arrangement contains a Lease*.

(ii) Measurement of lease liabilities

	2019
	HK$'000
Operating lease commitments disclosed as at 31 December 2018	3,945
Discounted using the lessee's incremental borrowing rate at the date of initial application	3,746
Of which are:	
Current lease liabilities	1,629
Non-current lease liabilities	2,117
	3,746

(iii) Measurement of right-of-use assets

The associated right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated statement of financial position as at 31 December 2018.

(iv) Adjustments recognised on adoption of HKFRS 16

The carrying amounts of right-of-use assets by class of underlying assets are as below:

	1 January 2019
	HK$'000
Buildings	3,716
Office equipment	30
	3,746

3 REVENUE AND SEGMENT INFORMATION

(a) 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.

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 year ended 31 December 2019 (2018: Same).

	Year ended 31 December 2019		
	CG creation and production	**Property leasing and building management services**	**Total**
	HK$'000	***HK$'000***	***HK$'000***
– Revenue from CG creation and production	**21,911**	**–**	**21,911**
– Box office receipts	**9,770**	**–**	**9,770**
– Licensing income from TV series 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**
Total revenue from external customers	**37,911**	**58,860**	**96,771**
Segment results	**(618)**	**42,255**	**41,637**
Unallocated income			**636**
Unallocated expenses			**(18,125)**
Profit before income tax from continuing operations			**24,148**

Other information:

	Year ended 31 December 2019			
	CG creation and production	**Property leasing and building management services**	**Unallocated**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Depreciation of property, plant and equipment *(Note 5)*	**(1,285)**	**(290)**	**(655)**	**(2,230)**
Provision for impairment of trade receivables *(Note 14)*	**(464)**	**(1)**	**–**	**(465)**
Provision for impairment of amount due from an associate	**(940)**	**–**	**–**	**(940)**
Provision for impairment of movies and TV programmes rights and productions work in progress *(Note 5)*	**(6,181)**	**–**	**–**	**(6,181)**
Amortisation of movies and TV programmes rights *(Note 5)*	**(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	**Property leasing and building management services**	**Total**
	HK$'000	***HK$'000***	***HK$'000***
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**

	Year ended 31 December 2018		
	CG creation and production	Property leasing and building management services	Total
	HK$'000	*HK$'000*	*HK$'000*
– Revenue from CG creation and production	21,652	–	21,652
– Film production revenue from cooperation arrangement	4,610	–	4,610
– Box office receipts	18,622	–	18,622
– Licensing income from TV series and movies to online platform	4,206	–	4,206
– Patent fee income from granting the right to access of trademark	222	–	222
– Management service fee	–	12,948	12,948
– Rental income	–	45,382	45,382
Total revenue from external customers	49,312	58,330	107,642
Segment results	7,921	30,595	38,516
Unallocated income			994
Unallocated expenses			(18,506)
Profit before income tax from continuing operations			21,004

Other information:

	Year ended 31 December 2018			
	CG creation and production *HK$'000*	Property leasing and building management services *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*
Depreciation of property, plant and equipment *(Note 5)*	(1,908)	(13,372)	(568)	(15,848)
Provision for impairment of trade receivables *(Note 14)*	(71)	–	–	(71)
Provision for impairment of movies and TV programmers rights and productions work in progress *(Note 5)*	(3,918)	–	–	(3,918)
Amortisation of movies and TV programmes rights *(Note 5)*	(13,488)	–	–	(13,488)
Amortisation of prepaid lease payments	–	(123)	–	(123)
Interest income	7,170	30	895	8,095
Government grants	20,657	–	–	20,657

	Year ended 31 December 2018		
	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	27,438	–	27,438
– Over time	21,874	12,948	34,822
	49,312	12,948	62,260
Rental income	–	45,382	45,382
Total revenue from external customers	49,312	58,330	107,642

The segment assets as at 31 December 2019 and 2018 are as follows:

	Year ended 31 December 2019			
	CG creation and production	**Property leasing and building management services**	**Unallocated**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Segment assets	**276,183**	**246,002**	**51,376**	**573,561**
Segment liabilities	**42,840**	**34,986**	**187,004**	**264,830**
Additions to non-current assets other than financial instruments and deferred tax assets	**26,719**	**–**	**919**	**27,638**

	Year ended 31 December 2018			
	CG creation and production	Property leasing and building management services	Unallocated	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Segment assets	243,258	257,297	29,489	530,044
Discontinued operations				4,238
				534,282
Segment liabilities	38,265	40,074	1,452	79,791
Discontinued operations				143,656
				223,447
Additions to non-current assets other than financial instruments and deferred tax assets	11,405	–	29	11,434

Geographical information

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

	2019	2018
	HK$'000	*HK$'000*
The People's Republic of China (the "PRC" for the purpose of this announcement shall exclude Hong Kong, the Macao Special Administrative Region of the People's Republic of China and Taiwan)	**96,212**	104,163
South Korea	**–**	1,751
Hong Kong	**280**	552
Others	**279**	1,176
	96,771	107,642

The following table shows non-current assets other than deferred tax assets and assets relating to discontinued operation (for 2018 only) by geographical segment as according to the location where the assets are located:

	2019	2018
	HK$'000	*HK$'000*
The PRC	**248,887**	246,438
Hong Kong	**3,227**	837
	252,114	247,275

Information about major customers

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

	2019	2018
	HK$'000	*HK$'000*
Customer A	**15,865**	23,232
Customer B	**10,111**	–
Customer C	**9,770**	–
	35,746	23,232

(b) Assets and liabilities related to contracts with customers

The Group has recognised the following assets and liabilities related to contracts with customers:

	2019	2018
	HK$'000	*HK$'000*
Contract assets *(Note (i))*	**5,547**	–
Contract liabilities		
– CG creation and production *(Note (ii))*	**820**	4,804
– Management services fee *(Note (iii))*	**265**	491
Total contract liabilities	**1,085**	5,295

Notes:

(i) These contract assets arise from CG creation and production for the portion of fee that the Group had not invoiced to customers in relation to performance obligations that have been satisfied.

(ii) These contract liabilities arise from CG creation and production when the Group received payments from customers in advance. Decrease in contract liabilities balance is due to decrease in overall contract activities.

(iii) These contract liabilities consist of advanced payments received from customers who have leased the Group's properties.

Revenue recognised in relation to contract liabilities:

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

	2019	2018
	HK$'000	*HK$'000*
Revenue recognised that was included in the contract liabilities balance at the beginning of the year:		
– CG creation and production	**4,804**	–
– Management services fee	**491**	–
	5,295	–

Unsatisfied performance obligation:

The following table shows unsatisfied performance obligations with aggregate amount of the transaction price allocated to contracts that are partially or fully unsatisfied as at the end of the year and are expected to be satisfied in the following time bands.

	CG creation and production	**Management services fee**
	HK$'000	*HK$'000*
As at 31 December 2019:		
– Within one year	11,727	4,645
– More than one year but not more than five years	450	7,361
– More than five years	–	2,666
	12,177	14,672
As at 31 December 2018:		
– Within one year	41,562	4,822
– More than one year but not more than five years	–	7,961
– More than five years	–	3,551
	41,562	16,334

4 OTHER (LOSSES)/GAINS, NET

	2019	2018
	HK$'000	*HK$'000*
Gains on disposal of property, plant and equipment	**213**	–
Change in fair value of investment property *(Note 12)*	**(1,339)**	–
Others	**191**	422
	(935)	422

5 EXPENSES BY NATURE

	2019	2018
	HK$'000	*HK$'000*
Employee benefit expenses *(Note (i))*	**36,791**	54,648
Marketing expenses	**8,323**	1,876
Subcontracting and movie services fee	**7,445**	2,790
Amortisation of movies and TV programmes rights	**7,958**	13,488
Provision for impairment of movies and TV programmes rights and productions work in progress	**6,181**	3,918
Utility expenses	**5,739**	6,002
Legal and professional expenses	**2,492**	1,325
Consultancy fee	**2,880**	960
Depreciation of property, plant and equipment *(Note 11)*	**2,230**	15,848
Real estate duty and land use tax	**2,229**	2,310
Deprecation of right-of-use assets	**1,728**	–
Auditor's remuneration		
– Audit services	**1,570**	1,472
– Non-audit services	**691**	377
Cleaning expenses	**1,022**	2,411
Rental expenses	**–**	1,863
Travelling expenses *(Note (i))*	**1,274**	1,110
Others *(Note (i))*	**4,726**	5,843
Total cost of sales, distribution and selling expenses and administrative expenses	**93,279**	116,241

Note (i):

For the year ended 31 December 2019, research and development costs of HK$12,236,000 (2018: HK$9,292,000) have been incurred and HK$5,406,000 (2018: HK$3,205,000) has been capitalised in movies and TV programmes rights and productions work in progress.

Below represents the research and development costs which are recognised within "cost of sales" in the consolidated statement of comprehensive income during the year.

	2019	2018
	HK$'000	*HK$'000*
Employee benefit expenses	**5,942**	5,279
Travelling expenses	**182**	104
Others	**706**	704
	6,830	6,087

6 FINANCE COST

	2019	2018
	HK$'000	*HK$'000*
Finance cost on lease liabilities	**(135)**	–

7 INCOME TAX EXPENSE

	2019	2018
Continuing operations	***HK$'000***	*HK$'000*
Current tax:		
– Hong Kong profits tax	**–**	–
– the PRC corporate income tax ("CIT")	**2,187**	4,310
– the PRC withholding tax on distributed profits from a subsidiary	**–**	6,825
– Over provision for prior years	**(988)**	–
	1,199	11,135
Deferred income tax	**2,261**	185
Income tax expense	**3,460**	11,320

8 EARNINGS/(LOSS) PER SHARE

	2019	2018
	HK$'000	*HK$'000*
Profit/(loss) attributable to equity holders of the Company		
– from continuing operations	**20,773**	9,549
– from discontinued operations	**(11,055)**	(310,090)
	9,718	(300,541)

	2019	2018
	No. of shares	No. of shares
	'000	*'000*
Weighted average number of ordinary shares in issue	**1,518,230**	1,518,256

	2019	2018
	HK cents	*HK cents*
Basic and diluted earnings/(loss) per share		
– from continuing operations	**1.37**	0.63
– from discontinued operations	**(0.73)**	(20.42)
Total basic and diluted earnings/(loss) per share	**0.64**	(19.79)

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 basis earnings/(loss) per share as there were no potential dilutive ordinary shares outstanding during the year (2018: same).

9 DIVIDENDS

	2019	2018
	HK$	*HK$*
Special dividend of HK$0.08 per ordinary share	**–**	121,460

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

10 DISCONTINUED OPERATIONS

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 12, the Cultural Park operation was discontinued with effect from 1 December 2018. Certain costs continued to be incurred during the year ended 31 December 2019 as the matters as set out in Note 16 remain unsolved.

In addition, since October 2018, the Group has discontinued the operation on provision of CG and animation training ("CG Training") through a wholly owned subsidiary of the Group in view of the shrinkage of the business and loss incurred. The relevant building space has been leased to independent third parties for rental income since then.

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

(i) CG Training

	For the period from 1 January 2018 to 31 October 2018
	HK$'000
Revenue from services	4,450
Cost of services	(2,919)
Other income	17
Distribution and selling expenses	(457)
Administrative expenses	(1,395)
Loss before income tax	(304)
Income tax expense	–
Loss for the period from discontinued operation	(304)

	For the period from 1 January 2018 to 31 October 2018
	HK$'000
Net cash inflow from operating activities	110
Net cash inflow from investing activities	14
Net increase in cash generated from discontinued operation	124

(ii) Cultural Park

	2019	For the period from 1 January 2018 to 30 November 2018
	HK$'000	*HK$'000*
Revenue from services	**–**	6,748
Revenue from rental income	**–**	34,089
Cost of sales	**–**	(9,561)
Other income	**20**	184
Other losses, net	**–**	(10,177)
Change in fair value of investment property *(Note 12)*	**–**	(2,481)
Distribution and selling expenses	**–**	(41)
Administrative expenses	**(9,576)**	(5,534)
Rental and settlement expenses	**(6,505)**	(95,148)
Provision for impairment of investment property	**–**	(411,412)
Loss before income tax	**(16,061)**	(493,333)
Income tax (expense)/credit	**(197)**	37,416
Loss for the year/period from discontinued operation	**(16,258)**	(455,917)

	2019	For the period from 1 January 2018 to 30 November 2018
	HK$'000	*HK$'000*
Net cash (outflow)/inflow from operating activities	**(1,246)**	76,603
Net cash outflow from investing activities	**(10)**	(6)
Net cash outflow from financing activities	**(440)**	(76,799)
Net decrease in cash used in discontinued operation	**(1,696)**	(202)

11 PROPERTY, PLANT AND EQUIPMENT

	2019	2018
	HK$'000	*HK$'000*
Opening net book amount at 1 January	**5,831**	200,373
Additions	**3,125**	3,142
Transferred to investment property *(Note 12)*	**–**	(167,507)
Depreciation *(Note)*	**(4,097)**	(17,624)
Disposal	**(3)**	–
Exchange realignment	**(85)**	(12,553)
Closing net book amount at 31 December	**4,771**	5,831

Note:

Depreciation expense of HK$1,245,000 (2018: HK$12,036,000) has been charged in "cost of sales", HK$985,000 (2018: HK$3,812,000) in "administrative expenses" and HK$134,000 (2018: HK$277,000) has been charged in "discontinued operations". The remaining amount of HK$1,733,000 (2018: HK$1,499,000) represents amount capitalised in movies and TV programmes rights and productions work in progress. The amount will be subsequently recognised in "cost of sales" when sale is performed.

12 INVESTMENT PROPERTY

	2019	2018
	HK$'000	*HK$'000*
Non-current assets – at fair value		
Opening balance as at 1 January	**236,237**	439,616
Transfer from property, plant and equipment and prepaid lease payments *(Note)*	**–**	233,314
Net losses from fair value adjustment	**(1,339)**	(2,481)
Provision for impairment of investment property	**–**	(411,412)
Exchange realignment	**(4,976)**	(22,800)
Closing balance as at 31 December	**229,922**	236,237

Note

A property of the Group located in PRC (including building, leasehold improvements and plant and machinery) with a total carrying value of HK$167,507,000 (Note 11) and prepaid lease payments of HK$4,758,000 were transferred to investment property on 1 December 2018 and were measured using the fair value model. The transfer has resulted in a recognition of revaluation surplus of HK$61,049,000 in other comprehensive income and accumulated in property revaluation reserve.

The following amounts have been recognised in the consolidated statement of comprehensive income for investment property:

	2019	2018
	HK$'000	*HK$'000*
Rental income from operating leases *(Note 3)*	**45,414**	45,382
Net loss from fair value adjustment *(Note 4)*	**(1,339)**	(2,481)
Direct operating expenses from property that generated rental income	**(2,229)**	(185)

13 MOVIES AND TELEVISION PROGRAMMES RIGHT AND PRODUCTIONS WORK IN PROGRESS

	2019	2018
	HK$'000	*HK$'000*
Non-current portion		
Movies and television programmes rights	**6,522**	–
Productions work in progress	**8,763**	–
	15,285	–
Current portion		
Productions work in progress	**–**	5,207

	Movies and TV programmes rights	**Productions work in progress**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
Cost			
At 1 January 2018	38,107	6,403	44,510
Addition	–	8,292	8,292
Transfer	8,464	(8,464)	–
Exchange difference	(2,263)	(322)	(2,585)
At 31 December 2018 and 1 January 2019	44,308	5,909	50,217
Addition	–	24,513	24,513
Transfer	18,651	(18,651)	–
Exchange difference	(1,271)	(230)	(1,501)
At 31 December 2019	61,688	11,541	73,229

	Movies and TV programmes rights *HK$'000*	Productions work in progress *HK$'000*	Total *HK$'000*
Accumulated amortisation and impairment			
At 1 January 2018	(29,766)	–	(29,766)
Charge for the year	(13,488)	–	(13,488)
Impairment recognised during the year	(3,189)	(729)	(3,918)
Exchange difference	2,135	27	2,162
At 31 December 2018 and 1 January 2019	(44,308)	(702)	(45,010)
Charge for the year	(7,958)	–	(7,958)
Impairment recognised during the year	(4,053)	(2,128)	(6,181)
Exchange difference	1,153	52	1,205
At 31 December 2019	(55,166)	(2,778)	(57,944)
At 31 December 2019			
Net book amount	6,522	8,763	15,285
At 31 December 2018			
Net book amount	–	5,207	5,207

For the year ended 31 December 2019, amortisation amounting to HK$7,958,000 (2018: HK$13,488,000) was included in the consolidated statement of comprehensive income within "cost of sales".

For the year ended 31 December 2019, provision for impairment of movies and TV programmes rights amounting to HK$4,053,000 (2018: HK$3,189,000) and provision for impairment of productions work in progress amounting to HK$2,128,000 (2018: HK$729,000) was included in the consolidated statement of comprehensive income within "cost of sales".

14 TRADE RECEIVABLES

	2019	2018
	HK$'000	*HK$'000*
Trade receivables from contracts with customers	**3,767**	3,229
Rental receivables	**4,467**	9,405
	8,234	12,634
Less: Provision for impairment	**(456)**	(4,003)
	7,778	8,631

Except for rent 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:

	2019	2018
	HK$'000	*HK$'000*
Current to 90 days	**7,801**	8,129
91 to 180 days	**–**	502
Over 365 days	**433**	4,003
	8,234	12,634

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:

	2019	2018
	HK$'000	*HK$'000*
Opening loss allowance at 1 January	**4,003**	2,851
Increase in loss allowance recognised in profit or loss from continuing operations	**465**	71
Increase in loss allowance recognised in profit or loss from discontinued operations	**–**	1,276
Receivables written off during the year as uncollectible	**(3,989)**	–
Exchange realignment	**(23)**	(195)
Closing loss allowance at 31 December	**456**	4,003

The carrying amounts of trade receivables approximate their fair values.

Balances are denominated in 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:

	2019	2018
	HK$'000	*HK$'000*
Current to 90 days	**40**	3

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

16 PROVISION FOR RENTAL AND SETTLEMENT PAYABLES

	2019	2018
	HK$'000	*HK$'000*
Accrued rental and settlement payables and late payment surcharge *(Note)*	**170,208**	128,800

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 into 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 fully impair 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 RMB175,204,000 and RMB12,113,000, 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 RMB41,700,000 and RMB3,800,000, 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 16 January 2020, respectively on various matters about the Civil Judgement.

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 1 January 2019 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 litigation 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$170,208,000 and HK$128,800,000 is required as at 31 December 2019 and 1 January 2019, respectively based on their best estimate.

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$170,208,000 as at 31 December 2019 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.

The Group's CG creation and production business in 2020 may possibly be impacted by the short term economic downturn and the business performance of the Group's customers, whilst the property management business may possibly be 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 these consolidated financial statements, the overall financial effect 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.

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 ended 31 December 2019 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 audited 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.

EXTRACT FROM INDEPENDENT AUDITOR'S REPORT

The following is an extract of the independent auditor's report on the consolidated financial statements of the Group for the year ended 31 December 2019:

"Our qualified opinion

In our opinion, except for the possible effects on the corresponding figures of the matter described in the Basis for Qualified Opinion section of our report, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Qualified Opinion

As set out in Note 15 to the consolidated financial statements, a loss from discontinued operation in respect of the Cultural Park amounting to HK$455,917,000 (the "loss from discontinued operation") was recognised for the year ended 31 December 2018 as a result of certain legal proceedings against a subsidiary of the Group initiated from an alleged breach of the framework agreement governing the lease and reconstruction of the Cultural Park (the "legal proceedings"). The predecessor auditor disclaimed their opinion on the consolidated financial statements of the Group for the year ended 31 December 2017 in view of the significant uncertainty of the ultimate outcome of such legal proceedings and its pervasive impact on the consolidated financial statements. Any adjustments found to be necessary to the opening balances as at 1 January 2018 may affect the results from discontinued operation for the year ended 31 December 2018. This, together with other matters, caused the predecessor auditor to issue a qualified opinion on, amongst other matters, the loss from discontinued operation recognised for the year ended 31 December 2018 and the relevant disclosures related to the Cultural Park in the consolidated financial statements for the year ended 31 December 2018. Our opinion on the consolidated financial statements for the year ended 31 December 2019 is qualified because of the possible effects of this matter on the comparability of the current year's figures and the corresponding figures in the consolidated statement of comprehensive income, and the consolidated statement of changes in equity for the year ended 31 December 2019, including notes disclosures.

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion."

Details of "Note 15 to the consolidated financial statements" have been included in "Note 10 to consolidated financial statements" of this announcement respectively.

FINAL DIVIDEND

The Board does not recommend the payment of final dividend for the year ended 31 December 2019 (2018: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

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 2019, the animated film production projects undertaken by our CG creation and production division mainly came from the PRC, including the full production process of two animated television series. Our CG creation and production division also started the intermediate production of a new animated television series. For original film and television series projects, "Happy Little Submarine: Space Pals", the seventh film of the "Happy Little Submarine" series was screened in the PRC during the "1 June" International Children's Day 2019 time slot with box office of approximately RMB24,000,000.

The division has begun to build the Foshan Digital Animation Industry Base*（佛山數碼動漫產業基地）production team in the current year. Synergized with the Shenzhen production team, they have begun to share the production of animated films and television series and to complete the targeted production capacity stage by stage as planned, achieving the operation model of mixing staff and sharing resources. In the future, a production team of appropriate scale will be established in accordance with the development needs of our creation and production business in order to enhance the competitive advantages of our division in the industry. At the same time, the division has established entrepreneur incubation hub – the "Innovation Space"（「眾創空間」）in the Foshan base, and the partnering teams in the animation industry have been introduced to promote collaboration in clustered industry chain. Currently, three partnering teams have been introduced to establish their presence. After entering into a cooperation agreement with the independent third parties in December 2018, the division has received cash contribution in the amount of RMB20,000,000 in aggregate, and as provided under the cooperation agreement, the contracting parties agreed to respectively contribute properties and cash for 10% and 5% of equity interests in Foshan Global Digital Media Technology Co., Ltd.*（佛山環球數碼媒體科技有限公司）, an indirect wholly-owned subsidiary of the Company. Currently, the transfer of equity interests and properties are pending for the issuance of the title certificate of the relevant properties. 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, and significantly improved the technology such as scene effect realization, animated character shows and fantasy visual effects. The research and development in the application of graphics processing unit (GPU) hardware in technical process was completed to help reducing production cost of film and television series projects. Moreover, document automated management and improvement processes in the production were further optimized to enhance production efficiency during the year. Meanwhile, with the self-developed CG creation and animation management database system applicable to all processes, a cross-regional multi-team collaboration platform was established. As the animation film industry has entered into a phase of innovation and change brought by new technologies of artificial intelligence, cloud computing and big data, rapid changes to professional division of labour and content products would emerge. The traditional animated content in television channels and cinema circuits would start to shift to internet and mobile terminal, forming the competition between short and long videos. Facing such innovation and change, the division would employ technical innovation as its core competitiveness to target the audience more precisely, use cutting-edge new technologies to create animated IP content products and develop new ecosystem of online and offline experience interaction.

In terms of intellectual property protection, the division completed three applications for computer software works during 2019 and has obtained the relevant certificates from National Copyright Administration of the PRC. Valid registration will be processed for the stories and images created by the division to ensure copyright protection. Registration was completed for 137 stories and images in total with the relevant certificates obtained.

During 2019, the division proactively participated in various marketing campaigns, including "The 17th Hong Kong International Licensing Show (HKILS)", "The 45th Hong Kong Toys & Games Fair", "The 23rd Hong Kong International Film & TV Market (FILMART)", "The China Food & Drinks Fair" in Chengdu, "China (Shenzhen) International IP Licensing Industry EXPO", "China International Animation Copyright Fair" held in Dongguan and "MIPCOM" held in France, in order to enhance the influence of the original IP brands and promote resources cooperation.

During 2019, the original animated movie "Happy Little Submarine: 20000 Leagues under the Sea" shown in 2018 won the 11th Spiritual Civilization Development "Five-one Project" Award in Guangdong Province（廣州省第十一屆精神文明建設「五個一工程」獎）and was selected as the "Recommended Film for Primary Students"（「推薦小學生觀看的優秀影片」）by the General Office of the Ministry of Education of the PRC and the Publicity Department of the Central Committee of the Communist Party of China. "The Legend of Shangri-la", an animated short film, and "Toy Guardians", an animated movie, were selected as excellent Chinese animation works and screened in the "Chinese Cartoons and Comic Art Show in Japan"（「中國動漫日本行」）Event. "Happy Little Submarine: Space Pals", an original animated movie, was awarded as the "Excellent Animation"（「優秀動畫影片」）in the 11th "Dynamic Golden Sheep" Excellent Work Support Plan（第十一屆「動感金羊」優秀作品扶持計劃）and won the "Copyrighted Works Award"（「版權作品獎」）in the 8th "Shenzhen Copyright Golden Award"（「深圳版權金獎」）. "Soldier Shunliu", a television animation, was awarded as the "Best Authorized Animation Brand"（「最佳動漫品牌授權」）in the 11th "Dynamic Golden Sheep" Excellent Work Support Plan, the "Best Original Work Award"（「最佳原創作品獎」）in the "Golden Bamboo Award" established by the Copyright Society of China（中國版權協會）and China Cultural Industry Development Corporation（中國文化產業發展集團）as well as the "Top 10 Animation & Comic Brands" Award in the Guangdong-Hong Kong-Macao Greater Bay Area. "Toy Guardians", "Happy Little Submarine: 20000 Leagues under the Sea" and "Happy Little Submarine: Space Pals" were included in the China International Children's Film Festival 2019.

Looking ahead, it is necessary that the division continues to enhance technical innovation and secure its core advantages as well as comprehensively expand innovative business development.

Property Leasing and Building Management Services

During 2019, the consolidated income from the GDC Building of the Group located in Nanshan District, Shenzhen, the PRC ("Shenzhen Building") amounted to HK$58,860,000, representing a slight increase of approximately 1% as compared with the corresponding period of last year. The building is operated by the GDC property management team, which is built by the Group and run by experienced professionals with high priority placed on expertise and service quality. Regular service satisfaction survey on year basis was conducted on tenants, with an average satisfaction rate of 94%. The division has also established three management standards systems, namely ISO9001, ISO14001 and OHSAS18001, which passed the review conducted by an independent third party professional certification organization and were awarded certificates in September 2019. During 2019, a small number of tenants reduced their office area or opted to relocate to office premises with lower rent, primarily affected by general economic condition. The market expects a significant increase in the supply of office projects in the future, resulting in more intensive competition in the office rental market. Facing the pressure arising from declining occupancy rate and rental rate, the building management team will endeavour to improve our service and quality of the building and offer diversified solutions to enhance the bargaining power and secure steadily growing rental incomes as well as continue to generate stable cash flow income for the Group.

FINANCIAL REVIEW

Revenue

Revenue from the continuing operations for the year amounted to HK$96,771,000, representing a decrease of HK$10,871,000 as compared with HK$107,642,000 for the corresponding period of 2018, which was mainly attributable to the decrease of HK$11,660,000 in income from original projects. Revenue from property leasing and building management services was approximately the same as compared with the corresponding period of last year.

Cost of Sales

Cost of sales from the continuing operations for the year amounted to HK$48,225,000, representing a decrease of HK$22,179,000 as compared with HK$70,404,000 for the corresponding period of 2018, which was mainly attributable to (1) the absence of relevant provision for depreciation and amortization of prepaid lease payments (as the Shenzhen Building was transferred to investment properties at fair value at the end of last year), which reduced relevant cost by HK$10,650,000, and (2) the decrease in sales cost in CG creation and production, with cost of original projects for the year included one original animated film and cost of original projects for last year included one original animated film and one television animation.

Other Income

Other income from the continuing operations for the year amounted to HK$23,131,000, representing a decrease of HK$6,121,000 as compared with HK$29,252,000 for the corresponding period of 2018, which was mainly attributable to the decrease in government grants of HK$5,272,000.

Distribution and Selling Expenses

Distribution and selling expenses from the continuing operations for the year amounted to HK$9,648,000, representing an increase of HK$5,096,000 as compared with HK$4,552,000 for the corresponding period of 2018, which was mainly attributable to the increase in movie marketing expenses for the year.

Administrative Expenses

Administrative expenses from the continuing operations for the year amounted to HK$35,406,000, representing a decrease of HK$5,879,000 as compared with HK$41,285,000 for the corresponding period of 2018. The decrease in administrative expenses was mainly attributable to the decrease in staff cost, insurance premium and office operation costs for the year, which was partly offset by the increase in professional service fees.

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$1,405,000 (2018: HK$71,000), which includes the provision for impairment of amount due from an associate of HK$940,000 and the provision for impairment of trade receivables of HK$465,000.

Other (Losses)/Gains, net

Other net losses from the continuing operations for the year amounted to HK$935,000 (2018: other net gains of HK$422,000), which was mainly the decrease in fair value of investment properties. Shenzhen Building is an investment property of the Group, and it was reclassified as an investment property from December 2018 and accounted for at fair value.

Finance Costs

Finance costs from continuing operations for the year amounted to HK$135,000. The Group does not have any loans and such finance costs represent the interest element on the lease liabilities as a result of the initial application of HKFRS 16 in 2019.

Profit From Continuing Operations

Profit from the continuing operations for the year amounted to HK$20,688,000, represented an increase of HK$11,004,000 comparing to the profit of HK$9,684,000 for the corresponding period of 2018.

Profit for the Year

Profit for the year for the Group amounted to HK$4,430,000, and a loss for the year of HK$446,537,000 was recorded in the corresponding period of last year. The Cultural Park and CG Training divisions were classified as discontinued operations last year, with a loss of HK$456,221,000 recorded for last year's operations, which was mainly attributable to the provision for impairment of investment property of the Cultural Park and a provision made for the accrued rental income and relevant fees. As the matters in relation to the Cultural Park as set out in Note 16 to the consolidated financial statement in this announcement remain unsolved, certain costs mainly including the administrative expenses and settlement expenses of the Cultural Park with the amount of HK$16,081,000 have been incurred for discontinued operations for the year.

Liquidity and Financial Resources

As at 31 December 2019, the Group had cash and cash equivalents of HK$270,251,000 (2018: HK$273,133,000), which were mainly denominated in Renminbi, United States dollars and Hong Kong dollars, and restricted bank deposits of HK$34,802,000 (2018: Nil).

As at 31 December 2019 and 31 December 2018, the Group had no borrowings or overdrafts. The Group's current ratio was 1.32 (2018: 1.41), which was calculated based on current assets of HK$321,447,000 and current liabilities of HK$244,239,000.

The Group adheres to the principles of prudent financial management and investment as well as strives to maintain a solid financial position.

Capital Structure

The equity attributable to owners of the Company amounted to HK$434,309,000 as at 31 December 2019 (2018: HK$434,421,000). Such decrease was mainly attributable to the Group's profit attributable to owners of the Company for the year of HK$9,718,000 net of exchange differences of HK$9,010,000 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 2019.

Charge on Assets

As at 31 December 2019, there were no charges on any of the Group's assets for loans and bank facilities.

Foreign Exchange Exposure

Currently, the Group earns revenue mainly in Renminbi and incurs costs mainly in Renminbi and Hong Kong dollars. The Directors believe that the Group's operating cashflow 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 2019, 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 2019.

Employees

As at 31 December 2019, the Group employed 258 (2018: 287) 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 2019, 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.

UPDATE ON LITIGATIONS

During the year, Guangdong GDC received two summonses dated 3 April 2019 from the People's Court of Haizhu District and the Guangzhou Intermediate People's Court respectively; and 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 dated 4 April 2019 from the People's Court of Haizhu District. Details of the litigations are set out in section headed "MANAGEMENT DISCUSSION AND ANALYSIS – LITIGATIONS" in the 2019 third quarterly report of the Company.

To summarise the abovementioned three summonses, Pearl River Film Production, as plaintiff, requested Guangdong GDC to return the entire 珠影文化產業園 (the "Pearl River Film Cultural Park") and its facilities and related documents ("Summons I"), and claimed for the payment for property occupation fee of the Pearl River Film Cultural Park and related interest (which the plaintiff estimated to be in the amounts of RMB148,745,800 and RMB9,593,000 as of 22 March 2019, respectively) ("Summons II") as well as the 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 the plaintiff estimated to be in the amount of RMB2,520,062 as of 27 March 2019) ("Summons III"). The plaintiff has also applied to the court to preserve the two bank accounts of Guangdong GDC and Gaoshang Property Management and the aggregate deposits in the frozen bank accounts amounted to HK$34,802,000 as at 31 December 2019.

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 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 (民事判決書) 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 (民事判決書) regarding the July 2019 Lawsuit was handed down by the People's Court of Haizhu District, which rejected all claims from Guangdong GDC. As at the date of this announcement, each of Guangdong GDC and Pearl River Film Production has lodged appeal with the Higher People's Court of Guangdong Province of the PRC (中國廣東省高級人民法院) in respect of Summons II'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 while the court hearing of Summons III has been conducted and pending the judgment to be handed down; Guangdong GDC has lodged appeal in respect of the July 2019 Lawsuit's judgment. Should there be any significant updates, the Company will make timely disclosure on both the Stock Exchange's website and the Company's website.

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

During the year ended 31 December 2019, 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** *HK$*	**Lowest price paid per share** *HK$*	**Aggregate consideration paid** *HK$*
December 2019	622,000	0.150	0.108	75,396

534,000 repurchased shares were cancelled during the year and the issued share capital of the Company was reduced by the nominal value thereof.

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

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company has complied with 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 2019, except for a deviation from the code provision A.2.1 of the CG Code.

Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. The Company deviates from this code provision in that Ms. Cheng Xiaoyu acted as the Chairman of the Board and the Managing Director of the Company until 30 December 2019. In order to satisfy the requirement under code provision A.2.1 of the CG Code, Mr. Wang Hongpeng was appointed as the Managing Director of the Company on 31 December 2019 and Ms. Cheng Xiaoyu resigned as Managing Director of the Company on the same day but remained as the Chairman of the Board.

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 2019.

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 2019.

MANAGEMENT'S AND AUDIT COMMITTEE'S VIEWS ON AUDITOR'S QUALIFIED OPINION

As disclosed in the Independent Auditor's Report, the auditor of the Company (the "Auditor") expressed a qualified opinion on the Group's consolidated financial statements for the year ended 31 December 2019 because of the possible effects of the predecessor auditor's qualified opinion for the year ended 31 December 2018 on the comparability of the figures for the year ended 31 December 2019 and the corresponding figures in the consolidated statement of comprehensive income, and the consolidated statement of changes in equity for the year ended 31 December 2019, including notes disclosures (the "Audit Qualification"). Please refer to the section headed "Basis for Qualified Opinion" of the Extract from Independent Auditor's Report of this announcement for details of the Audit Qualification. Except for the possible effects on the corresponding figures of the matter described in the "Basis for Qualified Opinion" section, the Auditor is of the view that the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019.

The Audit Committee has discussed with the Auditor regarding the matters disclosed in "Our Qualified Opinion" and "Basis for Qualified Opinion" in the Independent Auditor's Report and had no disagreement with the management's or the Auditor's position on the same. The Audit Committee is of the opinion that except for the matters disclosed in the paragraphs "Our Qualified Opinion" and "Basis for Qualified Opinion" in the Independent Auditor's Report, the consolidated financial statements of the Group for the year ended 31 December 2019 complied with applicable accounting standards, the GEM Listing Rules and the legal requirements, and that adequate disclosures have been made.

ANNUAL GENERAL MEETING

The annual general meeting of the Company (the "Annual General Meeting") will be held on Friday, 22 May 2020. 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 Monday, 18 May 2020 to Friday, 22 May 2020, 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 Friday, 15 May 2020.

PUBLICATION OF 2019 FINAL RESULTS AND 2019 ANNUAL REPORT

The 2019 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 2019 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, 27 March 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; Mr. Kwong Che Keung, Gordon, 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.