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)

2019

ANNUAL REPORT

*For identification purpose only

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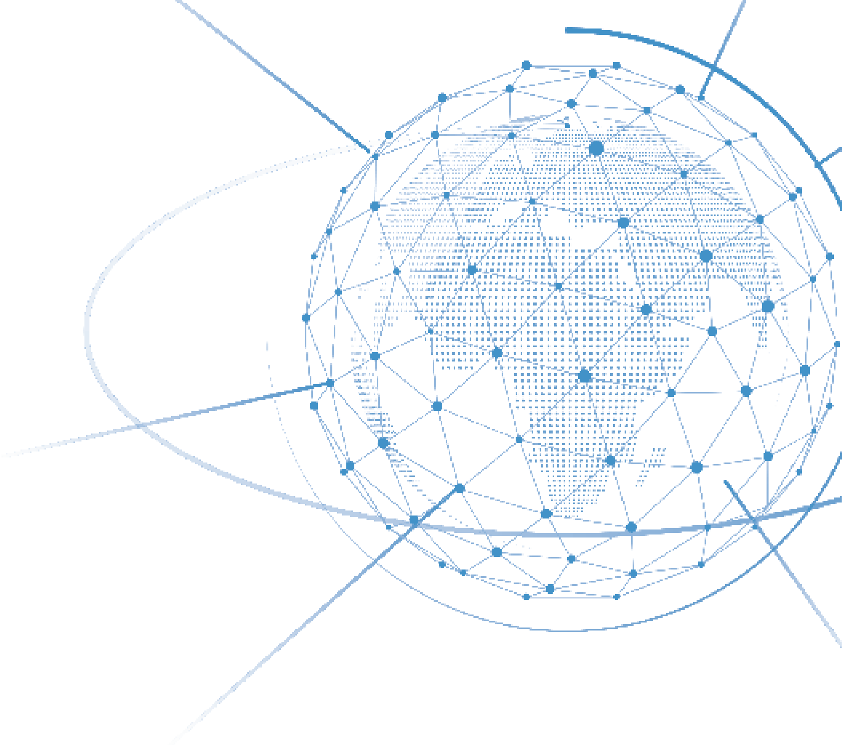
This report, for which the directors (the "Director(s)") of Global Digital Creations Holdings Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "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 report 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 report misleading.



CONTENTS

GDC'S POSITIONING, VISION, MISSION AND SENSE OF VALUE

POSITIONING

5G + CG digital and visual integration conglomerate

VISION

Become a constructor in artificial intelligence digital vision industry!

MISSION

Unleash the technological potential of digital vision, present Chinese legends with digital media technology!

SENSE OF VALUE

Safeguard our kindness, be self-motivated, embrace changes, achieve win-win outcomes by collaboration.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Ms. Cheng Xiaoyu *(Chairman)*
(resigned as Managing Director on 31 December 2019)
Mr. Wang Hongpeng *(Managing Director)*
(appointed on 31 December 2019)
Mr. Xu Liang
Mr. Xiao Yong *(appointed on 24 June 2019)*
Mr. Jin Guo Ping *(Deputy Managing Director)*
(retired on 23 May 2019)

Non-executive Director

Mr. Chen Zheng *(Deputy Chairman)*

Independent Non-executive Directors

Mr. Kwong Che Keung, Gordon
Prof. Japhet Sebastian Law
Mr. Lam Yiu Kin
Mr. Zheng Xiaodong *(appointed on 24 June 2019)*

EXECUTIVE COMMITTEE

Ms. Cheng Xiaoyu *(Chairman)*
Mr. Wang Hongpeng
(appointed on 31 December 2019)
Mr. Xu Liang
Mr. Xiao Yong *(appointed on 24 June 2019)*
Mr. Jin Guo Ping *(retired on 23 May 2019)*

AUDIT COMMITTEE

Mr. Kwong Che Keung, Gordon *(Chairman)*
Prof. Japhet Sebastian Law
Mr. Lam Yiu Kin

NOMINATION COMMITTEE

Ms. Cheng Xiaoyu *(Chairman)*
Mr. Xu Liang
Mr. Kwong Che Keung, Gordon
Prof. Japhet Sebastian Law
Mr. Lam Yiu Kin

REMUNERATION COMMITTEE

Prof. Japhet Sebastian Law *(Chairman)*
Ms. Cheng Xiaoyu *(Vice Chairman)*
Mr. Xu Liang
Mr. Kwong Che Keung, Gordon
Mr. Lam Yiu Kin

AUTHORISED REPRESENTATIVES

Ms. Cheng Xiaoyu
Ms. Kam Man Yi, Margaret

COMPLIANCE OFFICER

Ms. Cheng Xiaoyu

COMPANY SECRETARY

Ms. Kam Man Yi, Margaret

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants and Registered PIE Auditor
(appointed on 12 December 2019)
Deloitte Touche Tohmatsu
Certified Public Accountants and Registered PIE Auditor
(resigned on 12 December 2019)

BERMUDA PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Corporate Services (Bermuda) Limited
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Standard Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 2112, 21/F, K. Wah Centre
191 Java Road
North Point
Hong Kong

STOCK CODE

8271

WEBSITE

www.gdc-world.com

BIOGRAPHICAL DETAILS OF DIRECTORS

EXECUTIVE DIRECTORS

Ms. Cheng Xiaoyu, aged 53. Ms. Cheng was appointed as an Executive Director and the Vice President of the Company and a member of the Executive Committee of the Company in December 2014. In July 2018, Ms. Cheng was appointed as the Chairman of the board of Directors (the "Board") and the Executive Committee, the Chairman and a member of the Nomination Committee and the Vice Chairman and a member of the Remuneration Committee of the Company. Ms. Cheng was appointed as the Managing Director of the Company in December 2018. In December 2019, she resigned as Managing Director but remained as the Chairman of each of the Board, the Executive Committee and the Nomination Committee of the Company and the Vice Chairman of the Remuneration Committee of the Company. Ms. Cheng graduated from The Graduate School of Xi'an Jiaotong University in 1988 and majored in linguistics and applied linguistics and holds a bachelor of arts. Ms. Cheng joined Shougang Group Co., Ltd. ("Shougang Group"), the ultimate holding company of Shougang Holding (Hong Kong) Limited ("Shougang Holding"), in August 1988 as an official translator. She currently serves as the deputy general manager of Shougang Holding and a director of Beijing Dongzhimen International Apartment Co., Ltd.. Shougang Group and Shougang Holding are the substantial shareholders of the Company within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the laws of Hong Kong (the "SFO"). She was the secretary to the board of directors and an assistant general manager of Shougang Holding. She was also an assistant to the managing director of Shougang Concord International Enterprises Company Limited ("Shougang International"), a director of Shougang Concord Century Holdings Limited ("Shougang Century"), and an executive director and a deputy managing director of Shougang Concord Grand (Group) Limited ("Shougang Grand"), all of which are companies listed on the Stock Exchange.

Mr. Wang Hongpeng, aged 46, graduated from Nankai University in Tianjin in 1996 majoring in business English and obtained a degree of executive master of business administration from Shanghai Advanced Institute of Finance of Shanghai Jiao Tong University in 2017. Mr. Wang was appointed as an Executive Director, the Managing Director and a member of the Executive Committee of the Company in December 2019. He is currently an executive director and an executive member of the Regional Development and Service Group of Beijing Shougang Fund Co., Ltd., which is a wholly-owned subsidiary of Shougang Group. Shougang Group is a substantial shareholder of the Company within the meaning of Part XV of the SFO. Mr. Wang served as the minister of Foreign Liaison Department of Well-off Promotion Committee of State Commission for Economic Restructuring in Beijing*（北京國家經濟體制改革委員會小康促進委員會）, a media supervisor of the Beijing branch of Saatchi & Saatchi Great Wall Advertising Co., Ltd.*（盛世長城國際廣告有限公司北京分公司）and the managing director of Ogilvy Century (Beijing) Advertising Co., Ltd.*（奧美世紀（北京）廣告有限公司）, possessing extensive experience in fields including internet media and customer relationship management and marketing.

Mr. Xu Liang, aged 54, is a senior accountant, graduated from Fudan University and obtained a bachelor degree in statistics and a master degree in business administration from Tsinghua University. Mr. Xu was appointed as an Executive Director and the Chairman of the Board, the Chairman of each of the Executive Committee and the Nomination Committee and the Vice Chairman of the Remuneration Committee of the Company in June 2017. Mr. Xu ceased to be the Chairman of the Board, the Executive Committee and the Nomination Committee and the Vice Chairman of the Remuneration Committee of the Company and remained as an Executive Director and a member of each of the Executive Committee, the Nomination Committee and the Remuneration Committee of the Company in July 2018. Mr. Xu joined Shougang Group in 1988 and held various senior positions. He is the managing director of Shougang Holding, an executive director and the chairman of Shougang Grand and an executive director of Shougang International. Both Shougang Grand and Shougang International are listed on the Stock Exchange. Shougang Group and Shougang Holding are substantial shareholders of the Company within the meaning of Part XV of the SFO. Mr. Xu has extensive experience in management.

* *For identification purpose only*

BIOGRAPHICAL DETAILS OF DIRECTORS

Mr. Xiao Yong, aged 42, graduated from the College of Economics of Hubei University with post-secondary qualification in business administration in July 1999. Mr. Xiao was appointed as an Executive Director and a member of the Executive Committee of the Company in June 2019. After completing the Three-dimensional Video and Animation Training Course jointly organized by Shenzhen University and Institute of Digital Media Technology (Shenzhen) Limited*（環球數碼媒體科技研究（深圳）有限公司）("Shenzhen IDMT"), an indirect wholly-owned subsidiary of the Company, in August 2001, he served as one of the first group of character animators in Shenzhen IDMT. Since then, he served various positions in animation production department in Shenzhen IDMT and accumulated 19-year of experience in related fields of animation industry. Mr. Xiao serves as a director and the general manager of Shenzhen IDMT since March 2013. He is also a standing member of the Cartoon Artists Committee of the China Television Artists Association.

NON-EXECUTIVE DIRECTOR

Mr. Chen Zheng, aged 60, is an engineer and senior economist. He holds a bachelor degree in chemical engineering and a master degree in business administration. Mr. Chen was appointed as an Executive Director and the Chief Executive Officer of the Company in February 2005. He was re-designated as the Deputy Chairman of the Board and a Non-executive Director of the Company in December 2018. He also serves as an independent non-executive director of Jiu Rong Holdings Limited, which is listed on the Stock Exchange. Mr. Chen was the managing director of operations of Shougang Grand. He has extensive experience in investing business and corporate management.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Kwong Che Keung, Gordon, aged 70. Mr. Kwong was appointed as an Independent Non-executive Director of the Company in April 2003. He is also the Chairman of the Audit Committee and a member of each of the Remuneration Committee and the Nomination Committee of the Company. Mr. Kwong also serves as an independent non-executive director of a number of Hong Kong listed companies including NWS Holdings Limited, China Power International Development Limited, Henderson Land Development Company Limited, Henderson Investment Limited, Agile Group Holdings Limited, Chow Tai Fook Jewellery Group Limited and FSE Services Group Limited. He is an independent non-executive director of Piraeus Port Authority S.A., which is listed in Greece. He was an independent non-executive director of COSCO SHIPPING Holdings Co., Ltd., CITIC Telecom International Holdings Limited and OP Financial Limited in the past three years. Mr. Kwong graduated from The University of Hong Kong in 1972 and qualified as a Chartered Accountant in England and Wales in 1977. Mr. Kwong was a partner of PriceWaterhouse Hong Kong from 1984 to 1998 and was an independent member of the Council of the Stock Exchange from 1992 to 1997, during which, he had acted as convener of both the compliance committee and the listing committee.

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BIOGRAPHICAL DETAILS OF DIRECTORS

Prof. Japhet Sebastian Law, aged 68. Prof. Law was appointed as an Independent Non-executive Director of the Company in September 2008. He is also the Chairman of the Remuneration Committee and a member of each of the Audit Committee and Nomination Committee of the Company. Prof. Law graduated from the University of Texas at Austin with a doctor of philosophy degree in mechanical/industrial engineering in 1976. He joined The Chinese University of Hong Kong in 1986 and retired in August 2012. Before retirement, he was a professor in the Department of Decision Sciences and Managerial Economics. He was the associate dean and subsequently the dean of the Faculty of Business Administration of The Chinese University of Hong Kong from 1993 until 2002. Prior to returning to Hong Kong, Prof. Law was a director of Operations Research at the Cullen College of Engineering and a director of Graduate Studies in Industrial Engineering at the University of Houston and was also involved with the U.S. Space Program in his career with McDonnell Douglas and Ford Aerospace in the United States. He acts as a consultant for various corporations in Hong Kong and overseas. Prof. Law is active in public services and served as a member of the Provisional Regional Council of the Hong Kong SAR Government and various other committees. He is active on the boards of profit, non-profit and charitable organisations in Hong Kong and overseas. From July 2003 to February 2006, Prof. Law had also acted as an Independent Non-executive Director of the Company. He currently serves as an independent non-executive director of Tianjin Port Development Holdings Limited, Beijing Capital International Airport Company Limited, Binhai Investment Company Limited, Regal Hotels International Holdings Limited, Tianjin Binhai Teda Logistics (Group) Corporation Limited and Shougang Fushan Resources Group Limited, all of which are companies listed on the Stock Exchange.

Mr. Lam Yiu Kin, aged 65. Mr. Lam was appointed as an Independent Non-executive Director of the Company in July 2015. He is also a member of each of Audit Committee, Remuneration Committee and Nomination Committee of the Company. Mr. Lam is a fellow member of the Association of Chartered Certified Accountants, the Institute of Chartered Accountants in England & Wales, the Institute of Chartered Accountants in Australia and New Zealand and Hong Kong Institute of Certified Public Accountants ("HKICPA"), and a honorary fellow of The Hong Kong Polytechnic University. Mr. Lam was an Adjunct Professor in the School of Accounting and Finance of The Hong Kong Polytechnic University from September 2014 to August 2016, and was a member of the Finance Committee of the Hong Kong Management Association. Mr. Lam has extensive experience in accounting, auditing and business consulting. Mr. Lam was a member of the Listing Committee and the Financial Reporting Advisory Panel of the Stock Exchange from 1997 to 2003, a committee member of HKICPA from 1994 to 2009, and a partner with PricewaterhouseCoopers Hong Kong from 1993 to 2013. Mr. Lam graduated from The Hong Kong Polytechnic University with a higher diploma in June 1975. Mr. Lam currently serves as an independent non-executive director of Shougang Century, Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Company Limited, Spring Real Estate Investment Trust, Vital Innovations Holdings Limited (formerly known as "Vital Mobile Holdings Limited"), COSCO SHIPPING Ports Limited, Nine Dragons Paper (Holdings) Limited, WWPKG Holdings Company Limited, CITIC Telecom International Holdings Limited, Bestway Global Holding Inc. and Topsports International Holdings Limited, all of which are companies listed on the Stock Exchange. He was an independent non-executive director of Mason Group Holdings Limited in the past three years.

BIOGRAPHICAL DETAILS OF DIRECTORS

Mr. Zheng Xiaodong, aged 43, obtained a bachelor's degree in international economics in July 1998 and a master's degree in world economics in June 2006 from Fudan University. Mr. Zheng was appointed as an Independent Non-executive Director of the Company in June 2019. He serves as a director and the deputy general manager of Leo Group Co., Ltd., a company listed on Shenzhen Stock Exchange (stock code: 002131), the president of marketing and chief executive officer of Leo Digital Network and the president of Shanghai MediaV Advertising Co., Ltd., in which he is responsible for operation and agency businesses. Mr. Zheng served as the marketing manager of Great Wall Broadband Network and the general manager of eastern China region and the vice president of Allyes AdNetwork. He has extensive experience in the internet industry and marketing field.

CHAIRMAN'S STATEMENT

On behalf of the Board of Global Digital Creations Holdings Limited (the "Company"), I herewith present to you the results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2019.

For the financial year ended 31 December 2019, the Group's continuing operations recorded HK$96,771,000 in total revenue, representing a year-on-year decrease of HK$10,871,000. Gross profit was HK$48,546,000, representing a year-on-year increase of HK$11,308,000. Profit attributable to shareholders from continuing operations was HK$20,773,000, representing a year-on-year increase of HK$11,224,000.

In 2019, the US-China trade dispute, social unrest and political environment have slowed down the growth of global economy. Under this backdrop, the Group has further streamlined its structure with the fittest survive in order to enhance internal efficiency and has implemented stringent cost control, and these efforts have contributed to a decrease of HK$5,879,000 in administrative expenses as compared to 2018. During the year, computer graphic ("CG") creation and production division continued its two-pronged business development strategy. In addition to undertaking subcontracting animation production projects, our original animation projects, "Happy Little Submarine: Space Pals" was screened during the year with box office receipt of approximately RMB24,000,000. The film received many awards and rewards, including 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）, the "Copyrighted Works Award" (「版權作品獎」) in the 8th "Shenzhen Copyright Golden Award"(「深圳版權金獎」), and was the official selection of the China International Children's Film Festival 2019. For the healthy and sustainable development of our business, the segment reorganized the management structure, with an aim to streamlining the structure, setting clear accountability and boosting decision-making efficiency, the headcount in our Shenzhen operation base has decreased to 150 and recorded a decrease of more than 10% in staff cost during the year. With our Shenzhen operation base as the core, we have set a foot to Foshan and established a production team there. Such move has allowed us to create synergy and take full advantage of our core competitiveness to strengthen our influence in the industry.

Our business in Shenzhen is based in the GDC Building located in a prime location in Nanshan District, Shenzhen, the People's Republic of China (the "PRC"). With the completion and operation of surrounding buildings, the competition for rent was fierce. The Group is dependent on the property management team to continue to enhance the service quality of the GDC Building, with a view to generate sustained and stable revenue for the Group. Pursuant to the Tri-party Cooperation Agreement entered into between the wholly-owned subsidiary of the Group in Foshan ("Foshan Subsidiary") and the investors dated 17 December 2018, the production team located in Nanzhuang Town, Chancheng District, Foshan, the PRC, worked together to construct a research and development, production, manufacturing and training base for the digital animation industry. The five-storey base occupies approximately 5,000 square meters in aggregate, base for which the two levels of property right with an area of approximately 2,000 square meters will be transferred to Foshan Subsidiary. Upon the completion of property right transfer and Foshan Subsidiary's equity transfer, the asset of the Group will increase accordingly.

CHAIRMAN'S STATEMENT

廣東環球數碼創意產業有限公司 ("Guangdong GDC", our indirect non-wholly owned subsidiary), the operating company of an investment project namely Phase I of 珠影文化產業園 (the "Pearl River Film Cultural Park") located in Guangzhou, the PRC, has a dispute with 珠江電影製片有限公司 ("Pearl River Film Production") in respect of the framework agreement on the reconstruction of the Pearl River Film Cultural Park（《珠影文化產業園一改造建設合作框架協議》）and its supplemental agreements (collectively, the "Framework Agreement") in April 2016. The dispute has yet to be settled to date. In April 2019, Pearl River Film Production filed three litigations to the Intermediate People's Court of Guangzhou City of Guangdong Province of the PRC（中國廣東省廣州市中級人民法院）(the "Guangzhou Intermediate People's Court"), requesting Guangdong GDC to return the entire Pearl River Film Cultural Park and claim for relevant property occupation fees and interests. On 30 December 2019, the court has handed down a judgment on one of the litigations (for details, please refer to the section headed "REPORT OF THE DIRECTORS – UPDATE ON LITIGATIONS" of this annual report). The Group will strive for any rights and legitimate interests in the Pearl River Film Cultural Park to safeguard the best interests of our shareholders.

Since our listing in 2003, the Group has built a trustworthy brand in the CG creation and production industry. Given the great importance of the development of cultural industry by the 13th Five-Year Plan of the PRC, it is believed that the Group is capable of fully leveraging on its core advantages accumulated in animation industry in the future. Looking forward, the Group will actively improve quality of production, devote efforts to creative and technological development, attain higher box office for original animated films whilst striving for more international and domestic project production service contracts, with the hope of establishing a comprehensive cultural industry group, and achieving active development in animation business, theme parks, derivatives and mobile games as well as establishing an international digital entertainment empowering service platform driven by technological innovation and maintaining stable growth of core businesses. The Group will also keep exploring new business opportunities to broaden its income sources and enhance its financial performance.

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

Cheng Xiaoyu
Chairman

Hong Kong, 27 March 2020

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.

* *For identification purpose only*

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK *(Continued)*

CG Creation and Production *(Continued)*

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.

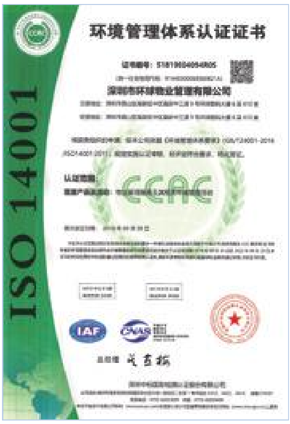
During 2019, the original animated movie "Happy Little Submarine: 20000 Leagues under the Sea" shown in 2018 won the 11th Spiritual Civilization Development "Five-one Project" Award in Guangdong Province (廣東省第十一屆精神文明建設「五個一工程」獎) and was selected as the "Recommended Film for Primary Students" (「推薦小學生觀看的優秀影片」) 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.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK *(Continued)*

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

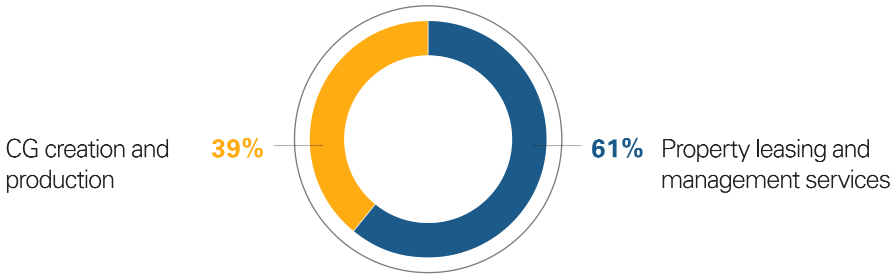
Revenue

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.

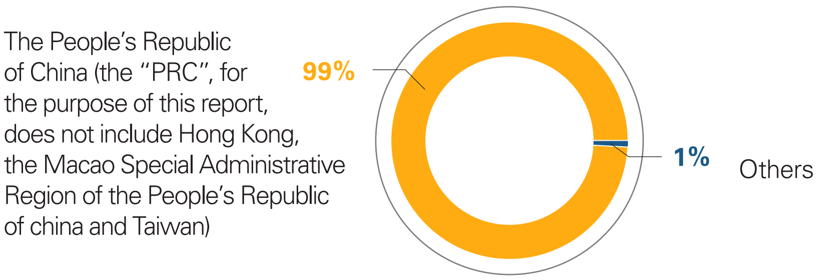
MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW *(Continued)*

REVENUE BY PRINCIPAL ACTIVITY OF CONTINUING OPERATIONS FOR 2019



REVENUE BY GEOGRAPHICAL LOCATION OF CONTINUING OPERATIONS FOR 2019



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.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW *(Continued)*

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 Cost

Finance cost from continuing operations for the year amounted to HK$135,000. The Group does not have any loans and such finance cost 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/(Loss) 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 27 to the consolidated financial statement in this report 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.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW *(Continued)*

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 ("USD") 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, USD 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.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW *(Continued)*

Contingent Liabilities

Save for notes 33 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.

CORPORATE GOVERNANCE REPORT

The Company is committed to maintaining high standards of corporate governance to safeguard the interests of all shareholders and to enhance accountability and transparency.

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.

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.

BOARD OF DIRECTORS

Composition

As at 31 December 2019, the Board comprises nine members including four Executive Directors, Ms. Cheng Xiaoyu, Mr. Wang Hongpeng, Mr. Xu Liang and Mr. Xiao Yong; one Non-executive Director, Mr. Chen Zheng; and four Independent Non-executive Directors, Mr. Kwong Che Keung, Gordon, Prof. Japhet Sebastian Law, Mr. Lam Yiu Kin and Mr. Zheng Xiaodong. The Board is chaired by Ms. Cheng Xiaoyu and has a balanced composition of Executive Directors and Non-executive Directors such that there is a strong element of independence at the Board level, which facilitates independent judgment. All Directors have given sufficient time and attention to the affairs of the Group and the Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the businesses of the Group. Details of backgrounds and qualification of the Directors are set out in the section headed "BIOGRAPHICAL DETAILS OF DIRECTORS" of this annual report.

The Non-executive Director and the Independent Non-executive Directors are of sufficient calibre and number for their views to carry weight. The functions of Non-executive Directors include, but are not limited to:

- making an independent judgment at Board meetings;
- taking the lead where potential conflicts of interests arise;
- serving on Board committees if invited; and
- scrutinising the Company's performance.

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS *(Continued)*

Composition *(Continued)*

To the best of the knowledge of the Company, the Directors have no financial, business, family or other material/relevant relationships with each other.

Role and Functions

The Board is responsible for overall strategy formulation, overseeing the risk management and internal control system on ongoing basis and monitoring performance of the Group. It delegates day-to-day operations of the Group to the Executive Committee within the control and authority framework set by the Board. In addition, the Board has delegated various responsibilities to the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company. Further details of these committees are set out in this corporate governance report.

Board Meetings and Attendance

The Board meets at least four times a year at approximately quarterly intervals. Additional meetings would be arranged, if and when required. The Directors can attend meetings in person or through electronic means of communication in accordance with the bye-laws of the Company (the "Bye-laws").

The Company Secretary assists the Chairman in setting the agenda of each meeting and each Director may request inclusion of matters in the agendas. Generally, at least fourteen days' notice of a regular Board meeting is given and the Company endeavours to give reasonable notice for all other Board meetings. The Company also aims to send the agenda and the accompanying Board papers to all Directors at least three days before the intended date of a Board meeting. The accompanying Board papers are prepared in such form and quality so as to enable the Board to make an informed decision on matters placed before it.

All Directors have access to the Company Secretary who is responsible for ensuring that the Board meetings' procedures are complied with and all applicable rules and regulations are followed.

The Company Secretary is responsible for taking minutes of the Board meetings and meetings of the Board committees. Drafts and final versions of which would be sent to the Directors for their comments and records respectively after the meetings. Minutes are recorded in sufficient detail relating to the matters considered by the Directors and decisions reached, including any concerns raised by the Directors or dissenting views expressed (if any). Minutes of Board meetings and meetings of Board committees are kept by the Company Secretary and are open for inspection by the Directors.

If a substantial shareholder of the Company or a Director has a conflict of interest in a matter to be considered by the Board (including material transaction with connected persons) which the Board has determined to be material, a physical Board meeting will be held instead of by way of written resolution to deal with the matter.

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS *(Continued)*

Board Meetings and Attendance *(Continued)*

The Board held five Board meetings during the year ended 31 December 2019. The Directors had made active contribution to the affairs of the Group and the Board meetings were held to consider, among other things, various projects contemplated by the Group, review the effectiveness of the risk management and internal control system of the Group, and to review and approve the quarterly results, interim results and annual results of the Group. The attendance records of the Board meetings and general meeting held in 2019 are set out below:

Name of Directors	**Number of meetings attended/ Number of meetings eligible to attend**	
	Board meetings	**General meeting**
Executive Directors		
Ms. Cheng Xiaoyu *(Chairman)*	5/5	1/1
Mr. Wang Hongpeng *(Managing Director)* *(appointed on 31 December 2019)*	N/A	N/A
Mr. Xu Liang	3/5	1/1
Mr. Xiao Yong *(appointed on 24 June 2019)*	3/3	N/A
Mr. Jin Guo Ping *(retired on 23 May 2019)*	2/2	0/1
Non-executive Director		
Mr. Chen Zheng *(Deputy Chairman)*	5/5	0/1
Independent Non-executive Directors		
Mr. Kwong Che Keung, Gordon	5/5	1/1
Prof. Japhet Sebastian Law	5/5	1/1
Mr. Lam Yiu Kin	4/5	1/1
Mr. Zheng Xiaodong *(appointed on 24 June 2019)*	2/3	N/A

Remarks: Mr. Chen Zheng and Mr. Jin Guo Ping were not able to attend the annual general meeting of the Company due to other business commitments.

Access to Information

The Directors may seek independent professional advice in appropriate circumstances, at the Company's expenses. The Company will, provide independent professional advice to the Directors to assist the relevant Directors in discharging their duties to the Company.

The Board is supplied with relevant information by the management pertaining to matters to be brought before it for decision making as well as reports relating to operational and financial performance of the Group at least three days before each Board meeting. All Directors are provided with monthly updates on the Company's performance and financial position to enable the Board as a whole and each Director to discharge their duties. Where any Director requires more information than is supplied by the management, they have the right of separate and independent access to the Group's management to make further enquiries if necessary.

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS *(Continued)*

Appointment and Re-election of Directors

Appointment of new Directors is a matter for consideration by the Nomination Committee. The Nomination Committee will review the profiles of the candidates and make recommendations to the Board on the appointment, re-appointment and retirement of Directors.

According to the Bye-laws, any Director appointed by the Board shall hold office, in the case of filling a casual vacancy, only until the next following general meeting of the Company or, in the case of an addition to the Board, until the next following annual general meeting of the Company, and shall then be eligible for re-election at such general meeting. Every Director (including Non-executive Director and Independent Non-executive Directors) is appointed for a specific term and is subject to retirement by rotation at least once every three years.

Every newly appointed Director will be given an introduction of the regulatory requirements. The Directors are regularly updated on the latest development of the GEM Listing Rules and other applicable statutory requirements to ensure compliance with the good corporate governance practice.

Board Diversity Policy

The Board adopted a board diversity policy (the "Board Diversity Policy") in 2013. The Company recognises and embraces the benefits of diversity of Board members. While all Board appointments will continue to be made on a merit basis, the Company will ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the needs of the Company's businesses. Selection of Director candidates will be based on a range of diversity perspectives, including but not limited to gender, race, language, cultural and educational background, experience (professional or otherwise), skills and knowledge. The Nomination Committee is responsible for reviewing the policy, developing and reviewing measurable objectives for implementing the policy and monitoring the progress on achieving these objectives. The Nomination Committee will review the policy and the measurable objectives at least annually to ensure the continued effectiveness of the Board.

Nomination Policy

The Board adopted a nomination policy (the "Nomination Policy") in December 2018. The Nomination Committee assists the Board in ensuring a formal, considered and transparent procedure for the appointment and re-appointment of Directors as well as plans in place for orderly succession (if considered necessary), including periodical review of such plans and maintaining a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business. The Nomination Committee shall consider the following criteria in assessing the suitability of a proposed candidate:

- diversity perspectives with reference to the Company's business model and specific needs, including but not limited to gender, race, language, cultural background, educational background, industry experience and professional experience

- commitment in respect of available time and relevant interest

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS *(Continued)*

Nomination Policy *(Continued)*

The Board has the ultimate responsibility for selection and appointment of Directors as permitted in the Bye-laws and shall have the final decision on all matters relating to its recommendation of candidate(s) to stand for election at any general meeting. The Nomination Policy shall be reviewed when necessary, and can be revised by the Board from time to time.

Directors' Continuing Training and Development

All Directors have participated in continuous professional development and provided to the Company a record of training which they received during the period from 1 January 2019 to 31 December 2019. According to the records provided by the Directors, a summary of the training received by the Directors is set out as follows:

Name of Directors	Attending or participating in seminars/workshops/ reading materials and updates relating to the latest development of the GEM Listing Rules and other applicable regulatory requirements
Executive Directors	
Ms. Cheng Xiaoyu *(Chairman)*	✓
Mr. Wang Hongpeng *(Managing Director)* *(appointed on 31 December 2019)*	N/A
Mr. Xu Liang	✓
Mr. Xiao Yong *(appointed on 24 June 2019)*	✓
Non-executive Director	
Mr. Chen Zheng *(Deputy Chairman)*	✓
Independent Non-executive Directors	
Mr. Kwong Che Keung, Gordon	✓
Prof. Japhet Sebastian Law	✓
Mr. Lam Yiu Kin	✓
Mr. Zheng Xiaodong *(appointed on 24 June 2019)*	✓

Directors' and Officers' Liability

Appropriate insurance cover on directors' and officers' liabilities are in force to protect the Directors and officers of the Group from their exposure to risk arising from the businesses of the Group.

CORPORATE GOVERNANCE REPORT

CHAIRMAN AND MANAGING DIRECTOR

The roles of the Chairman and the Managing Director are separate and are not performed by the same individual to reinforce their independence and accountability. Since 31 December 2019, Ms. Cheng Xiaoyu is the Chairman of the Board and Mr. Wang Hongpeng is the Managing Director of the Company. The Chairman provides leadership for the Board and overall strategy formulation for the Group. The Managing Director has overall responsibility for the Group's business development and day-to-day management. The division of responsibilities between the Chairman and the Managing Director is clearly established and set out in writing.

With the support of the Executive Directors and the Company Secretary, the Chairman seeks to ensure that all Directors are properly briefed on issues arising at Board meetings and receive adequate information, which must be complete and reliable in a timely manner.

NON-EXECUTIVE DIRECTOR AND INDEPENDENT NON-EXECUTIVE DIRECTORS

The Non-executive Directors (including Independent Non-executive Directors) provide a wide range of expertise and experience as well as checks and balances to safeguard the interests of the Group and its shareholders.

Pursuant to Rule 5.05 of the GEM Listing Rules, the Company has appointed four Independent Non-executive Directors. Two of the Independent Non-executive Directors, namely, Mr. Kwong Che Keung, Gordon and Mr. Lam Yiu Kin have appropriate professional qualifications on accounting or related financial management expertise. The Company has received from each Independent Non-executive Director an annual confirmation of his independence for the year ended 31 December 2019 pursuant to Rule 5.09 of the GEM Listing Rules and based on the contents of such confirmations, the Company considers that all Independent Non-executive Directors are independent during the year.

The Non-executive Director and all Independent Non-executive Directors were appointed for a specific term and are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Bye-laws. Details of the terms are set out in the section headed "REPORT OF THE DIRECTORS" of this annual report.

DELEGATION BY THE BOARD

Board Committees

The Board has established the following committees to oversee particular aspects of the Group's affairs and to assist in the execution of the Board's responsibilities. All committees have their own written terms of reference. All resolutions passed by the committees will be reported to the Board at the next Board meeting.

CORPORATE GOVERNANCE REPORT

DELEGATION BY THE BOARD *(Continued)*

Executive Committee

The executive committee of the Company (the "Executive Committee") was established in September 2007 and comprises all Executive Directors. As of 31 December 2019, the Executive Committee consists of four Executive Directors namely, Ms. Cheng Xiaoyu, Mr. Wang Hongpeng (appointed on 31 December 2019), Mr. Xu Liang and Mr. Xiao Yong (appointed on 24 June 2019). It is chaired by Ms. Cheng Xiaoyu.

The Executive Committee has been conferred with the general powers of the Board (except those matters specifically reserved for the Board) to manage and oversee the operations of the Group.

Audit Committee

The audit committee of the Company (the "Audit Committee") was established in July 2003 with specific written terms of reference which set out its authorities and duties. The terms of reference of the Audit Committee are available on the Stock Exchange's website (www.hkexnews.hk) and the Company's website.

The principal duties of the Audit Committee include:

- overseeing the relationship with the Company's auditor;
- reviewing the quarterly, interim and annual financial statements; and
- overseeing the Company's financial reporting system, risk management, internal control system and policies which include the whistleblowing policy reporting system.

The Audit Committee has explicit authority to investigate any activity within its terms of reference and obtain external legal or other independent professional advice if it considers necessary. It is given access to and assistance from the employees of the Group and reasonable resources to discharge its duties properly.

The Audit Committee consists of three Independent Non-executive Directors, namely, Mr. Kwong Che Keung, Gordon, Prof. Japhet Sebastian Law and Mr. Lam Yiu Kin. It is chaired by Mr. Kwong Che Keung, Gordon. None of the members of the Audit Committee are former partners of the auditor of the Company.

CORPORATE GOVERNANCE REPORT

DELEGATION BY THE BOARD *(Continued)*

Audit Committee *(Continued)*

The Audit Committee held four meetings during the year ended 31 December 2019 with the Company's management and the internal audit manager, two meetings of which were held with the external auditor of the Company. The Audit Committee had, among others, recommended to the Board the change of external auditor and reviewed:

- the Group's internal control system and risk management;
- the final results of the Group for the year ended 31 December 2018;
- the quarterly results of the Group for the three months ended 31 March 2019;
- the interim results of the Group for the six months ended 30 June 2019; and
- the quarterly results of the Group for the nine months ended 30 September 2019.

The attendance record of the Audit Committee meetings held in 2019 is set out below:

Name of Directors	**Number of meetings attended/ Number of meetings eligible to attend**
Mr. Kwong Che Keung, Gordon *(Chairman)*	4/4
Prof. Japhet Sebastian Law	4/4
Mr. Lam Yiu Kin	4/4

For the year ended 31 December 2019, the Board had no disagreement with the Audit Committee's view on the selection, appointment, resignation or dismissal of the external auditor of the Company.

Nomination Committee

The nomination committee of the Company (the "Nomination Committee") was established in August 2003 with specific written terms of reference which set out its authorities and duties. The terms of reference of the Nomination Committee are available on the Stock Exchange's website and the Company's website.

The principal duties of the Nomination Committee include:

- reviewing the structure, size and composition of the Board;
- identifying and making recommendations to the Board suitable and qualified individuals nominated for directorships;
- making recommendations to the Board on the appointment or re-appointment of the Directors and succession planning for the Directors; and
- assessing the independence of Independent Non-executive Directors.

CORPORATE GOVERNANCE REPORT

DELEGATION BY THE BOARD *(Continued)*

Nomination Committee *(Continued)*

Where vacancies exist on the Board, candidates are proposed and put forward to the Nomination Committee for consideration. The recommendations of the Nomination Committee will then be submitted to the Board for approval. The Nomination Committee will also take into account the Board Diversity Policy and the Nomination Policy when identifying suitably qualified candidates to become members of the Board. In addition, the Board reviews the Board Diversity Policy from time to time, so as to develop and review measurable objectives for implementing the Board Diversity Policy and to monitor the progress on achieving these objectives.

The Nomination Committee has explicit authority to seek any necessary information from the employees of the Group within its scope of duties and obtain external independent professional advice if it considers necessary.

The Nomination Committee consists of five Directors, namely, Ms. Cheng Xiaoyu, Mr. Xu Liang, Mr. Kwong Che Keung, Gordon, Prof. Japhet Sebastian Law and Mr. Lam Yiu Kin. It is chaired by Ms. Cheng Xiaoyu. The Independent Non-executive Directors constitute the majority of the committee members.

For the year ended 31 December 2019, the Nomination Committee had, among others:

- recommended to the Board the appointment of new Directors and the change of Managing Director; and

- reviewed the structure of the Board taking into account the Board Diversity Policy.

The Nomination Committee held one meeting in 2019 and the attendance record is set out below:

Name of Directors	Number of meetings attended/ Number of meetings eligible to attend
Ms. Cheng Xiaoyu *(Chairman)*	1/1
Mr. Xu Liang	0/1
Mr. Kwong Che Keung, Gordon	1/1
Prof. Japhet Sebastian Law	1/1
Mr. Lam Yiu Kin	0/1

Remarks: Mr. Xu Liang and Mr. Lam Yiu Kin were not able to attend that meeting due to other business commitments.

CORPORATE GOVERNANCE REPORT

DELEGATION BY THE BOARD *(Continued)*

Remuneration Committee

The remuneration committee of the Company (the "Remuneration Committee") was established in July 2003 with specific written terms of reference which set out its authorities and duties. The terms of reference of the Remuneration Committee are available on the Stock Exchange's website and the Company's website.

The principal duties of the Remuneration Committee include:

- making recommendations to the Board on the Company's policy and structure for the remuneration of all Directors and senior management of the Group and on the establishment of a formal and transparent procedure for developing policy on such remuneration;

- reviewing and approving the Directors' remuneration proposals with reference to the Board's corporate goals and objectives;

- determining, with delegated responsibility, the remuneration packages of individual Executive Directors and senior management and making recommendations to the Board on the remuneration of the Non-executive Director and Independent Non-executive Directors;

- reviewing and approving the compensation payable to the Executive Directors and senior management and the compensation arrangements relating to dismissal or removal of Directors for misconduct; and

- ensuring that no Director or any of his associates is involved in deciding his own remuneration.

The Remuneration Committee may consult the Chairman of the Board about its proposals relating to the remuneration of the Executive Directors. It has explicit authority to seek any necessary information from the employees of the Group within its scope of duties and obtain external independent professional advice if it considers necessary.

The remuneration policies applicable to the Directors and management of the Group are performance-based and in line with market practice. The Company reviews the remuneration packages annually taking into consideration market practice, the competitive market position and individual performances.

The Remuneration Committee consists of five Directors namely, Prof. Japhet Sebastian Law, Ms. Cheng Xiaoyu, Mr. Xu Liang, Mr. Kwong Che Keung, Gordon and Mr. Lam Yiu Kin. It is chaired by Prof. Japhet Sebastian Law. The Independent Non-executive Directors constitute the majority of the committee members.

CORPORATE GOVERNANCE REPORT

DELEGATION BY THE BOARD *(Continued)*

Remuneration Committee *(Continued)*

For the year ended 31 December 2019, the Remuneration Committee had, among others:

- determined the bonuses of the Executive Directors for 2019 and the salaries of the Executive Directors for 2020;
- made recommendations to the Board on fees for the Non-executive Director and Independent Non-executive Directors for 2020;
- reviewed the terms of service agreements of the Executive Directors; and
- reviewed the terms of letters of appointment of the Non-executive Director and the Independent Non-executive Directors.

The Remuneration Committee held one meeting in 2019 and the attendance record is set out below:

Name of Directors	**Number of meetings attended/ Number of meetings eligible to attend**
Prof. Japhet Sebastian Law *(Chairman)*	1/1
Ms. Cheng Xiaoyu *(Vice Chairman)*	1/1
Mr. Xu Liang	0/1
Mr. Kwong Che Keung, Gordon	1/1
Mr. Lam Yiu Kin	0/1

Remarks: Mr. Xu Liang and Mr. Lam Yiu Kin were not able to attend that meeting due to other business commitments.

Corporate Governance Function

The Company's corporate governance function is carried out by the Board pursuant to a set of written terms of reference adopted by the Board in compliance with code provision D.3.1 of the CG Code, which include (a) to develop and review the Company's policies and practices on corporate governance; (b) to review and monitor the training and continuous professional development of the Directors and senior management of the Group; (c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements; (d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees of the Group and the Directors; and (e) to review the Company's compliance with the CG Code and disclosure in the corporate governance report.

CORPORATE GOVERNANCE REPORT

DELEGATION BY THE BOARD *(Continued)*

Company Secretary

The Company Secretary is a full-time employee of the Company and has day-to-day knowledge of the Company's affairs. The Company Secretary reports to the Chairman and the Managing Director, and is responsible for advising the Board through the Chairman and/or the Managing Director on corporate governance matters. For the year under review, the Company Secretary has confirmed that she has taken no less than 15 hours of relevant professional training.

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for preparing financial statements of the Group which give a true and fair view of the state of affairs of the Group on a going concern basis. In presenting the quarterly, interim and annual financial statements, announcements and other financial disclosures required under the GEM Listing Rules, the Directors aim to present a balanced, clear and understandable assessment of the Group's position and prospects.

The statement of the auditor of the Company, PricewaterhouseCoopers, on its reporting responsibilities on the consolidated financial statements of the Group is set out in the section headed "INDEPENDENT AUDITOR'S REPORT" on pages 63 to 70 of this annual report.

INTERNAL CONTROL

The Board is of the opinion that sound internal control systems will contribute to the effectiveness and efficiency of the operations of the Group and to safeguard the Group's assets as well as the shareholders.

The Board is responsible for monitoring, maintaining and overseeing the internal control systems of the Group. The Executive Committee helps the Board to discharge its responsibilities of ensuring and maintaining sound internal control functions by regularly and continuously reviewing and monitoring the internal control systems and processes so as to ensure that they can provide reasonable assurance against material errors of the Group.

The internal control system is embedded within the business processes so that it functions as an integral part of the overall operations of the Group. The system comprises a comprehensive organisational structure with assignment of definite accountabilities and delegation of the corresponding authorities to each post. Based on the organisational structure, a reporting system has been developed under which the division head of each principal business unit reports to the Executive Committee directly.

Business plans and budgets are prepared by the division head of each principal business unit annually. In preparing the business plans and budgets, the management identifies and evaluates any potential risks. Measures will be put in place with an aim to ultimately manage, control or eliminate such risks.

CORPORATE GOVERNANCE REPORT

INTERNAL CONTROL *(Continued)*

The business plans and budgets are subject to review and approval by the Executive Committee. The Executive Committee reviews the monthly management reports on the operational and financial results of each principal business unit and measures the actual performance of the Group against the business plan and budget concerned. During such reviews, the Executive Committee also considers and assesses the effectiveness of all material controls. The Executive Committee holds periodical meetings with the management of each principal business unit and the finance team to, amongst other matters, address the issues in such controls, identify areas of improvement and put the appropriate measures in place.

The internal control system is documented and if any revision is required, such information will be submitted to the Audit Committee for evaluation.

Moreover, the Group has established "Whistleblowing Policy on Fraud", "Procurement Policy and Guideline" and "Delegation Policy" in order to strengthen its internal control system.

The Audit Committee assists the Board in fulfilling its role in overseeing over the Group's internal control function by reviewing and evaluating the effectiveness of the internal control system.

The Company has set up an internal audit department (the "I.A. Department") which assists the Executive Committee and the Audit Committee in discharging their internal control duties. The I.A. Department, which is independent of the operational departments of the Group, is responsible for conducting regular audits on the major activities of the Group. Its objective is to ensure that all material controls, including financial, operational and compliance controls as well as risk management, are in place and functioning effectively. The I.A. Department reports to the Executive Committee and the Audit Committee with its findings and makes recommendations to improve the internal control system of the Group.

The Board considers that it is an ongoing and continuous process for the Group to review and improve its internal control system in order to ensure that they remain effective in the dynamic and everchanging business environment. During the year ended 31 December 2019, the Board has been, through the Executive Committee and the Audit Committee (with the assistance from the I.A. Department), continuously reviewing the effectiveness of the Group's internal control system. The division head of each principle business unit and the Managing Director made representations as to compliance by themselves and their subordinates of key internal control system for 2019 to the Board. The requirement for making representation letters by the management can strengthen individual responsibility for corporate governance and controls.

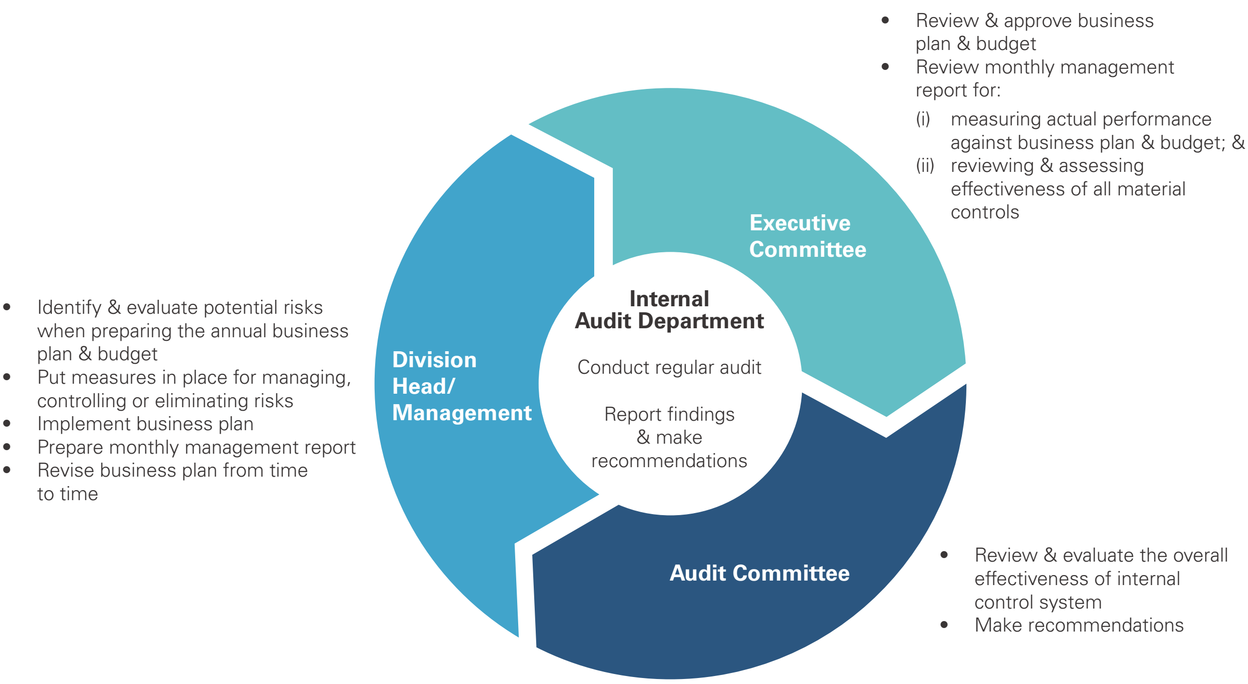
To comply with the code provision C.2.2 of the CG Code, the Board also included a review of adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, their training programmes and budget in its annual review for 2019.

In relation to the handling and release of inside information, the Group has established corresponding policies to restrict its employees from unauthorized use, handling or external release of the operating and financial information which is for internal use, to ensure the Group is in compliance with the relevant laws and regulations.

CORPORATE GOVERNANCE REPORT

INTERNAL CONTROL *(Continued)*

Internal Control System



Internal Audit Functions

CORPORATE GOVERNANCE REPORT

RISK MANAGEMENT

Risk Management Framework

The Group has established an Enterprise Risk Management (ERM) framework to effectively identify, assess and manage risks. Enterprise operates in environments where factors such as competition, restructurings, changing markets and technology create uncertainty. Uncertainty comes from an inability to precisely predict the likelihood that events (risks) will occur and the associated impacts.

The ERM framework enables management to adopt a proactive and systematic approach for identifying and managing risks across the organization to evaluate risk impact and likelihood of occurrence. Risk managing workshops are conducted in each operating unit and an ERM Implementation Pack is prepared to guide the implementation of the risk managing work.

The objective of this ERM Implementation Pack is for establishing the Group's ERM framework and policies, including defining roles and responsibilities; providing key principles and concepts, a common language, and clear direction and guidance; and setting up a foundational basis needed to design and implement an ERM process that effectively addresses the Group's operations.

Risk Management Structure

The Board oversees the overall management of risks. The Risk Management Working Committee assists the Board and Audit Committee to review and monitor key risks. Operating units are responsible for the identification and management of risks in their operations.

Risk Management Process

By applying the principles and methodologies described in the ERM Implementation Pack, management develops five key steps for implementation.

(1) Objective setting is a precondition to event identification, risk assessment, and risk response. There must first be objectives before the management can identify and assess risks, and take necessary actions to manage the risks.

(2) Risks are identified at the entity, activity and process level by using various techniques.

(3) Risks are evaluated from two perspectives – likelihood and impact. Criteria are developed upon which identified risks will be measured in terms of likelihood and impact. Following this, risks will then be prioritized according to their "Risk Rating" which is the combination effect of "Likelihood" and "Impact".

CORPORATE GOVERNANCE REPORT

RISK MANAGEMENT *(Continued)*

Risk Management Process *(Continued)*

(4) In evaluating response options, the management considers the effect on both risk likelihood and impact, recognizing that a response might affect likelihood and impact differently. Having selected risk responses, management identifies control activities needed to ensure that the risk responses are carried out properly and in a timely manner. The effectiveness of the controls are assessed by using the three-point scale.

(5) A risk management report that highlights key risks and action plans is presented to the Audit Committee and the Board annually. Significant changes in key risks on a day-to-day basis are promptly reported to the Group's management and immediately handled.

Risk management changes over time. Risk responses that were once effective may become irrelevant; control activities may become less effective, or no longer be performed; or entity objectives may change. In the face of such changes, management continually works to improve the risk management framework in order to keep pace with the changing dynamics of businesses.

The Board has reviewed the risk management report of the Group for the year ended 31 December 2019 and the effectiveness of the Group's risk management system.

Key Risks of the Group

As an objective of risk management, we must first understand the key risks currently faced by the Group and the corresponding strategies against such risks. The table below sets forth the key risks facing by the Group currently:

Risk	**Corresponding Strategy**
Disputes with the contracted party occur in a cultural park development project. This might have significant impacts on the Group's asset value and profit.	We have appointed legal consultants to follow up the litigation with contracted party and keep liaising with the contracted party to achieve the best interest regarding the completed phase of cultural park.
To protect the Group's intellectual property rights and also to avoid unintentional infringement of others' intellectual property rights.	We register copyrights immediately upon the completion of images, innovative designs, texts and graphics and require the related parties to sign a confidentiality agreement. We closely monitor if there is any infringement of the Group's intellectual property rights in the market while avoiding unintentional infringement of others' intellectual property rights.
Integrity and availability of online data.	Strict implementation of a comprehensive data backup system. We ensure the effective operation of the backup servers and backup systems. We regularly offer training on data management and data security in order to raise the awareness of staff.

CORPORATE GOVERNANCE REPORT

AUDITOR'S REMUNERATION

For the year ended 31 December 2019, the remuneration paid/payable to the Company's auditor, PricewaterhouseCoopers, who was appointed with effect from 12 December 2019, and Deloitte Touche Tohmatsu, who resigned on 12 December 2019, is set out as follows:

Services rendered	**Fee paid/payable** *HK$'000*
Statutory audit services	1,570
Non-statutory audit services:	
Review on interim financial report	383
Others	308
	2,261

COMMUNICATION WITH SHAREHOLDERS

To foster effective communication with the shareholders of the Company (the "Shareholders"), the Company provides extensive information in its annual, interim and quarterly reports, announcements and circulars. All Shareholders' communications are also available on the Stock Exchange's website and the Company's website.

The general meetings of the Company provide a useful forum for Shareholders to exchange views with the Board. The Directors and members of various Board committees will attend the annual general meetings of the Company to answer questions raised by the Shareholders. All Directors will make an effort to attend. The Company's external auditor, where appropriate, is available to answer Shareholders' queries at the general meetings.

SHAREHOLDERS' RIGHTS

All notices of general meetings despatched by the Company to its Shareholders for meetings were sent in the case of annual general meetings at least 20 clear business days before the meeting and at least 10 clear business days in the case of all other general meetings.

Voting at general meetings of the Company is conducted by way of poll in accordance with the GEM Listing Rules and the Bye-laws. The detailed procedures for demanding and conducting a poll will be explained by the Chairman at general meetings. The poll results will be published on the Stock Exchange's website and the Company's website.

CORPORATE GOVERNANCE REPORT

SHAREHOLDERS' RIGHTS *(Continued)*

Convening Special General Meeting and Putting Forward Proposals at General Meeting

Pursuant to the Bye-laws, any one or more Shareholder(s) holding (at the date of deposit of the requisition) not less than one-tenth of the paid up capital of the Company with the right to vote at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary by mail to the Company's head office and principal place of business in Hong Kong, to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition and such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Shareholders may at any time send their enquires and concerns to the Board in writing, addressed to the Company's head office and principal place of business in Hong Kong.

Procedures for Shareholders to Propose a Person for Election as a Director

When proposing a person for election as a Director, Shareholders are requested to follow the requirements and procedures as set out under the "Corporate Governance" section on the Company's website.

Constitutional Documents

There was no change to the Bye-laws during the year ended 31 December 2019. A copy of the latest consolidated version of the Bye-laws has been published on the websites of the Stock Exchange and the Company.

Dividend Policy

The Board adopted a dividend policy in December 2018, which aims to allow Shareholders to participate in the Company's profits whilst maintaining the adequate cash reserves for the Company's continuing business development and future growth. Any dividends will be declared or paid at the discretion of the Board pursuant to the Companies Act 1981 of Bermuda and the Bye-laws and will depend upon, among other things, the operations, capital requirements and surplus, general financial condition, contractual restrictions of the Company and its subsidiaries, and such other factors as the Board may deem relevant. This policy shall be reviewed when necessary, and can be revised by the Board from time to time.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

FOREWORD

The Company is one of the leading integrated cultural creative companies in the industry. Adhering to our sustainable development philosophy and operating principles, we establish good environmental, social and corporate governance policies, endeavour to fulfil our corporate social responsibilities and contribute to the development of green digital technology. This Environmental, Social and Governance Report of the Group gives an account of the Group's policies and overall performance in respect of environmental protection, operation management, social welfare and working environment for the year ended 31 December 2019, and it covers the office operations of the headquarters of the Group and its principal subsidiaries (as the business of the Cultural Park was classified as discontinued operations since 1 December 2018, the figures for the year no longer cover the area of our office in the Cultural Park in Guangzhou, and the figures of 2018 was presented after adjustment) as well as property management division, which has been approved and confirmed by the Company's management and the Board. The Group mainly adopts the reporting principles and basis set out in the "Environmental, Social and Governance Reporting Guide" ("ESG Guide") in Appendix 20 to the GEM Listing Rules.

STAKEHOLDER ENGAGEMENT AND MATERIALITY ASSESSMENT

We believe that the opinions of our stakeholders can contribute to the sustainable development of the Group. Therefore, we appropriately communicate with our stakeholders and promote the participation of stakeholders through different forms and channels of communication. The following are the main categories of stakeholders and communication channels:

Stakeholder	Communication Channel
Shareholder	• Company website • Quarterly, interim and annual reports • Announcements and circulars • General meetings
Employee	• Employees' activities • Staff communication • Regular meetings/training courses
Client	• Daily operation/communication • Regular meetings and visits • Regular client surveys
Supplier	• Procurement process • Daily operation/communication • Regular review and evaluation
Government and regulatory authorities	• Regular performance reports • Email, letter and phone contact • Occasional face-to-face meetings and visits
Community	• Exchange and study tours • Public welfare activities • Online media

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

STAKEHOLDER ENGAGEMENT AND MATERIALITY ASSESSMENT *(Continued)*

The Group determines the scope of its environmental, social and governance disclosures in accordance with the requirements of the ESG Guide. The management identified and assessed major issues after considering the Group's business operations and the standards adopted by the industry. The impact of these material issues is assessed on the basis of their importance to the sustainable development of the Group and its stakeholders. The relevant assessment is related to the current development stage of the Group or may change in the future. Details of the Group's governance disclosure are set out in the section headed "CORPORATE GOVERNANCE REPORT" of this annual report.

The list of important environmental and social issues that the Group has identified is as follows:

Aspect	**Category**	**Issue**
Environmental		Emissions
		Use of Resources
		Environment and Natural Resources
Social	Employment and Labour Practices	Employment and Labour Standards
		Health and Safety
		Training and Development
	Operating Practices	Supply Chain Management
		Product and Service Liability
		Protection of Stakeholders' Information
		Anti-corruption
	Community	Community Investment

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ENVIRONMENTAL PROTECTION

In the past two decades, problems of global warming and continuous abuse of natural resources have become increasingly severe. As a responsible enterprise, the Group has reduced its impact on the environmental and natural resources arising from its operations, through adjusting the management on its operation model and adopting more eco-friendly operational measures. In addition, the Group has encouraged its employees to reduce emission and waste as well as make good use of resources, no matter at work or at home, to put our best efforts to protect the environment.

The Group strictly abides by the regulations and laws related to environmental protection applicable to its operations. It has established an internal "Environmental Policy of Energy Saving and Reducing Unnecessary Consumption" in accordance with all local regulations and laws of cities where its operations are located, including "Guidelines for Accounting and Reporting of the Greenhouse Gas Emissions for Industrial Enterprises", "Environmental Protection Law of the PRC" and "Water Pollution Prevention and Control Law of the PRC". Such internal policy covers guidelines on usage of resources and energy, and disposal and recycling of waste. In 2019 and 2018, the Group was not aware of any material non-compliance with environmental regulations and laws.

REDUCTION OF POLLUTANTS, GREENHOUSE GASES AND SEWAGE DISCHARGED

The Group recognizes that efficiency in energy consumption will not only protect the environment but also reduce its operating cost. Therefore, the Group is continuously committed to promote the reduction of electricity, paper and water consumption during its regular operation, and to create a low carbon workplace. The Group also endeavours to raise its employees' awareness of climate problem and lack of natural resources, and encourages them to incorporate environmental concerns and resource-saving attitude into their lifestyle, which will have a wider and more positive impact. The Group strives to implement the "Green Planting Campaign" including plant setting and installation of "Green Knowledge" bulletin boards in our offices; and green procurement was implemented. Our employees were encouraged to participate in environmental protection activities such as waste separation and tree planting, in order to promote the importance of environmental conservation.

Energy-saving Measures

The following energy-saving measures were adopted in the Group's ongoing operations in supporting environmental protection.

In the GDC Building (the "Shenzhen Building") of the Group located in Nanshan District, Shenzhen, the PRC, only two elevators were in service at weekends while others were shut down. Air-conditioners of elevators were only operated during office hours in the summer and air-conditioners in the elevators machine room were only switched on automatically when the room temperature was too high. In the Shenzhen Building, except that sensor lights were installed in public corridors and the number of lamps installed was reduced, some old lighting have been gradually replaced by LED lighting since 2019 in order to reduce consumption of fuel for electricity generation, and old water valves in toilets and the drainage equipments of flushing toilets on each floor were replaced to improve energy efficiency. Moreover, turn-on hours of decorative lights of the Shenzhen Building and operating hours of the landscaped pool were adjusted to further reduce consumption of electricity. In response to the call of developing clean energy vigorously with an aim to reduce carbon emissions from the State, we currently have three new energy recharging facilities for vehicles in the car park of the Shenzhen Building.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

REDUCTION OF POLLUTANTS, GREENHOUSE GASES AND SEWAGE DISCHARGED *(Continued)*

Energy-saving Measures *(Continued)*

Offices at different locations were installed with LED lighting and energy saving lighting and the lighting systems of office areas were required to shut down during non-office hours. Temperature of air-conditioning of each office was pre-set at 25.5℃ and automatic power shutdown function of air-conditioners was applied during non-office hours. Energy-saving function of computer systems was utilised while optimising the rendering devices in central engine rooms and applying auto-shutdown or sleeping mode for servers when not in operation. During the year, the Group built a new system of server virtualization and integrated storage capacity with data transfer to reduce utilisation and shut down more than one physical server, thus achieving results in energy saving as indirect energy consumption of electricity usage was reduced. Besides, employees were encouraged to make good use of telephone or video conferences so as to reduce carbon emission from business trips.

Saving Papers

One of the goals of the Group in promoting environmental protection is to become a paperless office. The Group continues to advocate sending e-bills and e-notices to its tenants and staff to save papers. By implementing e-filing and e-approval instead of in paper form, applying double-sided printing and paper recycling, and adopting e-communication, the Group has reduced the use of papers and stationeries and hence, indirectly avoided emission of greenhouse gases in its operation process. The operational efficiency has been enhanced after applying e-approval procedure due to less onerous procedures among departments and improved environmental performance, comparing to traditional approval in paper form, and thus enhanced the benefits to the Group.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

REDUCTION OF POLLUTANTS, GREENHOUSE GASES AND SEWAGE DISCHARGED

(Continued)

The figures of 2019 and 2018 below cover the area of our offices in Hong Kong Headquarters and the Shenzhen Building:

Pollutants	**2019** ***g***	2018 *(adjusted)* *g*
Vehicle teams of the Group		
Nitrogen oxides	**4,719.85**	7,454.24
Sulfur dioxide	**108.54**	115.90
Particulates	**347.51**	548.84

Greenhouse Gases Emissions	**2019** ***tonne***	2018 *(adjusted)* *tonne*
Direct Emission (Scope 1)		
Vehicle teams of the Group	**19.99**	21.35
Refrigerants	**276.00**	267.38
Indirect Emission (Scope 2)		
Electricity	**1,184.29**	1,384.90
Indirect Emission (Scope 3)		
Paper consumption	**10.92**	13.60
Business travel *(Note 1)*	**41.93**	97.96
Total greenhouse gases emission saved from recycling papers	**(2.41)**	(1.85)
Total emission of greenhouse gases	**1,530.73**	1,783.34
Total emission of greenhouse gases per square metre of floor area *(tonne/m^2) (Note 2)*	**0.35**	0.23

Energy Consumption	**2019**	2018 *(adjusted)*
Direct energy consumption – Gasoline *(litre)*	**7,383.92**	7,884.56
Direct energy consumption per employee – Gasoline *(litre) (Note 3)*	**32.28**	28.80
Indirect energy consumption – Electricity *(KWh)*	**1,293,046.20**	1,511,823.00
Indirect energy consumption per employee – Electricity *(KWh)* *(Note 3)*	**5,652.66**	5,522.64

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

REDUCTION OF POLLUTANTS, GREENHOUSE GASES AND SEWAGE DISCHARGED *(Continued)*

Notes:

1 In 2019, the number of business travel was significantly reduced, which was accountable for the reduction of indirect emission. The calculation of such emission is based on the emission factor used in ClimateCare Carbon Emissions Calculator.

2 In 2019, the total floor area of self-use office decreased by 3,393.92 square metres.

3 In 2019, the number of employees used by the Group to calculate such energy consumption is the weighted average of the total number of employees at the end of each quarter, i.e. 229 persons (2018: 321 persons).

Waste Management

In 2019, the Group has continued to implement the "Provisions of Classification and Reduction of Domestic Waste" in the Shenzhen Building according to the "Measures of Administrating Classification and Reduction of Domestic Waste of Shenzhen" issued by the Shenzhen Urban Management Bureau. Waste separation bins were placed and harmless waste were properly recycled. Meanwhile, offices at various operating locations purchased eco-friendly stationeries and implemented measures including double-sided printing, recycling papers and toner cartridge recycling scheme. E-filing has been encouraged so as to reduce the consumption of papers and toners and thus reduce waste.

In 2019 and 2018, the Group has not used any packaging materials for its finished goods and has not produced any harmful waste.

	Hong Kong Headquarters		**The Shenzhen Building**	
Waste	**2019** ***tonne***	2018 *tonne*	**2019** ***tonne***	2018 *tonne*
Non-hazardous Waste				
Domestic waste	**1.00**	1.10	**7.50**	9.00
General office waste	**0.10**	0.12	**0.39**	0.75
Paper	**0.28**	0.04	**0.22**	0.34
Plastic	**0.01**	0.01	**0.06**	0.07
Wooden board	**0**	0	**0.05**	0.06
Glass	**0.01**	0.01	**0.06**	0.05

	2019	2018 *(adjusted)*
Total waste disposed to landfill per square metre of floor area *(tonne/m^2)(Note 1)*	**0.002**	0.001

Note:

1 In 2019, the total floor area of self-use office decreased by 3,393.92 square metres.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

REDUCTION OF POLLUTANTS, GREENHOUSE GASES AND SEWAGE DISCHARGED *(Continued)*

Water Usage Efficiency

In order to further enhance its water usage efficiency, the Group has installed automatic sensor faucets in the Shenzhen Building and substantially shortened the operating hours of its landscaped pool to save water. Further, the Group has also strengthened its checks for all the water valves and had regular overhauls in leak-proof water pipes of the Shenzhen Building to prevent the risk of leaking as well as continue to implement the above-mentioned water usage efficiency enhancement programme.

Water Consumption	**2019**	2018 *(adjusted)*
Total amount of water used *(m^3) (Note 1)*	**6,670.00**	6,793.00
Amount of water used per square metre *(m^3/m^2) (Note 2)*	**1.71**	0.93

Notes:

1 As the headquarters of the Group operates in a leased office building, both supply and disposal of water are controlled by the property management office of the landlord, which considers it is impracticable to provide separate meter to measure water supply and disposal for individual tenants. Hence, the water consumption of the Group's headquarters is not included in such figures.

2 In 2019, the total floor area of self-use office decreased by 3,393.92 square metres.

EMPLOYMENT AND LABOUR PRACTICES

The Group believes that employees are our momentum for innovation and also the keys to our operation and sustainable development, as well as our core competitive advantage. To maintain working team harmony and retain high-quality talent, we ensure all employees are treated with justice and fairness in terms of recruitment, opportunities of promotion and training, and remuneration and welfare, and are free from discrimination. Meanwhile, the Group is committed to providing a safe and healthy working environment and to safeguarding basic rights of employees proactively, ensuring our employees are healthy both physically and mentally, which in turn enhances their working efficiency.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

EMPLOYMENT AND LABOUR PRACTICES *(Continued)*

Employment and Labour Standards

The Group recognizes the importance of employment issues and safeguards basic rights of employees, and also prepares and implements strictly its "Staff Handbook" and "Management System of Human Resources" in accordance with the relevant employment laws and regulations, including "Labour Law of the PRC", "Labour Contract Law of the PRC" and "State Council Interim Measures on Workers' Retirement, Resignation", as well as "Mandatory Provident Fund Schemes Ordinance" and "Rules in relation to jurisdiction under Family Status Discrimination Ordinance" of Hong Kong. Specific rules of recruitment, attendance, remuneration, welfare and others are detailed in the Group's "Staff Handbook" and "Management System of Human Resources". The Group will strive for the best to review the related policies regularly based on the changes of policies and the feedback conducted during the previous year. In addition, the Group takes the health and welfare of its employees seriously, and provides medical welfare to all qualified employees, such as subsidies for body checkup, provision of medical insurance and personal accident insurance, in order to enhance the sense of belonging of the employees to the Group.

During open recruitment, the Group strictly complies with relevant laws and regulations of the Mainland China and Hong Kong, and implements in accordance with the "Provisions on the Prohibition of Using Child Labour" issued by the State Council of PRC, "Labour Law of the PRC" and "Employment Ordinance" of Hong Kong, including the requirement of asking applicants to show their original identity cards to verify their age. For the years 2019 and 2018, the Group was not aware of any material non-compliance with relevant labour laws and regulations, including hiring child labour or forced labour.

As at 31 December 2019, the Group (other than employees of the Cultural Park) has 223 employees (2018 *(adjusted)*: 247).

Gender and Age Distribution by Position

Position	No. of employees	Male	Female	Aged under 30	Aged 30 to 50	Aged 50 and above
Manager or above						
2019	**31**	**17**	**14**	**0**	**28**	**3**
2018 *(adjusted)*	30	18	12	0	26	4
General staff						
2019	**192**	**117**	**75**	**62**	**128**	**2**
2018 *(adjusted)*	217	154	63	126	90	1

Employee Turnover

	Male	Female	Aged under 30	Aged 30 to 50	Aged 50 and above
New employees					
2019	**23**	**13**	**26**	**9**	**1**
2018 *(adjusted)*	33	25	37	21	0
Employee turnover					
2019	**39**	**21**	**29**	**29**	**2**
2018 *(adjusted)*	95	50	61	82	2

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

EMPLOYMENT AND LABOUR PRACTICES *(Continued)*

Health and Safety

The Group strives to provide a safe and healthy workplace to its employees. We have established a policy or guideline of occupational health, in accordance with the "Law of the PRC on the Prevention and Control of Occupational Diseases", "Occupational Safety and Health Ordinance" of Hong Kong and other related laws. The Group has encouraged its employees to report to the administration department of the Group for any health and safety issues related to workplace that they are aware or concerned of, so that such risks will be mitigated or reduced by the Group. The Group and its employees work together to build a healthy and safe working environment. In 2019 and 2018, the Group was not aware of any material non-compliance of standards, rules and regulations related to occupational health and safety.

The Group has adopted the following occupational health and safety measures:

- Purchasing ergonomic design furniture, locating copy machines and fax machines in separate areas, and procuring lightings suitable for reading, to reduce the risk of health hazard for employees;

- Providing different occupational health trainings for employees of different positions (including drivers and security guards);

- Arranging regular inspections on fire equipment and safety facilities (including installing fire distinguishers) in the offices and replacement of expired fire distinguishers;

- In addition to providing security guards with torches, alarms and other safety equipment, and providing training courses for security guards to enhance their awareness of self-safety, 4 of the security guards received the certificates of fire facilities operator issued by a nationally recognized fire vocational training school during the year;

- Arranging regular overhauls for vehicles of the Company to ensure their proper functioning so as to safeguard the safety of drivers; and

- Organizing regular safety education seminars for tenants and employees and arranging fire trainings and drills.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

EMPLOYMENT AND LABOUR PRACTICES *(Continued)*

Occupational Injury Data

	Male		Female		Overall	
	2019	2018 *(adjusted)*	**2019**	2018 *(adjusted)*	**2019**	2018 *(adjusted)*
Number of staff involved in work-related fatalities	**0**	0	**0**	0	**0**	0
Lost days due to work-related accidents and occupational disease	**0**	0	**0**	0	**0**	0

The Group also pays attention to the employees' physical and mental health and actively encourages its employees to seek for a balance between work and life. The administration department of the Group organizes leisure and exercise activities for its employees regularly. A leisure area for its staff in the office of the Shenzhen Building was established, so that the staff from the creative department are able to find new inspiration at any time in the leisure area. Fitness and recreational facilities are also provided to allow its staff to lay down their jobs when necessary and take a break to "recharge" themselves before getting back to work.

Training and Development

We firmly believe that providing adequate training to our employees is critical to the growth of the Group. As a result, the Group has formulated the "Staff Training and Management Policy" to provide pre-employment or job-transfer professional training to new recruits and post-transfer staff to ensure their abilities to cope with their job duties. Furthermore, the Group has organized a number of on-job training courses and seminars on different subjects for employees to share information and improve their skills so as to help them mastering the updates of the industry and their skill-sets. In addition, the Group will provide financial assistance for employees attending external training in response to their career development needs.

In 2019, the Group organized four training courses and seminars on production staff expertise sharing, emotional management, and office health, involving more than 40 employees in each session.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

OPERATING PRACTICES

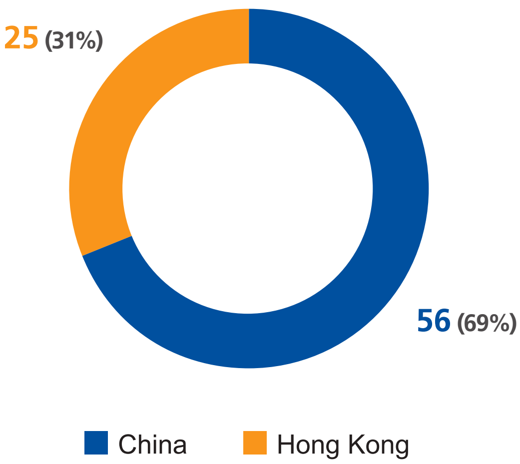
Supply Chain Management

The Group has formulated a sound and fair competitive procurement system, which determines the purchase of materials in the form of direct or price comparison based on the value of products or services. Suppliers are selected based on the quality and price of the products or services provided, in order to ensure that the products and services provided are of value for money, and at the same time, to reduce the possibility of fraud. In addition, suppliers are required to provide (if needed) legal certificates or licenses for the production and sales of products in order to ensure that the supply chain is safe, whether environmentally or otherwise.

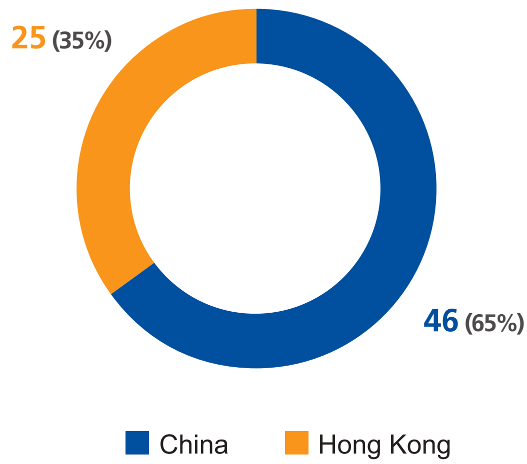
In order to avoid bias in the selection of suppliers, our administration department has compiled the "List of Appropriate Suppliers". This not only saves time and money in identifying suppliers and also ensures the quality of suppliers. At the same time, the Group carries out long-term quality monitoring and regular reviews against all its suppliers. If there is any significant changes in a supplier's qualification or serious quality problems arise, the Group will immediately stop purchasing products or services from that supplier.

In 2019, the Group had a total of 81 key suppliers (2018 *(adjusted)*: 71). For the years 2019 and 2018, the Group was not aware that any key suppliers had any significant negative impact on business ethic, environmental protection, human rights and labour practices.

Geographical Distribution of Key Suppliers in 2019



Geographical Distribution of Key Suppliers in 2018



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

OPERATING PRACTICES *(Continued)*

Product and Service Liability

As a company engaged in the cultural and creative industry, the Group recognizes the importance of putting effort to maintain and comply with intellectual property rights. Accordingly, the Group has formulated relevant internal measures and strictly implemented internal and external laws and regulations to prevent any inadvertent infringement of intellectual property rights of others in the process of creation and business operation. Furthermore, the Group applies for copyright registration for each original drama or film. In 2019 and 2018, the Group was not aware of any material non-compliance with relevant laws and regulations relating to its products.

The Group's property management division is constantly striving to provide tenants with high quality property management services by conducting regular surveys and visits to tenants to collect feedbacks to improve the property management solution. Regarding the complaints about products and services of the business, the Group has established procedures for handling complaints and has arranged dedicated staff to follow up on each individual case. In 2019 and 2018, as far as the Group is aware of, no significant complaints concerning the products or services have been received.

Protection of Stakeholders' Information and Privacy Policy

The Group exercises caution in its daily operations to safeguard stakeholders' personal data as well as uses and handles the stakeholders' personal data under the "Personal Data (Privacy) Ordinance" of Hong Kong accordingly, which includes setting up password as to the electronic document of stakeholders' data and the password will only be available to authorised employees. All of the stakeholders' personal data are only for commercial operation purposes of the Group and shall never be resold to any third parties. In addition, all employees have entered into a confidentiality agreement in order to regulate and limit the utilisation of the Company's data by employees, so as to further protect the personal data of the stakeholders.

ANTI-CORRUPTION

The Group strictly requires all Directors and employees to act based on ethical conducts, and prohibits all bribery, extortion, fraud and money laundering. In this respect, the Group has established the "Management System on Prevention from Commercial Bribery" and the "Whistleblowing Policy on Fraud" in accordance with the "Anti-unfair Competition Law" of the PRC and Anti-corruption Ordinance in Hong Kong to regulate and monitor the conduct and behaviour of employees of the Group in ordinary operations.

Upon discovery of any misconduct by any colleague or superior, an employee may inform the Group's internal audit manager or the Audit Committee directly through email in accordance with the "Whistleblowing Policy on Fraud", and each whistleblowing email is only available to the internal audit manager or the Audit Committee. Upon receipt of such whistleblowing email, the internal audit manager will immediately initiate an investigation according to the procedures and report the findings to the Managing Director and the Audit Committee. In addition, the internal audit department regularly conducts internal sampling reviews regarding daily operations of the business divisions to reduce the risk of bribery, extortion, fraud and money laundering. In 2019 and 2018, the Group did not identify any significant risks associated with bribery and corruption.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

OUR COMMUNITY

The Group always stays proactive in supporting the charitable constructions of the community where its operations are located, covering areas such as poverty alleviation, environmental education as well as culture and art. Our Group also encourages our employees to participate in all kinds of public welfare affairs and make contributions to the community.

In 2019, the Group organized many community activities, including the summer camping of "Free Hope" organized by Shenzhen Tongwei Charity Foundation, for the children from the poor mountain area of Shan-Gan-Gui-Chuan. The Group brought them a cultural and technological journey to open their dreams and free to hope, and received a letter of thanks from the foundation. The Group also arranged science and technology innovation experience activities with the theme of "Have an Appointment with Technology" for the children who participated in "Estort Small Migratory Birds Program in Summer Holiday" hosted by the Shenzhen Sunshine Angel Youth Growth and Development Center. In addition, through the combination of the Group's original program IP Shunliu, we organized number of public lectures on "Shunliu Teaches You How to Produce Animation" in primary and secondary schools in Shenzhen, to truly reproduce the production process of doing animation and to enhance the children's understanding of the production process of animation with the professional animation knowledge of our staff. In addition, the staff in the Hong Kong headquarter participated in "Love Teeth Day" co-organized by the Community Chest of Hong Kong, the Hong Kong Dental Association, and the Oral Health Education Division of Department of Health.

REPORT OF THE DIRECTORS

The Directors herein present their report and the audited consolidated financial statements of the Group for the year ended 31 December 2019.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its principal subsidiaries are set out in note 34 to the consolidated financial statements.

RESULTS

The results of the Group for the year ended 31 December 2019 and the state of affairs of the Group at that date are set out in the consolidated financial statements on pages 71 to 150 of this annual report.

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

BUSINESS REVIEW

The business review of the Group for the year ended 31 December 2019 are set out in the sections headed "CHAIRMAN'S STATEMENT" and "MANAGEMENT DISCUSSION AND ANALYSIS" on pages 9 to 10, and pages 11 to 17 respectively of this annual report. The discussion forms part of this report of the directors.

FIVE YEARS FINANCIAL SUMMARY

A summary of the published consolidated results and assets and liabilities of the Group for the last five financial years are set out on page 151 of this annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 16 to the consolidated financial statements.

INVESTMENT PROPERTIES

Details of movements in the investment properties of the Group during the year are set out in note 18 to the consolidated financial statements.

Particulars of the investment properties of the Group as at the end of the reporting period are set out on page 152 of this annual report.

REPORT OF THE DIRECTORS

SHARE CAPITAL

Details of movements in the Company's share capital during the year are set out in note 23 to the consolidated financial statements.

RESERVES

Details of movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity on page 75 of this annual report.

DIRECTORS

The Directors during the year were as follows:

Ms. Cheng Xiaoyu	
Mr. Wang Hongpeng	*(appointed on 31 December 2019)*
Mr. Xu Liang	
Mr. Xiao Yong	*(appointed on 24 June 2019)*
Mr. Chen Zheng#	
Mr. Kwong Che Keung, Gordon*	
Prof. Japhet Sebastian Law*	
Mr. Lam Yiu Kin*	
Mr. Zheng Xiaodong*	*(appointed on 24 June 2019)*
Mr. Jin Guo Ping	*(retired on 23 May 2019)*

Non-executive Director
* Independent Non-executive Director

In accordance with clause 87(2) of the Bye-laws, Mr. Xu Liang and Mr. Chen Zheng shall retire from office by rotation at the forthcoming annual general meeting of the Company and, being eligible, offer themselves for re-election. Mr. Kwong Che Keung, Gordon shall also retire from office by rotation at the forthcoming annual general meeting of the Company but shall not offer himself for re-election.

In accordance with clause 86(2) of the Bye-laws, Mr. Xiao Yong and Mr. Zheng Xiaodong, who were appointed as Directors effective from 24 June 2019, and Mr. Wang Hongpeng, who was appointed as Director effective from 31 December 2019, shall hold office until the forthcoming annual general meeting of the Company and, being eligible, offer themselves for re-election.

The Company has received from each of the Independent Non-executive Directors an annual confirmation of independence pursuant to Rule 5.09 of the GEM Listing Rules. The Company considers that all of the Independent Non-executive Directors are independent.

BIOGRAPHICAL DETAILS OF DIRECTORS

Biographical details of the Directors are set out in the section headed "BIOGRAPHICAL DETAILS OF DIRECTORS" on pages 5 to 8 of this annual report.

REPORT OF THE DIRECTORS

DIRECTORS' SERVICE CONTRACTS

Each of Ms. Cheng Xiaoyu and Mr. Xu Liang has entered into a service contract with the Company for a term of three years commencing from 1 January 2020. Mr. Wang Hongpeng has entered into a service contract with the Company for a term commencing on 31 December 2019 and ending on 31 December 2021. Mr. Xiao Yong has entered into a service contract with the Company for a term commencing on 24 June 2019 and ending on 31 December 2021.

Mr. Chen Zheng has entered into a letter of appointment with the Company for a term of one year commencing from 11 December 2019.

Each of Mr. Kwong Che Keung, Gordon and Prof. Japhet Sebastian Law has entered into a letter of appointment with the Company for a term of three years commencing from 1 January 2020. Mr. Lam Yiu Kin has entered into a letter of appointment with the Company for a term of three years commencing from 1 January 2018. Mr. Zheng Xiaodong has entered into a letter of appointment with the Company for a term commencing on 24 June 2019 and ending on 31 December 2021.

No Director proposed for re-election at the forthcoming annual general meeting of the Company has a service contract with the Company, which is not determinable by the Company within one year without payment of compensation other than statutory compensation.

EMOLUMENT POLICY

The emoluments of the Executive Directors are determined by the Remuneration Committee with delegated responsibility regarding their experience, duties, performance and the prevailing market conditions. The remuneration of the Non-executive Director and Independent Non-executive Directors are recommended by the Remuneration Committee and approved by the Board. No Directors are involved in deciding their own remuneration.

The Group offers competitive remuneration packages, including medical and retirement benefits, to eligible employees. Apart from a basic salary, the Executive Directors and employees are eligible to receive a discretionary bonus taking into account the factors such as market conditions as well as corporate and individual's performance during the year.

The Group has adopted a share option scheme as an incentive to the Directors and eligible employees, details of which are set out in "SHARE OPTION SCHEME" below and note 24 to the consolidated financial statements.

REPORT OF THE DIRECTORS

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2019, the interests and short positions of the Directors and chief executive of the Company or any of their respective associates in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules were as follows:

Long positions in the shares and underlying shares of the Company

Name of Director	Capacity in which interests are held	Number of shares/underlying shares held in the Company: Interests in shares	Interests under equity derivatives	Total interests	Approximate percentage of total issued share capital of the Company#
Mr. Chen Zheng	Beneficial owner	185,988,200	–	185,988,200	12.25%
Mr. Kwong Che Keung, Gordon	Beneficial owner	10,800,820	–	10,800,820	0.71%
Mr. Xiao Yong	Beneficial owner	380,000	–	380,000	0.03%

Based on the total issued shares of 1,517,721,540 of the Company as at 31 December 2019.

Save as disclosed above, as at 31 December 2019, none of the Directors, chief executives of the Company or their respective associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise, notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in "DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES" above, at no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the Directors or their respective spouse or children under 18 years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

No transactions, arrangements or contracts that is significant to which the Company or any of its subsidiaries was a party and in which a Director or its connect entity had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

REPORT OF THE DIRECTORS

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

During the year ended 31 December 2019, none of the Directors had an interest in a business (other than those businesses where the Director was appointed as a director to represent the interests of the Company and/or any member of the Group) which is considered to compete or is likely to compete, either directly or indirectly, with businesses of the Group.

EQUITY-LINKED AGREEMENTS

Save for the "SHARE OPTION SCHEME" disclosed below, no equity-linked agreements was entered into by the Group, or existed during the year ended 31 December 2019.

PERMITTED INDEMNITY PROVISION

As permitted by the Bye-laws, every director shall be entitled to be indemnified out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which he/she may sustain or incur or sustain in or about the execution of the duties of his/her office or otherwise in relation thereto, and no Director shall be liable for any loss, damages or misfortune which may happen to or be incurred by the Company in the execution of the duties of his/her office or in relation thereto, provided that this indemnity shall not extend to any matter in respect of any fraud or dishonesty.

There is appropriate directors' and officers' liability insurance coverage for the Directors and officers of the Group.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2019, the following persons or corporations, other than the Directors or chief executives of the Company as disclosed above, had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO:

Long positions in the shares of the Company

Name of shareholder	Capacity in which interests are held	Number of shares held in the Company	Approximate percentage of total issued share capital of the Company#
Shougang Group Co., Ltd. ("Shougang Group")	Interests of controlled corporations	619,168,023 *(Note)*	40.80%
Shougang Holding (Hong Kong) Limited ("Shougang Holding")	Interests of controlled corporations	619,168,023 *(Note)*	40.80%
Upper Nice Assets Ltd. ("Upper Nice")	Beneficial owner	619,168,023 *(Note)*	40.80%

Based on the total issued shares of 1,517,721,540 of the Company as at 31 December 2019.

Note: Upper Nice is a wholly-owned subsidiary of Shougang Holding which is in turn wholly-owned by Shougang Group. Accordingly, all these corporations are deemed to be interested in the share capital of the Company which Upper Nice is interested under the SFO.

REPORT OF THE DIRECTORS

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES *(Continued)*

Save as disclosed above, as at 31 December 2019, the Company has not been notified of any other person or corporations (other than the Directors and chief executives of the Company) who had an interest or short position in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the best of the knowledge of the Directors, there is a sufficiency of public float of the Company's securities as required under the GEM Listing Rules as at the date of this annual report.

SHARE OPTION SCHEME

The Shareholders adopted a share option scheme at the annual general meeting on 18 June 2013 (the "2013 Share Option Scheme"), which complies with the requirements of Chapter 23 of the GEM Listing Rules. No share option has been granted under the 2013 Share Option Scheme since its adoption. The 2013 Share Option Scheme is valid and effective for a period of 10 years.

The purpose of the 2013 Share Option Scheme was to motivate Eligible Persons *(Note 1)* to optimise their future contributions to the Group and/or to reward them for their past contributions, to attract and retain or otherwise maintain on-going relationships with such Eligible Persons who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of the Group, and additionally in the case of any proposed employee or a person for the time being seconded to work full-time or part-time for any member of the Group ("Executive"), to enable the Group to attract and retain individuals with experience and ability and/or to reward them for their past contributions.

The total number of shares available for issue under the 2013 Share Option Scheme is 151,825,554, representing approximately 10% of the Company's total issued share capital as at the date of this annual report. Unless approved by Shareholders, the total number of shares issued and to be issued upon exercise of the share options granted to each Eligible Person (including exercised, cancelled and outstanding options) in any 12-month period must not exceed 1% of the total share capital of the Company in issue.

REPORT OF THE DIRECTORS

SHARE OPTION SCHEME *(Continued)*

A grant of an option can be made at any time as specified by the Board, so long as such grant is made within 10 years from the effective date of 2013 Share Option Scheme, being 18 June 2013. Once an offer of the grant of an option is made, a period of no more than 28 days will be given to accept such offer. On or before acceptance of the offer, HK$1 is to be paid as consideration to the Company.

The exercise price shall be determined by the Board which shall not be less than whichever is the highest of: (i) the nominal value of a share of the Company; (ii) the closing price of the shares of the Company as stated in the Stock Exchange's daily quotation sheet on the date of offer of share options; and (iii) the average closing price of the shares of the Company as stated in the Stock Exchange's daily quotation sheet for the five business days immediately preceding the date of offer of share options. The Board also has the absolute discretion to determine the minimum period an option must be held before it can be exercised.

Note:

1 Pursuant to the terms of the 2013 Share Option Scheme, Eligible Persons means "an Executive; a director or proposed director (including an independent non-executive director) of any member of the Group; a direct or indirect shareholder of any member of the Group; a supplier of goods or services to any member of the Group; a customer, consultant, business or joint venture partner, franchisee, contractor, agent or representative of any member of the Group; a person or entity that provides design, research, development or other support or any advisory, consultancy, professional or other services to any member of the Group; and an associate of any of the foregoing persons."

No share option was granted since its adoption according to the 2013 Share Option Scheme. As at the date of this annual report, the remaining life of the 2013 Share Option Scheme is approximately 3 years and 3 months.

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	Lowest price paid per share	Aggregate consideration paid
		HK$	*HK$*	*HK$*
December 2019	622,000	0.150	0.108	75,396

During the year, 534,000 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.

REPORT OF THE DIRECTORS

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES *(Continued)*

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 2019.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Bye-laws or the laws in Bermuda which would oblige the Company to offer new shares on a pro-rata basis to the existing Shareholders.

DISTRIBUTABLE RESERVES

As at 31 December 2019, the Company did not have any reserves available for distribution.

THE GROUP'S PRINCIPAL RISKS AND UNCERTAINTIES

Financial risk

As the Group mainly operates in the PRC, the Group would be subject to the adverse impact on its financial position caused by the instability of RMB exchange rate and the weak economy in the PRC.

Intellectual Property Risk

The trademark of the Group is one of the Group's intangible assets. In case of infringement, the Group may engage in lawsuits, defend for a case and incur legal costs. In light of this, the Group has fully leveraged on legal protection through registration of its trademarks. In addition, the copyright of the original work projects of the Group's CG creation and production division and the computer software developed by the Group are the Group's important assets. To prevent impairment of the Group's reputation and financial losses caused by unauthorised use of the original work projects and the computer software without the Group's consent, the division has established copyright management system for copyright management, which includes the application as the original author for original work projects and the computer software through registration of works, with the aim of protecting the Group's assets to the full extent under the laws.

Details of the other key risks of the Group are set out in the section headed "CORPORATE GOVERNANCE REPORT" of this annual report.

REPORT OF THE DIRECTORS

UPDATE ON LITIGATIONS

On 16 March 2018, Guangdong GDC received a civil judgment (the "Higher Court Civil Judgment") from the Higher People's Court of Guangdong Province of the PRC（中國廣東省高級人民法院）(the "Guangdong Higher People's Court"), which rejected the appeal lodged in November 2016 and upheld the original decision. Details of the litigations are set out in announcements of the Company dated 12 April 2016, 21 October 2016, 16 December 2016 and 20 March 2018.

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

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

REPORT OF THE DIRECTORS

UPDATE ON LITIGATIONS *(Continued)*

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

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

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

Notwithstanding any of the above decisions, the Board would like to emphasize that it did not represent the Group's intention to give up any of its rights and legitimate interests in the Pearl River Film Cultural Park. Guangdong GDC remains committed to continuing the negotiation with Pearl River Film Production and finalizing the operating terms of Phase I of the Pearl River Film Cultural Park or reasonable investment compensation in order to protect its rights and legitimate interests in the Pearl River Film Cultural Park. For the year ended 31 December 2019, Guangdong GDC received rental income and management services fees of HK$38,431,000 related to discontinued operations which were fully provided as accrued rental. In addition, the interest expenses of HK$6,505,000 in relation to the accrued rental for Phase I of the Pearl River Film Cultural Park were provided for the year ended 31 December 2019. As at 31 December 2019, the Group has provided for the accrued rental and settlement payables amounted to HK$170,208,000 (31 December 2018: HK$128,800,000).

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

REPORT OF THE DIRECTORS

UPDATE ON LITIGATIONS *(Continued)*

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

In April 2019, Guangdong GDC and Gaoshang Property Management were informed by the People's Court of Haizhu District that in relation to the legal proceedings under Summons III, the court had granted an order to preserve the bank account of each of Guangdong GDC and Gaoshang Property Management, respectively, based on the application by Pearl River Film Production. Such bank accounts were used by the respective companies for cash receipts and payments in relation to the Pearl River Film Cultural Park and the aggregate deposits in the two bank accounts amounted to HK$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 2018 Incident. The People's Court of Haizhu District issued the Notice of Case Acceptance on 5 July 2019 and granted an order on 31 July 2019 to freeze the bank deposits of Pearl River Film Production in the amount of RMB10,000,000.

On 31 December 2019, a civil judgment（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 report, each of Guangdong GDC and Pearl River Film Production has lodged appeal with the Guangdong Higher People's Court in respect of Summons II's judgment and was waiting for the notice on trial date from the court; 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.

REPORT OF THE DIRECTORS

COMPLIANCE WITH LAWS AND REGULATIONS

Save as disclosed in the section headed "CORPORATE GOVERNANCE REPORT" of this annual report, the Group has complied with the relevant laws and regulations that have a significant impact on the operations of the Group during the year ended 31 December 2019.

ENVIRONMENTAL PROTECTION

The Group strives to conduct business in an environmentally responsible manner. The Group has internal guidelines on energy conservation and emission reduction so as to minimize the impact on the environment and natural resources during its operation. Details of the Group's environmental protection measures and policies are set out in the section headed "ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT" of this annual report.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for approximately 49% of the revenue for the year and the largest customer included therein amounted to approximately 16%. Purchases from the Group's five largest suppliers accounted for approximately 5% of the cost of sales for the year and the largest supplier included therein amounted to approximately 12%. Save as disclosed above, none of the Directors or any of their associates or any shareholders (which, to the best of the knowledge of the Directors, owns more than 5% of the Company's total share capital) had any beneficial interest in the Group's five largest customers and suppliers.

RELATION WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Group's success also depends on the support from key stakeholders which comprise employees, customers and suppliers.

Employees

Employees are regarded as the most important and valuable assets of the Group. The objective of the Group's human resource management is to reward and recognise performing staff by providing a competitive remuneration package and implementing a sound performance appraisal system with appropriate incentives, and to promote career development and progression by appropriate training and providing opportunities within the Group for career advancement.

Customers

The CG creation and production division of the Group has established good relationship with domestic and overseas clients over the years. The division has maintained close communication with clients and shared views with existing and potential clients through participation in industry events in order to have a better understanding of the clients' and the animated film industry's requirements for the latest technology of animation production and its development trend. This also facilitates the research and development of computer-aided animation software of the Group that caters to the market demands and contributes to the provision of quality and personalized production services to clients, which in turn helps build up a long-term relationship with clients.

In respect of the leasing business, the Group, dedicated to improving the quality of property management services, collects information through various channels, including regularly visiting tenants, conducting annual survey on management services and gatherings at leisure time with a view to gaining a better understanding of the tenants' general opinions on the services provided by the Group.

REPORT OF THE DIRECTORS

RELATION WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS *(Continued)*

Suppliers

The Group carefully selects its suppliers and requires them to satisfy certain assessment criteria including track record, experience, financial strength, reputation, ability to produce high-quality products and quality control effectiveness. Sound relationships with key service vendors of the Group are important in supply chain, properties management and meeting business challenges and regulatory requirements, which can derive cost effectiveness and foster long-term business benefits. The key service vendors comprise external consultants which provide professional services and suppliers of office goods/merchandise.

EVENTS AFTER THE REPORTING PERIOD

Details of significant events occurring after the reporting period are set out in note 36 to the consolidated financial statements.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group was entered into or existed during the year ended 31 December 2019.

RELATED PARTY TRANSACTIONS

Details of related party transactions, which were exempt from any disclosure and shareholders' approval requirements or do not constitute connected or continuing connected transactions under Chapter 20 of the GEM Listing Rules, are set out in note 34 to the consolidated financial statements.

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 Independent Auditor's Report of this annual report 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.

REPORT OF THE DIRECTORS

AUDITOR

Deloitte Touche Tohmatsu resigned as the auditor of the Company and PricewaterhouseCoopers has been appointed as the auditor of the Company to fill the casual vacancy following the resignation of Deloitte Touche Tohmatsu, both with effect from 12 December 2019. Save as disclosed above, there was no change in the auditor of the Company in the preceding three years.

The consolidated financial statements for the year ended 31 December 2019 have been audited by PricewaterhouseCoopers, who will retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting. A resolution will be submitted to the forthcoming annual general meeting to re-appoint PricewaterhouseCoopers as the auditor of the Company.

CHANGES IN DIRECTORS' INFORMATION

Pursuant to Rule 17.50A(1) of the GEM Listing Rules, the changes in information of Directors subsequent to the date of the Company's interim report 2019 are as follows:

1. Ms. Cheng Xiaoyu, the Chairman of the Board, resigned as the Managing Director of the Company with effect from 31 December 2019 but remained as the Chairman of each of the Board, the Executive Committee and the Nomination Committee and the Vice Chairman of the Remuneration Committee.

2. Mr. Wang Hongpeng was appointed as an Executive Director, the Managing Director and a member of the Executive Committee with effect from 31 December 2019.

3. Mr. Chen Zheng, the Deputy Chairman and Non-executive Director of the Company, was appointed as an independent non-executive director of Jiu Rong Holdings Limited.

4. Mr. Kwong Che Keung, Gordon, an Independent Non-executive Director of the Company, retired from being an independent non-executive director of OP Financial Limited.

5. Mr. Lam Yiu Kin, an Independent Non-executive Director of the Company, was appointed as an independent non-executive director of Topsports International Holdings Limited.

By Order of the Board

Cheng Xiaoyu
Chairman

Hong Kong, 27 March 2020

INDEPENDENT AUDITOR'S REPORT

pwc

羅兵咸永道

To the Shareholders of Global Digital Creations Holdings Limited
(incorporated in Bermuda with limited liability)

Qualified Opinion

What we have audited

The consolidated financial statements of Global Digital Creations Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 71 to 150, which comprise:

- the consolidated statement of financial position as at 31 December 2019;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

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.

INDEPENDENT AUDITOR'S REPORT

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.

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

INDEPENDENT AUDITOR'S REPORT

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter(s) described in the Basis for Qualified Opinion section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matters identified in our audit are summarised as follows:

* Valuation of investment property located in China

* Provision for rental and settlement payables in relation to a commercial dispute and litigation

Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation of investment property located in China	
Refer to Note 18 (Investment property) to the consolidated financial statements. As at 31 December 2019, the fair value of the Group's investment property located in Shenzhen, China ("Property") amounted to HK$229.9 million. Management has engaged an independent external valuation expert to assess the fair value of the Property. The valuation requires the use of judgment in determining the relevant methodologies and key assumptions used including market rent and yield rate used in the valuation model. We focused on this area due to the financial significance of the Property to the Group and the judgement and estimates involved in assessing the fair value of the Property.	Our procedures in relation to assessing management's valuation of the Property include the following: • Evaluated the competency, capabilities and objectivity of the external valuation expert. • With the involvement of our internal valuation experts, discussed with the external valuation expert and assessed the methodology and the key assumptions used in estimating the fair value of the Property. • Assessed the appropriateness and reasonableness of the key assumptions by making reference to comparable market evidences on property prices and market rental rates, and taking into account the contractual terms and conditions, location and other individual factors. Based on the procedures performed above, we found the judgement and estimates made by management in determining the fair value of the Property to be supportable by available evidence.

INDEPENDENT AUDITOR'S REPORT

Key Audit Matter	How our audit addressed the Key Audit Matter
Provision for rental and settlement payables in relation to a commercial dispute and litigation	
Refer to Note 27 (Provision for rental and settlement payables) to the consolidated financial statements. Refer to Note 4(a) Critical accounting estimates and judgements – Estimation of provision for rental and settlement payables. As at 31 December 2019, the Group recorded a provision for rental and settlement payables amounting to HK$170.2 million in relation to a commercial dispute and litigation with 珠江電影製片有限公司 ("Pearl River Film Production") in respect of the cultural, entertainment and related commercial property investment ("Cultural Park") operation of the Group. Management engaged an independent external lawyer to assist in assessing the magnitude and likelihood of occurrence for the possible outcomes of the litigation as of 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 arising from occupying 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$170.2 million and HK$128.8 million is required as at 31 December 2019 and 1 January 2019, respectively based on their best estimate.	Our procedures in relation to assessing the provision of rental and settlement payables as at 1 January 2019 and 31 December 2019 include the following: • Understood and evaluated the background, status and potential exposures in respect of the litigation by enquiring with management and the lawyer. • Discussed with management and examined major agreements entered into between the Group and Pearl River Film Production in relation to the Cultural Park and all relevant legal documents in respect of the litigation. • Discussed with management to understand and evaluate management's basis and rationale in arriving at the best estimate for the provision for rental and settlement payables as at 1 January 2019 and 31 December 2019, based on the relevant information available at the relevant stage of the litigation, including court decisions and related legal correspondence, and the latest development of the legal proceeding. • Evaluated the competency, capabilities and objectivity of the independent external lawyer and valuer. • Discussed with the external lawyer and obtained the legal opinion from them for which management relied on in identifying the magnitude and likelihood of occurrence for the possible outcomes.

INDEPENDENT AUDITOR'S REPORT

Key Audit Matter	How our audit addressed the Key Audit Matter
Estimating the provision for rental and settlement payables in relation to the litigation requires significant judgements and estimates in assessing the magnitude and likelihood of the possible outcomes based on advice obtained from legal advisors; evaluating the results with reference to the fair value of the economic benefits arising from occupying the Cultural Park during the periods in dispute; and using appropriate methodologies and key assumptions to determine such fair value during the periods in dispute, including market rental rates and vacancy rates. We focused on this area due to the financial significance of the provision for rental and settlement payables and the judgement and estimates involved in assessing the provision.	• With the involvement of our internal valuation experts, discussed with the external valuation expert and assessed the methodologies and key assumptions used in estimating the fair value of the economic benefits arising from occupying the Cultural Park during the periods in dispute, including market rental rates and vacancy rates, by comparing to publicly available market data or documents provided by management such as rental agreements. • Tested, on a sample basis, the key data input in management's calculation of the provision for rental and settlement payables, including agreeing the rental amounts and rental periods to the relevant rental agreements; and comparing the interest rates adopted by management to the People's Bank of China's basic borrowing rate. • Assessed whether the consolidated financial statements have adequately disclosed the details of the litigation. Based on the procedures performed above, we found the judgement and estimates made by management in determining the provision for rental and settlement payables as of 1 January 2019 and 31 December 2019 to be supportable by available evidence.

INDEPENDENT AUDITOR'S REPORT

Other Information

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors and the Audit Committee for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

INDEPENDENT AUDITOR'S REPORT

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

INDEPENDENT AUDITOR'S REPORT

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Ng Ka Ho.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 27 March 2020

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019

	NOTE	2019 HK$'000	2018 HK$'000
Continuing operations			
Revenue	5	**96,771**	107,642
Cost of sales	8	**(48,225)**	(70,404)
Gross profit		**48,546**	37,238
Other income	6	**23,131**	29,252
Distribution and selling expenses	8	**(9,648)**	(4,552)
Administrative expenses	8	**(35,406)**	(41,285)
Provision for impairment of financial assets and contract assets		**(1,405)**	(71)
Other (losses)/gains, net	7	**(935)**	422
Operating profit		**24,283**	21,004
Finance cost	11	**(135)**	–
Profit before income tax		**24,148**	21,004
Income tax expense	12	**(3,460)**	(11,320)
Profit for the year from continuing operations		**20,688**	9,684
Discontinued operations			
Loss for the year	15	**(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)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019

	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:	13		
Basic and diluted earnings/(loss) per share			
– Continuing operations		**1.37**	0.63
– Discontinued operations		**(0.73)**	(20.42)
		0.64	(19.79)

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	NOTE	2019 HK$'000	2018 HK$'000
Non-current assets			
Property, plant and equipment	16	**4,771**	5,831
Right-of-use assets	17	**2,136**	–
Investment property	18	**229,922**	236,237
Interest in an associate	19	**–**	–
Movies and television programmes rights	20	**6,522**	–
Productions work in progress	20	**8,763**	–
		252,114	242,068
Current assets			
Contract assets	5	**5,547**	–
Productions work in progress	20	**–**	5,207
Trade receivables	21	**7,778**	8,631
Deposits, prepayments and other receivables	21	**3,069**	4,058
Amount due from an associate	34	**–**	1,185
Restricted bank deposit	22	**34,802**	–
Cash and cash equivalents	22	**270,251**	273,133
		321,447	292,214
Total assets		**573,561**	534,282
EQUITY			
Equity attributable to owners of the Company			
Share capital	23	**15,177**	15,183
Retained earnings		**76,461**	68,228
Other reserves	25	**342,671**	351,010
		434,309	434,421
Non-controlling interests		**(125,578)**	(123,586)
Total equity		**308,731**	310,835

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	NOTE	2019 HK$'000	2018 HK$'000
LIABILITIES			
Non-current liabilities			
Lease liabilities	17	**432**	–
Deferred government grants	28	**692**	–
Deferred tax liabilities	29	**19,467**	16,317
		20,591	16,317
Current liabilities			
Trade payables	26	**40**	3
Accruals and other payables	26	**62,452**	58,033
Provision for rental and settlement payables	27	**170,208**	128,800
Contract liabilities	5	**1,085**	5,295
Deferred government grants	28	**817**	2,521
Lease liabilities	17	**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

The consolidated financial statements on pages 71 to 150 were approved by the Board of Directors on 27 March 2020 and were signed on its behalf.

Cheng Xiaoyu
Director

Wang Hongpeng
Director

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	Attributable to owners of the Company					
	Share capital HK$'000	**Other reserves** HK$'000 (Note 25)	**Retained earnings** HK$'000	**Sub-total** HK$'000	**Non-controlling interests** HK$'000	**Total** HK$'000
Balance at 1 January 2018	15,183	343,088	492,402	850,673	25,082	875,755
Comprehensive loss						
Loss for the year	–	–	(300,541)	(300,541)	(145,996)	(446,537)
Other comprehensive income/(loss)						
Currency translation differences	–	(40,038)	–	(40,038)	(2,672)	(42,710)
Gain on revaluation upon transfer from property, plant and equipment and prepaid lease payments to investment property	–	61,049	–	61,049	–	61,049
Deferred tax on revaluation upon transfer from property, plant and equipment and prepaid lease payments to investment property	–	(15,262)	–	(15,262)	–	(15,262)
Other comprehensive income/(loss) for the year	–	5,749	–	5,749	(2,672)	3,077
Total comprehensive income/(loss) for the year	–	5,749	(300,541)	(294,792)	(148,668)	(443,460)
Transactions with owner						
Dividends paid *(Note 14)*	–	–	(121,460)	(121,460)	–	(121,460)
Transfer to statutory reserve	–	2,173	(2,173)	–	–	–
Total transactions with owner	–	2,173	(123,633)	(121,460)	–	(121,460)
Balance at 31 December 2018	15,183	351,010	68,228	434,421	(123,586)	310,835
Balance at 1 January 2019	15,183	351,010	68,228	434,421	(123,586)	310,835
Comprehensive income/(loss)						
Profit/(loss) for the year	–	–	9,718	9,718	(5,288)	4,430
Other comprehensive (loss)/income						
Currency translation differences	–	(9,010)	–	(9,010)	2,666	(6,344)
Other comprehensive (loss)/income for the year	–	(9,010)	–	(9,010)	2,666	(6,344)
Total comprehensive (loss)/income for the year	–	(9,010)	9,718	708	(2,622)	(1,914)
Transactions with owner						
Acquisition of non-controlling interest in a PRC subsidiary	–	(744)	–	(744)	630	(114)
Repurchase of treasury shares	–	(76)	–	(76)	–	(76)
Cancellation of treasury shares	(6)	6	–	–	–	–
Transfer to statutory reserve	–	1,485	(1,485)	–	–	–
Total transactions with owner	(6)	671	(1,485)	(820)	630	(190)
Balance at 31 December 2019	15,177	342,671	76,461	434,309	(125,578)	308,731

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	NOTE	**2019 HK$'000**	2018 HK$'000
Cash flows from operating activities			
Cash generated from operations	31(a)	**27,376**	123,754
Income tax paid		**(4,438)**	(8,376)
Interest paid		**(135)**	–
Net cash inflow from operating activities		**22,803**	115,378
Cash flows from investing activities			
Redemption of structured deposits		**942,826**	997,523
Interest received		**6,981**	8,293
Additions on productions work in progress		**(22,780)**	(7,613)
Purchase of structured deposits		**(942,826)**	(995,863)
Purchase of property, plant and equipment	16	**(3,125)**	(3,142)
Proceeds from disposal of property, plant and equipment	31(b)	**216**	–
Repayment from/(advance to) an associate		**241**	(249)
Net cash outflow from investing activities		**(18,467)**	(1,051)
Cash flow from financing activities			
Capital element on lease liabilities	31(c)	**(1,629)**	–
Repurchase of treasury shares	23	**(76)**	–
Acquisition of additional interest in a PRC subsidiary	25	**(114)**	–
Dividends paid		**–**	(121,460)
Net cash used in financing activities		**(1,819)**	(121,460)
Net increase/(decrease) in cash and cash equivalents		**2,517**	(7,133)
Cash and cash equivalents at the beginning of the year	22	**273,133**	294,687
Effect of foreign exchange rate changes on cash and cash equivalents		**(5,399)**	(14,421)
Cash and cash equivalents at end of the year	22	**270,251**	273,133

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

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 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This note provided a list of the significant accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated. The consolidated financial statements are for the Group consisting of Global Digital Creations Holdings Limited and its subsidiaries.

2.1 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. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 Basis of preparation *(Continued)*

(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 2.2. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.2 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 2.1 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. The new accounting policies are disclosed in Note 2.24.

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*.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.2 Changes in accounting policies *(Continued)*

(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 carry 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.3 Principles of consolidation and equity accounting

(a) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity where the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group (refer to Note 2.4).

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of financial position respectively.

(b) Associates

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting (see (c) below), after initially being recognised at cost.

(c) Equity method

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates are recognised as a reduction in the carrying amount of the investment.

Where the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.3 Principles of consolidation and equity accounting *(Continued)*

(c) Equity method (Continued)

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity-accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in Note 2.10.

(d) Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of Company.

When the Group ceases to consolidate or equity account for an investment because of a loss of control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.4 Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the:

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.5 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.6 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Executive Directors of the Company who makes strategic decisions.

2.7 Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The functional currency of the Company's subsidiaries operating in the The People's Republic of China (the "PRC", for the purpose of this report shall exclude Hong Kong, the Macao Special Administrative Region of the People's Republic of China and Taiwan) is Chinese Renminbi ("RMB"). The Company functional currency is RMB, while the consolidated financial statements are presented in Hong Kong dollar ("HK$").

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

All foreign exchange gains and losses are presented in the consolidated statement of comprehensive income on a net basis within "other (losses)/gains, net".

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.7 Foreign currency translation *(Continued)*

(ii) Transactions and balances (Continued)

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as fair value through other comprehensive income are recognised in other comprehensive income.

(iii) Group companies

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position

- income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and

- all resulting exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

2.8 Property, plant and equipment

All property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.8 Property, plant and equipment *(Continued)*

Depreciation is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives or, in the case of leasehold improvements and certain leased plant and equipment, the shorter lease term as follows:

Buildings	50 years
Leasehold improvements	Over the shorter of terms of the lease or 10 years
Equipment, furniture and fixtures	5 years
Computer equipment	3 years
Motor vehicles	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.10).

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognised within "other (losses)/gains, net" in the consolidated statement of comprehensive income.

2.9 Investment properties

Investment properties, principally comprising buildings, are held for long-term rental yields and are not occupied by the Group. Investment property is initially measured at cost, including related transaction costs and where applicable borrowing costs. Subsequently, they are carried at fair value. Changes in fair values are presented in profit or loss as part of other (losses)/gains, net.

2.10 Impairment of non-financial assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.11 Discontinued operation

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the consolidated statement of comprehensive income.

2.12 Financial assets

(i) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income ("OCI") or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income ("FVOCI").

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the group has transferred substantially all the risks and rewards of ownership.

(iii) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.12 Financial assets *(Continued)*

(iii) Measurement (Continued)

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset.

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in "Other (losses)/gains, net" together with foreign exchange gains and losses. Impairment losses are presented as a separate line item in the consolidated statement of comprehensive income.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in "Other (losses)/gains, net" in the consolidated statement of comprehensive income as applicable.

(iv) Impairment

The Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see Note 21 for further details.

2.13 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the consolidated statement of financial position where the Group currently has a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The Group has also entered into arrangements that do not meet the criteria for offsetting but still allow for the related amounts to be set off in certain circumstances, such as bankruptcy or the termination of a contract.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.14 Movies and TV programmes rights and productions work in progress

Productions work in progress

Productions work in progress are carried at cost, less accumulated impairment loss. Cost includes all direct costs associated with the production of movies and TV programme. Productions work in progress are transferred to "Movies and TV programmes rights" upon obtained movie release permit licenses.

Movies and TV programmes rights

Movies and TV programmes rights are carried at cost, less accumulated amortisation and accumulated impairment losses, if any. Amortisation for these movies and TV programmes rights is charged to profit or loss on the straight-line basis over the expected useful life.

2.15 Trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 30 days and therefore all classified as current.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. Further information about the Group's accounting for trade receivables are set out in Note 21 and the description of the Group's impairment policies is set out in Note 3.1(b).

2.16 Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

2.17 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any Group company purchases the Company's equity instruments, for example as the result of a share buy-back plan, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the owners of the Company as treasury shares until the shares are cancelled or reissued.

2.18 Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 60 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.19 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company and its subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

The deferred tax liability in relation to investment property that is measured at fair value is determined assuming the property will be recovered entirely through sale.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.20 Employee benefits

Short-term employee benefits are recognition at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leaves) after deducting any amount already paid.

Pension obligation

The Group operates various defined contribution plans for its employees in Hong Kong and the PRC. A defined contribution plan is a pension plan under which the Group pays fixed contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

In addition, pursuant to the relevant regulations of the PRC government, the subsidiaries in the PRC participate in local municipal government retirement benefits schemes (the "Schemes"), whereby the subsidiaries in the PRC are required to contribute a certain percentage of the basic salaries of its employees to the Schemes to fund their retirement benefits. The local municipal governments undertake to assume the retirement benefits obligations of those employees of the subsidiaries in the PRC. Contributions under the Schemes are charged to the consolidated income statement as incurred.

2.21 Provisions

Provisions for legal claims, service warranties and make good obligations are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.22 Revenue recognition

The Group recognises revenue when goods and services are provided to the customer. Depending on the terms of the contract and the applicable laws, goods and services may be provided over time or at a point in time. Goods and services are provided over time if the Group's performance:

– provides all of the benefits received and consumed simultaneously by the customer;

– creates and enhances an asset that the customer controls as the Group performs; or

– does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If good and service transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains the goods and services.

The progress towards complete satisfaction of the performance obligation is measured based on one of the following methods that best depict the Group's performance in satisfying the performance obligation:

– direct measurements of the value transferred by the Group to the customer; or

– the Group's efforts or inputs to the satisfaction of the performance obligation.

Revenue is measured at the fair value of the consideration received or receivable. When determining the transaction price to be allocated for different performance obligations, the Group first determines the fees that the Group entitles in the contract period and adjusts the transaction price for variable considerations.

The Group includes in the transaction price some or all of an amount of variable considerations only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

(a) Revenue from CG creation and production

The Group provides CG creation and production services under contracts with customers. Under the terms of the contracts, the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date. Revenue from CG creation and production is therefore recognised over time based on the stage of completion of the contract using input method.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.22 Revenue recognition *(Continued)*

(a) Revenue from CG creation and production (Continued)

The Group's CG creation and production contracts include payment schedules which require stage payments over the service period once certain specified milestones are reached. The Group requires certain customers to provide upfront deposits ranging from 10% to 30% of total contract sum. When the Group receives a deposit before service commences, this will give rise to contract liability at the start of a contract, until the revenue recognised on the specific contract exceeds the amount of the deposit.

(b) Revenue from television series and movies

Revenue from television series or movies is recognised at a point in time when the customer obtains the control of the television series and movies and the Group has present right to payment and collection of the consideration is probable. The normal credit term is 30 to 60 days upon delivery. Such revenue includes licensing income from TV series and movies and box office receipts.

Licensing income of TV series and movies to customers such as online platform is recognised at the beginning of the periods during which the customers are able to use and benefit from TV series and movies.

Box office receipts are variable licensing fees and calculated based on a predetermined percentage of the proceeds received by the customers, which are recognised as revenue on a net basis when the sales occurs.

(c) Patent fee income

Patent fee income relates to granting licensees the right to use trademarks created, developed and owned by the Group in different categories of licensees' products, including license for use on consumer products. The revenue from the provision of licensing services includes the minimum guarantee and excess royalties. The minimum guarantee is recognised over the licensing period on straight-line basis and excess royalties are recognised as revenue when cumulative royalties exceed the minimum guarantee.

(d) Management service fee

The Group provides property management services to tenants. Income is recognised over the contract period when the relevant services are provided by the Group and the tenants simultaneously receive and consume the benefits provided by the Group's performance. The Group typically receives one month management service fee in advance at the beginning of each month.

A contract asset is the Group's right to consideration in exchange for goods and services that the Group has transferred to a customer. A receivable is recorded when the Group has an unconditional right to a consideration. A right to consideration is unconditional if only the passage of time is required before payment of that consideration is due.

If a customer pays consideration or the Group has right to an amount of consideration that is unconditional, before the Group transfer a good to the customer, the Group represents the contract liability when the payment is made or a receivable is recorded (whichever is earlier). A contract liability is the Group's obligation to transfer goods to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.23 Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the company, excluding any costs of servicing equity other than ordinary shares, and
- the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

2.24 Leases

As explained in Note 2.2 above, the Group has changed its accounting policy for leases where the Group is the lessee. The new policy is described below and the impact of the change in Note 2.2.

Leases in which a significant portion of the risks and rewards of ownership were not transferred to the Group as lessee were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.24 Leases *(Continued)*

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the Group under residual value guarantees
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third party financing, and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.24 Leases *(Continued)*

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. While the Group revalues its land and buildings that are presented within property, plant and equipment, it has chosen not to do so for the right-of-use buildings held by the Group.

Payments associated with short-term leases and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the consolidated statement of financial position based on their nature. The Group did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting the new leasing standard.

2.25 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and are credited to profit or loss on a straight-line basis over the expected lives of the related assets. Note 28 provides further information on how the Group accounts for government grants.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose or giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.26 Interest income

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial assets to that asset' s net carrying amount on initial recognition.

3 FINANCE RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

The Group's risk management is predominantly controlled by a central finance department (the "Group Finance Department") under policies approved by the board of directors. The Group Finance Department identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The board provides written principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, and liquidity risk.

3.1 Finance risk factor

(a) Market risk

(i) Foreign exchange risk

The Group operates principally in Hong Kong and in the PRC. It is exposed to foreign exchange risk primarily with respect to US dollar ("US$") and HK$ denominated transactions. Foreign exchange risk arises where future commercial transactions and recognised assets and liabilities are denominated in currency that is not the Company's functional currency.

Majority of the cost and revenue of the local operations are primarily transacted in local functional currency and therefore foreign exchange transactional risks are minimal.

Management manages its foreign exchange risks by performing regular review and monitoring its foreign exchange exposure. Management is of the view that the Group's exposure to US$ is minimal since HK$ is pegged to the US$.

As at 31 December 2019 and 2018, the Group has no material foreign currency denominated assets and liabilities and does not have material foreign currency exposure.

(ii) Interest rate risk

The Group's income and operating cash flows are substantially independent from changes in market interest rates and the Group has no significant interest-bearing assets except for cash and cash equivalents, details of which have been disclosed in Note 22.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

3 FINANCE RISK MANAGEMENT *(Continued)*

3.1 Finance risk factor *(Continued)*

(b) Credit risk

The Group's credit risk arises from trade receivables, contract assets, deposit and other receivables, amount due from an associate, cash and cash equivalents and restricted bank deposits. The carrying amounts of these financial assets represent the Group's maximum exposure to credit risk in relation to financial assets.

(i) Risk management

Credit risk is managed on a group basis. Management considers the Group has limited credit risk with its banks which are leading and reputable and are assessed as having low credit risk. Majority of bank balances are deposited with reputable banks. The Group has not incurred significant loss from non-performance by these parties in the past and management does not expect so in the future. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. Receivable balances are monitored on an ongoing basis.

(ii) Impairment of financial assets

The Group has four types of financial assets that are subject to the expected credit loss model:

- trade receivables;
- contract assets;
- deposit and other receivables; and
- amount due from an associate

While cash and cash equivalents and restricted bank deposits are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial.

Trade receivables and contract assets

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

3 FINANCE RISK MANAGEMENT *(Continued)*

3.1 Finance risk factor *(Continued)*

(b) Credit risk (Continued)

(ii) Impairment of financial assets *(Continued)*

Trade receivables and contract assets *(Continued)*

The expected loss rates are based on the payment profiles of sales over a period of 24 months before 31 December 2019 or 1 January 2019 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

On that basis, the loss allowance as at 31 December 2019 and 31 December 2018 was determined as follows for both trade receivables and contract assets:

Note:

31 December 2019	**Current** *HK$'000*	**Within 60 days past due** *HK$'000*	**More than 60 days past due** *HK$'000*	**More than 120 days past due** *HK$'000*	**More than 180 days past due** *HK$'000*	**More than 365 days past due** *HK$'000*	**Total** *HK$'000*
CG creation and production							
Trade receivables							
Expected loss rate	**0.66%**	**1.7%**	**5.93%**	**13%**	**100%**	**100%**	
Gross carrying value of trade receivables *(Note 21)*	**3,334**	**–**	**–**	**–**	**–**	**433**	**3,767**
Loss allowance	**(22)**	**–**	**–**	**–**	**–**	**(433)**	**(455)**
Contract assets							
Expected loss rate	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	
Gross carrying value of contract asset *(Note 5)*	**5,547**	**–**	**–**	**–**	**–**	**–**	**5,547**
Loss allowance	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Property leasing and building management services – Shenzhen							
Trade receivables							
Expected loss rate	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	
Gross carrying value of trade receivables *(Note 21)*	**4,396**	**–**	**–**	**–**	**–**	**–**	**4,396**
Loss allowance	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Property leasing and building management services – Guangzhou							
Trade receivables							
Expected loss rate	**1.54%**	**6.39%**	**11.43%**	**33.62%**	**100%**	**100%**	
Gross carrying value of trade receivables *(Note 21)*	**71**	**–**	**–**	**–**	**–**	**–**	**71**
Loss allowance	**(1)**	**–**	**–**	**–**	**–**	**–**	**(1)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

3 FINANCE RISK MANAGEMENT *(Continued)*

3.1 Finance risk factor *(Continued)*

(b) *Credit risk (Continued)*

(ii) Impairment of financial assets *(Continued)*

Trade receivables and contract assets *(Continued)*

Note: (Continued)

31 December 2018	Current *HK$'000*	Within 60 days past due *HK$'000*	More than 60 days past due *HK$'000*	More than 120 days past due *HK$'000*	More than 180 days past due *HK$'000*	More than 365 days past due *HK$'000*	Total *HK$'000*
CG creation and production							
Trade receivables							
Expected loss rate	0%	0%	0%	3.54%	100%	100%	
Gross carrying value of trade receivables *(Note 21)*	2,659	–	502	–	–	68	3,229
Loss allowance	–	–	–	–	–	(68)	(68)
Property leasing and building management services – Shenzhen							
Trade receivables							
Expected loss rate	0%	0%	0%	0%	0%	0%	
Gross carrying value of trade receivables *(Note 21)*	5,470	–	–	–	–	–	5,470
Loss allowance	–	–	–	–	–	–	–
Property leasing and building management services – Guangzhou							
Trade receivables							
Expected loss rate	4.63%	11.07%	17.06%	32.82%	100%	100%	
Gross carrying value of trade receivables *(Note 21)*	–	–	–	–	–	3,935	3,935
Loss allowance	–	–	–	–	–	(3,935)	(3,935)

Trade receivables and contract assets are written off where there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period of greater than 180 days past due.

Impairment losses on trade receivables and contract assets are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

3 FINANCE RISK MANAGEMENT *(Continued)*

3.1 Finance risk factor *(Continued)*

(b) Credit risk (Continued)

(ii) Impairment of financial assets *(Continued)*

Other financial assets at amortised cost

The Group adopts general approach for expected credit losses of deposits and other receivables and amount due from an associate. Except for the amount due from an associate which is fully impaired during the year, the Group considers these financial assets have not significantly increased in credit risk from initial recognition. Thus, these financial assets are classified in stage one and only consider 12-month expected credit losses. Considering the history of default and forward looking factor, the expected credit loss is immaterial.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding from an adequate amount of committed credit facilities and the ability to close out market conditions.

Due to the non-dynamic nature of the underlying businesses, the Group primary cash requirements have been for payment for obligations under other payables and accrued liabilities. The Group mainly finances its working capital requirements through internal resources.

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient cash balances to meet its liquidity requirements in the short and long-term.

The following tables show the remaining contractual maturities at the end of the reporting period of the Group's financial liabilities, based on undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the date of consolidated statement of financial position) and the earliest date the Group can be required to pay.

	Contractual undiscounted cash outflow			
	On demand or within 1 year *HK$'000*	**More than 1 and 2 years** *HK$'000*	**Between 2 and 5 years** *HK$'000*	**Total** *HK$'000*
At 31 December 2019				
Trade payables	40	–	–	40
Other payables	29,988	–	–	29,988
Lease liabilities	1,685	435	–	2,120
	31,713	435	–	32,148
At 31 December 2018				
Trade payables	3	–	–	3
Other payables	29,349	–	–	29,349
	29,352	–	–	29,352

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

3 FINANCE RISK MANAGEMENT *(Continued)*

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholder and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may return capital to shareholder, issue new shares or sell assets to reduce debt.

The gearing ratios as at 31 December 2019 and 2018 were zero as the Group has no external borrowing or debt.

3.3 Fair value estimation

(i) Fair value hierarchy

This note explains the judgements and estimates made in determining the fair values of the non-financial assets that are recognised and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its non-financial assets and liabilities into the three levels prescribed under the accounting standards.

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

– Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).

– Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).

– Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

	Level 1	**Level 2**	**Level 3**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
As at 31 December 2019				
Investment property				
– Office building	–	–	229,922	229,922
As at 31 December 2018				
Investment property				
– Office building	–	–	236,237	236,237

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

3 FINANCE RISK MANAGEMENT *(Continued)*

3.3 Fair value estimation *(Continued)*

(i) Fair value hierarchy (Continued)

There were no transfers between levels 1, 2 and 3 during the year (2018: Same).

(ii) Valuation techniques used to determine level 3 fair value

The Group obtains independent valuations for its investment property at least annually.

At the end of each reporting period, the directors update their assessment of the fair value of each property, taking into account the most recent independent valuations. The directors determine a property's value within a range of reasonable fair value estimates.

The best evidence of fair value is current prices in an active market for similar properties. Where such information is not available the directors consider information from a variety of sources including:

- current prices in an active market for properties of a different nature or recent prices of similar properties in less active markets, adjusted to reflect those differences
- discounted cash flow projections based on reliable estimates of future cash flows
- capitalised income projections based on a property's estimated net market income, and a capitalisation rate derived from an analysis of market evidence.

All resulting fair value estimates for properties are included in level 3. The key inputs under this approach are the price per square metre from current year sales of comparable lots of land in the area (location and size).

(iii) Valuation inputs and relationships to fair value

The following table summarises the quantitative information about the significant unobservable inputs used in recurring level 3 fair value measurements

Description	Fair value at 31 December 2019 (HK$'000)	Fair value at 31 December 2018 (HK$'000)	Valuation technique	Unobservable input	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Office building	**229,922**	236,237	Income approach	Yield rate	7.5%	The higher the yield, the lower the fair value
				Market rent	RMB 91 per square metre per month	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

3 FINANCE RISK MANAGEMENT *(Continued)*

3.3 Fair value estimation *(Continued)*

(iv) Valuation processes

As at both 31 December 2019 and 2018, the fair values of the investment property have been arrived at on the basis of valuations carried out by Asset Appraisal Limited, an external, independent and qualified valuer. Asset Appraisal Limited is a member of the Hong Kong Institute of Surveyors ("HKIS"), and has appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations.

The Group's finance department reviews the valuations performed by the independent valuers for financial reporting purposes. Discussions of valuation processes and results are held between the financial department and valuer at least once every six months, in line with the Group's annual reporting dates.

At each financial year end, the finance department:

- Verifies all major inputs to the independent valuation report;
- Assesses property valuations movements when compared to the prior year valuation report; and
- Holds discussions with the independent valuer.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and judgements concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

(a) Estimation of provision for rental and settlement payables

The Group is exposed to the risk of litigation, regulatory judgments and contractual disputes in the course of its operations in the 珠影文化產業園 (the "Cultural Park"). The Group evaluates whether a present obligation exists under the litigation claim after taking into account all available evidence, including the opinion of experts. A provision is recognised for the litigation claim if the management of the Company consider it is more likely than not that present obligation exists and a reliable estimate can be made on the settlement amount of the claim. If it is more likely than not that no present obligation exists, the Group should disclose a contingent liability, unless the possibility of any transfer of economic benefits in settlement is remote. Changes in the assumptions around the likelihood of an outflow of economic resources or the estimation of any obligation would change the values recognised in the consolidated financial statements.

As at 31 December 2019, provision for rental and settlement payables of HK$170,208,000 (2018: HK$128,800,000) was recognised after taking into consideration of the legal counsel's opinion and the status of the litigations. For details for the litigation claim, see Note 27.

(b) Fair value of investment property

The fair value of investment property is determined by using valuation technique. Details of the judgment and assumptions have been disclosed in Note 3.3.

(c) Provision for impairment of movies and TV programmes rights and productions work in progress

At the end of each reporting period, the directors of the Company assessed the amortisation policy and expected useful lives of the movies and TV programmes rights and productions work in progress classified as intangible asset. The determination of amortisation policy and expected useful lives requires management's significant judgement.

Other than the amortisation, the directors also assessed whether impairment indicator exists on movies and TV programmes rights and productions work in progress and provide impairment up to its recoverable amount. For movies and TV programmes rights and productions work in progress, the assessment was made on a film-by-film basis. The recoverable amount of the movies and TV programmes rights and productions work in progress was determined based on the present value of the expected future cash flow generated from the movies and TV programmes rights and productions work in progress less future cost of revenue.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

(c) Provision for impairment of movies and TV programmes rights and productions work in progress *(Continued)*

In determining the recoverable amount of movies and TV programmes rights and productions work in progress, the Group takes into consideration both internal and external market information, for example, the sales forecasts, the production, sales and distribution costs budget and the general economic condition of the relevant markets.

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 recognised. For details for provision, see Note 20.

(d) Impairment of financial assets and contract assets

The loss allowances for financial assets and contract assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history existing market conditions as well as forward-looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in the tables in Note 3.

(e) Income tax and deferred income tax

The Group is subjected to income taxes in Hong Kong and the PRC. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current income tax and deferred tax provisions in the period in which such determination is made.

The income tax expense or credit for the year is the tax payable on the current year's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

5 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 *HK$'000*	**Property leasing and building management services** *HK$'000*	**Total** *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**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

5 REVENUE AND SEGMENT INFORMATION *(Continued)*

(a) Segment information *(Continued)*

Other information:

	Year ended 31 December 2019			
	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 8)*	(1,285)	(290)	(655)	(2,230)
Provision for impairment of trade receivables *(Note 21)*	(464)	(1)	–	(465)
Provision for impairment of amount due from an associate *(Note 34(c))*	(940)	–	–	(940)
Provision for impairment of movies and TV programmes rights and productions work in progress *(Note 8)*	(6,181)	–	–	(6,181)
Amortisation of movies and TV programmes rights *(Note 8)*	(7,958)	–	–	(7,958)
Interest income *(Note 6)*	6,466	85	430	6,981
Government grants *(Note 6)*	15,379	6	–	15,385

	Year ended 31 December 2019		
	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	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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

5 REVENUE AND SEGMENT INFORMATION *(Continued)*

(a) Segment information *(Continued)*

	Year ended 31 December 2018		
	CG creation and production *HK$'000*	Property leasing and building management services *HK$'000*	Total *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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

5 REVENUE AND SEGMENT INFORMATION *(Continued)*

(a) Segment information *(Continued)*

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 8)*	(1,908)	(13,372)	(568)	(15,848)
Provision for impairment of trade receivables *(Note 21)*	(71)	–	–	(71)
Provision for impairment of movies and TV programmers rights and productions work in progress *(Note 8)*	(3,918)	–	–	(3,918)
Amortisation of movies and TV programmes rights *(Note 8)*	(13,488)	–	–	(13,488)
Amortisation of prepaid lease payments	–	(123)	–	(123)
Interest income *(Note 6)*	7,170	30	895	8,095
Government grants *(Note 6)*	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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

5 REVENUE AND SEGMENT INFORMATION *(Continued)*

(a) Segment information *(Continued)*

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

	Year ended 31 December 2019			
	CG creation and production *HK$'000*	**Property leasing and building management services** *HK$'000*	**Unallocated** *HK$'000*	**Total** *HK$'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 *HK$'000*	Property leasing and building management services *HK$'000*	Unallocated *HK$'000*	Total *HK$'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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

5 REVENUE AND SEGMENT INFORMATION *(Continued)*

(a) Segment information *(Continued)*

Geographical information

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

	2019 HK$'000	2018 HK$'000
The PRC	**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 HK$'000	2018 HK$'000
The PRC	**248,887**	240,980
Hong Kong	**3,227**	837
	252,114	241,817

Information about major customers

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

5 REVENUE AND SEGMENT INFORMATION *(Continued)*

(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	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

5 REVENUE AND SEGMENT INFORMATION *(Continued)*

(b) Assets and liabilities related to contracts with customers *(Continued)*

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 *HK$'000*	**Management services fee** *HK$'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

6 OTHER INCOME

	2019 ***HK$'000***	2018 *HK$'000*
Government grants *(Note)*	**15,385**	20,657
Interest income	**6,981**	8,095
Others	**765**	500
	23,131	29,252

Note:

During the year ended 31 December 2019, government grants included subsidies and awards of HK$14,410,000 (2018: HK$18,252,000) received from the relevant authorities in the PRC which are incentive payments to the Group whereby no future related cost is required or expected to be made.

In addition, an amount of HK$975,000 (2018: HK$2,405,000) is related to government grants on computer equipment acquisition and specific projects which are amortised to the consolidated statement of comprehensive income during the year on a straight-line basis over the estimated useful life of the acquired assets or upon the completion of the relevant projects.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

7 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 18)*	**(1,339)**	–
Others	**191**	422
	(935)	422

8 EXPENSES BY NATURE

	2019	2018
	HK$'000	*HK$'000*
Employee benefit expenses *(Note (i)) (Note 9)*	**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 *(Note 20)*	**7,958**	13,488
Provision for impairment of movies and TV programmes rights and productions work in progress *(Note 20)*	**6,181**	3,918
Utility expenses	**5,739**	6,002
Legal and professional expenses	**2,492**	1,325
Consultancy fee *(Note 34(a))*	**2,880**	960
Depreciation of property, plant and equipment *(Note 16)*	**2,230**	15,848
Real estate duty and land use tax	**2,229**	2,310
Deprecation of right-of-use assets *(Note 17)*	**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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

8 EXPENSES BY NATURE *(Continued)*

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

9 EMPLOYEE BENEFIT EXPENSES

	2019	2018
	HK$'000	*HK$'000*
Wages salaries and bonus	**46,307**	52,175
Pension costs – employer's contributions to defined contribution plans	**3,319**	3,979
Other benefits	**1,093**	1,907
	50,719	58,061
Less: Amount capitalised in movies and TV programmes rights and productions work in progress		
Wages salaries and bonus	**(12,901)**	(3,067)
Pension costs – employer's contributions to defined contribution plans	**(941)**	(240)
Other benefits	**(86)**	(106)
	(13,928)	(3,413)
	36,791	54,648

	2019	2018
	HK$'000	*HK$'000*
Cost of sales	**14,573**	27,853
Administrative expenses	**22,218**	26,795
	36,791	54,648

For the year ended 31 December 2019, employee benefit expenses of HK$13,928,000 (2018: HK$3,413,000) have been capitalised in movies and TV programmes rights and productions work in progress. The amount will be subsequently recognised in "cost of sales" when obligations are performed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

9 EMPLOYEE BENEFIT EXPENSES *(Continued)*

Below represents employee benefit expenses incurred from the Cultural Park during the year which are classified as "discontinued operations – administrative expenses" in the consolidated statement of comprehensive income.

	2019	2018
	HK$'000	*HK$'000*
Wages salaries and bonus	**4,059**	4,700
Pension costs – employer's contributions to defined contribution plans	**530**	689
Other benefits	**95**	188
	4,684	5,577

Note:

The Group has arranged for its Hong Kong employees to join the Mandatory Provident Fund Scheme ("the MPF Scheme"), a defined contribution scheme managed by an independent trustee. Under the MPF Scheme, the Group (the employer) and its employees make monthly contributions to the scheme generally at 5% of the employees' earnings as defined under the Mandatory Provident Fund legislation. The monthly contributions of each of the employer and the employee are subject to a maximum contribution of HK$1,500 per month (for period after 1 June 2014) and thereafter contributions are voluntary. The Group has no further obligation for post-retirement benefits beyond the contributions.

As stipulated by rules and regulations in the PRC, the Group contributes to state-sponsored retirement plans for employees of its subsidiaries established the PRC.

As at 31 December 2019, there were no forfeited contributions available to offset future retirement benefit obligations of the Group (2018: Same).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

9 EMPLOYEE BENEFIT EXPENSES *(Continued)*

Five highest paid individuals:

The five individuals whose emoluments were the highest in the Group for the year include two (2018: three) directors whose emoluments are reflected in the analysis presented in Note 10. The emoluments paid/payable to the remaining three (2018: two) individuals who are neither a director nor chief executive of the Company during the year are as follows:

	2019	2018
	HK$'000	*HK$'000*
Wages, salaries and bonus	**2,887**	2,074
Pension costs – employer's contributions to defined contribution plans	**54**	36
	2,941	2,110

The emoluments for these three individuals (2018: two) fell within the following bands:

	2019	2018
	HK$'000	*HK$'000*
Nil to HK$1,000,000	**2**	1
HK$1,000,001 to HK$1,500,000	**1**	1

During the year, no emoluments have been paid by the Group to the directors or the five highest paid individuals mentioned above as an inducement to join or upon joining the Group, or as compensation for loss of office (2018: Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

10 BENEFIT AND INTEREST OF DIRECTORS

(a) Directors' and chief executive's emoluments

The remuneration of each director and the chief executive for the year ended 31 December 2019 is set out below:

Name	Fees	Salary	Discretionary bonuses	Housing allowance	Estimated money value of other benefits	Employer's contribution to a retirement benefit scheme	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors							
Ms. Cheng Xiaoyu *(Note (i))*	–	2,092	–	–	–	105	2,197
Mr. Wang Hong Peng *(Note (ii))*	–	3	–	–	–	–	3
Mr. Xu Liang	–	–	–	–	–	–	–
Mr. Xiao Yong *(Note (iii))*	–	256	400	–	–	12	668
Mr. Jin Guo Ping *(Note (iv))*	–	773	–	–	–	12	785
	–	3,124	400	–	–	129	3,653
Non-executive directors							
Mr. Chen Zheng *(Note (v))*	720	–	–	–	–	–	720
	720	–	–	–	–	–	720
Independent non-executive directors							
Mr. Kwong Che Keung, Gordan	240	–	–	–	–	–	240
Prof. Japhet Sebastian Law	240	–	–	–	–	–	240
Mr. Lam Yiu Kin	240	–	–	–	–	–	240
Mr. Zheng Xiaodong *(Note (iii))*	78	–	–	–	–	–	78
	798	–	–	–	–	–	798
Total	1,518	3,124	400	–	–	129	5,171

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

10 BENEFIT AND INTEREST OF DIRECTORS *(Continued)*

(a) Directors' and chief executive's emoluments *(Continued)*

The remuneration of each director and the chief executive for the year ended 31 December 2018 is set out below:

Name	Fees *HK$'000*	Salary *HK$'000*	Discretionary bonuses *HK$'000*	Housing allowance *HK$'000*	Estimated money value of other benefits *HK$'000*	Employer's contribution to a retirement benefit scheme *HK$'000*	Total *HK$'000*
Executive directors							
Ms. Cheng Xiaoyu *(Note (i))*	–	1,500	–	–	–	75	1,575
Mr. Xu Liang	–	–	–	–	–	–	–
Mr. Jin Guo Ping *(Note (iv))*	–	1,200	–	–	–	18	1,218
Mr. Chen Zheng *(Note (v))*	–	4,297	–	–	–	170	4,467
	–	6,997	–	–	–	263	7,260
Non-executive directors							
Mr. Chen Zheng *(Note (v))*	41	–	–	–	–	–	41
Mr. Leung Shun Sang, Tony *(Note (vi))*	73	–	–	–	–	–	73
	114	–	–	–	–	–	114
Independent non-executive directors							
Mr. Kwong Che Keung, Gordan	240	–	–	–	–	–	240
Prof. Japhet Sebastian Law	240	–	–	–	–	–	240
Mr. Lam Yiu Kin	240	–	–	–	–	–	240
	720	–	–	–	–	–	720
Total	834	6,997	–	–	–	263	8,094

Notes:

(i) Ms. Cheng Xiaoyu was designated as the managing director on 11 December 2018 and resigned as managing director on 31 December 2019.

(ii) Mr. Wang Hongpeng was appointed as an executive director and managing director on 31 December 2019.

(iii) Mr. Xiao Yong and Mr. Zheng Xiaodong were appointed as an executive director and an independent non-executive director, respectively, on 24 June 2019.

(iv) Mr. Jin Guo Ping retired on 23 May 2019.

(v) Mr. Chen Zheng was re-designated from an executive director and the chief executive officer to a non-executive director on 11 December 2018.

(vi) Mr. Leung Shun Sang, Tony retired on 18 May 2018.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

10 BENEFIT AND INTEREST OF DIRECTORS *(Continued)*

(b) Directors' retirement benefits

None of the directors received or will receive any retirement benefits during the year ended 31 December 2019 (2018: Nil).

(c) Directors' termination benefits

None of the directors received or will receive any termination benefits during the year ended 31 December 2019 (2018: Nil).

(d) Consideration provided to third parties for making available directors' services

During the year ended 31 December 2019, the Company did not pay consideration to any third parties for making available directors' services (2018: Nil).

(e) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

During the year ended 31 December 2019, there is no loans, quasi-loans and other dealing arrangements in favour of the directors, or controlled body corporates and connected entities of such directors (2018: Nil).

(f) Directors' material interests in transactions, arrangements or contracts

Save as disclosed in Note 34, no other transactions, arrangements and contracts of significance in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the years or at any time during the years.

11 FINANCE COST

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

12 INCOME TAX EXPENSE

	2019	2018
	HK$'000	*HK$'000*
Continuing operations		
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 *(Note 29)*	**2,261**	185
Income tax expense	**3,460**	11,320

Notes:

a. No Hong Kong profits tax has been provided as there is no assessable profit arising in Hong Kong for the year (2018: Nil).

b. The PRC CIT represents taxation charged on assessable profits for the year at the rates of taxation prevailing in the cities in the PRC in which the Group operates. The tax rate applicable to the subsidiaries in the PRC is 25%, except for a subsidiary of the Group in the PRC which was approved as High and New Technology Enterprise and accordingly, it is subject to a reduced preferential CIT rate of 15% for a 3-year period according to the applicable CIT Law, and would successively expire by 2020. Moreover, a subsidiary was qualified for the local government tax concession scheme to enjoy a preferential tax rate for the year.

c. According to applicable tax regulations prevailing in the PRC, dividends distributed by a company established in the PRC to a foreign investor with respect to profits derived after 1 January 2008 are generally subject to a 10% withholding tax. Such dividend rate is further reduced by applicable tax treaties or arrangement. According to the tax treaty arrangement between the PRC and Hong Kong, the withholding tax rate on dividends paid by a PRC resident enterprise to a Hong Kong resident enterprise is further reduced to 5% if the Hong Kong resident enterprise holds at least 25% equity interests in the PRC resident enterprise.

d. As at 31 December 2019, there was no deferred income tax provided (2018: same) in relation to the unremitted earnings as the Group's management has approved that the PRC subsidiaries have no intention and are not probable to declare dividend in the foreseeable future and the Group is able to control the timing of the reversal of the temporary differences and it is decided that the unremitted earnings will not be remitted in the foreseeable future.

e. According to relevant laws and regulations promulgated by the State Tax Bureau of the PRC that was effective from 2008 onwards, enterprises engaging in research and development activities are entitled to claim 175% of their research and development expenses so incurred as tax deductible expenses when determining their assessable profits for that year ("Super Deduction"). The Group has made its best estimate for the Super Deduction to be claimed for the Group's entities in ascertaining their assessable profits for the year ended 31 December 2019 and 2018.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

12 INCOME TAX EXPENSE *(Continued)*

The income tax expense on the Group's profit before income tax from continuing operations differs from the theoretical amount that would arise using the taxation rate of the home country of the Group companies as follows:

	2019	2018
	HK$'000	*HK$'000*
Profit before income tax from continuing operations	**24,148**	21,004
Tax calculated at the PRC statutory income tax rate of 25% (2018: 25%)	**6,037**	5,251
Income not subject to tax	**(144)**	(1,234)
Expenses not deductible for tax purposes	**1,151**	1,178
Tax losses not recognised	**774**	1,910
Utilisation of previously unrecognised tax losses	**(2,528)**	(2,031)
Effect of Super Deduction granted to certain subsidiaries in the PRC	**(2,294)**	(1,965)
Effect of different tax rates of subsidiaries operating in other jurisdiction	**1,452**	1,386
Over provision for prior year	**(988)**	–
Withholding tax on distributed profits from a PRC subsidiary	**–**	6,825
Income tax expense for the year from continuing operations	**3,460**	11,320

13 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

13 EARNINGS/(LOSS) PER SHARE *(Continued)*

	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 (Note 23).

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).

14 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.

15 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 27, 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 27 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

15 DISCONTINUED OPERATIONS *(Continued)*

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

15 DISCONTINUED OPERATIONS *(Continued)*

(ii) Cultural Park

	2019 *HK$'000*	For the period from 1 January 2018 to 30 November 2018 *HK$'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 18)*	–	(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 *HK$'000*	For the period from 1 January 2018 to 30 November 2018 *HK$'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)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

16 PROPERTY, PLANT AND EQUIPMENT

	Building HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Equipment, furniture and fixtures HK$'000	Computer equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
At 1 January 2018							
Cost	196,859	27,087	71,791	7,094	62,596	4,879	370,306
Accumulated depreciation	(29,219)	(19,657)	(53,277)	(6,565)	(56,777)	(4,438)	(169,933)
Net book amount	167,640	7,430	18,514	529	5,819	441	200,373
Year ended 31 December 2018							
Opening net book amount	167,640	7,430	18,514	529	5,819	441	200,373
Additions	–	–	–	1,242	1,900	–	3,142
Transferred to investment property *(Note 18)*	(153,492)	(3,634)	(10,381)	–	–	–	(167,507)
Depreciation *(Note)*	(3,770)	(2,920)	(7,320)	(1,415)	(2,020)	(179)	(17,624)
Exchange realignment	(10,378)	(283)	(813)	(26)	(1,037)	(16)	(12,553)
Closing net book amount	–	593	–	330	4,662	246	5,831
At 31 December 2018							
Cost	–	1,975	–	7,801	56,452	4,743	70,971
Accumulated depreciation	–	(1,382)	–	(7,471)	(51,790)	(4,497)	(65,140)
Net book amount	–	593	–	330	4,662	246	5,831

	Leasehold improvements ***HK$'000***	**Equipment, furniture and fixtures** ***HK$'000***	**Computer equipment** ***HK$'000***	**Motor vehicles** ***HK$'000***	**Total** ***HK$'000***
Year ended 31 December 2019					
Opening net book amount	**593**	**330**	**4,662**	**246**	**5,831**
Additions	**–**	**17**	**2,339**	**769**	**3,125**
Depreciation *(Note)*	**(396)**	**(72)**	**(3,407)**	**(222)**	**(4,097)**
Disposal	**–**	**(3)**	**–**	**–**	**(3)**
Exchange realignment	**–**	**(5)**	**(77)**	**(3)**	**(85)**
Closing net book amount	**197**	**267**	**3,517**	**790**	**4,771**
At 31 December 2019					
Cost	**1,975**	**5,033**	**37,555**	**4,572**	**49,135**
Accumulated depreciation	**(1,778)**	**(4,766)**	**(34,038)**	**(3,782)**	**(44,364)**
Net book amount	**197**	**267**	**3,517**	**790**	**4,771**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

16 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

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) 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.

17 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

This note provides information for leases where the Group is a lessee.

(i) Amounts recognised in the consolidated statement of financial position

	2019
	HK$'000
Right-of-use assets	
Buildings	2,130
Office equipment	6
	2,136
Lease liabilities	
Current	1,685
Non-current	432
	2,117

There were no additions on the right-of-use assets during the year ended 31 December 2019.

(ii) Amounts recognised in the consolidated statement of comprehensive income

	2019
	HK$'000
Depreciation charge of right-of-use assets	
Buildings	1,704
Office equipment	24
	1,728
Interest expense (included in finance cost)	
Buildings	134
Office equipment	1
	135

The total cash out flow for leases during the year was HK$1,764,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

17 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES *(Continued)*

(iii) The Group's leasing activities and how these are accounted for

The Group leases various offices and equipment. Rental contracts are typically made for fixed periods of more than 1 year and up to 2 years and do not have extension options.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets are not used as security for borrowing purposes.

18 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 16) 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 5)*	**45,414**	45,382
Net loss from fair value adjustment *(Note 7)*	**(1,339)**	(2,481)
Direct operating expenses from property that generated rental income	**(2,229)**	(185)

Refer to Note 3.3 for the fair value estimation on the investment property.

Refer to Note 32 (b) for minimum lease payments receivable on leases of investment property.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

19 INTEREST IN AN ASSOCIATE

Set out below is the associate held by the Group as at 31 December 2019 and 2018 and is accounted for using the equity method.

	2019	2018
	HK$'000	*HK$'000*
Opening balance at 1 January	**–**	23
Share of loss	**–**	(23)
Closing balance at 31 December	**–**	–

Particulars of the associate, which is unlisted, as at 31 December 2019 and 2018 are as follows:

Name of entity	**Place of incorporation/ establishment/ operation**	**Proportion of nominal value of issued share capital held by the Group**		**Principal activities**
		2019	2018	
環球數碼媒體科技(澳門)有限公司 G.D.C Institute of Digital Media Technology (Macau) Limited ("IDMT (Macau)")	Macau	**49%**	49%	Provision of CG animation creation and production services

No summarised financial information in respect of the Group's associate is set out as the financial information of IDMT (Macau) is considered as immaterial during the year ended 31 December 2019 and 2018.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

20 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
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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

20 MOVIES AND TELEVISION PROGRAMMES RIGHT AND PRODUCTIONS WORK IN PROGRESS *(Continued)*

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".

21 TRADE RECEIVABLES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

(i) 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. Note 3.1(b)(ii) provides for details about the calculation of the allowance.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

21 TRADE RECEIVABLES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES *(Continued)*

(i) Trade receivables *(Continued)*

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.

(ii) Deposits, prepayments and other receivables

	2019	2018
	HK$'000	*HK$'000*
Current portion:		
– Deposits	**817**	848
– Prepayments	**1,074**	2,128
– Other receivables	**1,178**	1,082
	3,069	4,058
Denominated in:		
– RMB	**2,213**	3,242
– HK$	**856**	816
	3,069	4,058

The carrying amounts of deposits, prepayments and other receivables approximate their fair values.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

22 CASH AND CASH EQUIVALENTS AND RESTRICTED BANK DEPOSIT

	2019	2018
	HK$'000	*HK$'000*
Restricted bank deposit *(Note)*	**34,802**	–
Cash at bank	**236,676**	272,964
Fixed deposits	**33,445**	–
Cash on hand	**130**	169
	305,053	273,133
Denominated in:		
– HK$	**7,718**	4,760
– RMB	**293,079**	243,239
– US$	**4,214**	25,121
– Others	**42**	13
	305,053	273,133

The fixed deposits were highly liquid with original maturities of three months or less. As at 31 December 2019, cash and cash equivalents of approximately HK$292,943,000 (2018: HK$243,050,000) of the Group were denominated in RMB and deposited with banks in the PRC. The conversion of the RMB denominated balances into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

Note:

As at 31 December 2019, approximately HK$34,802,000 (2018: Nil) are restricted deposit held at bank as reserve under a court order granted for a litigation claim on the Cultural Park.

23 SHARE CAPITAL

	Number of ordinary shares	**Nominal value**
		HK$'000
Authorised:		
As at 1 January 2018 and 31 December 2018 at HK$0.01 each	2,400,000,000	24,000
Issued and fully paid:		
As at 1 January 2018 and 31 December 2018 at HK$0.01 each	1,518,255,540	15,183
Cancellation of treasury shares	(534,000)	(6)
As at 31 December 2019 at HK$0.01 each	1,517,721,540	15,177

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

23 SHARE CAPITAL *(Continued)*

During the year ended 31 December 2019, the Company repurchased a total of 622,000 of its own shares on The Stock Exchange of Hong Kong Limited at prices ranging from HK$0.108 to HK$0.150 per share for a total consideration of approximately HK$76,000. The repurchased shares were partially cancelled before 31 December 2019 with 88,000 shares amounting to HK$13,000 that has not yet been cancelled and are recognised in "treasury shares reserve" within the consolidated statement of financial position. Accordingly, the issued share capital of the Company was reduced by the nominal value of these shares and the premium paid on these shares upon the repurchase were charged against the share premium account.

24 SHARE OPTION SCHEME

The shareholders of the Company adopted a share option scheme at the annual general meeting on 18 June 2013 (the "2013 Share Option Scheme"). No share option has been granted under the 2013 Share Option Scheme since its adoption.

An option may be exercised at any time during the period to be determined and notified by the Directors to the grantee but may not be exercised after the expiry of ten years from the date of offer of that option. Option is immediately vested at the date of grant and a consideration of HK$1 is payable upon acceptance of the offer.

The exercise price is determined by the Directors, and will not be less than the higher of the nominal value of the share on the date of offer, the closing price of the Company's shares on the date of offer; and the average closing price of the shares for the five business days immediately preceding the date of offer.

No share option was granted or exercised during the years ended 31 December 2019 and 2018.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

25 OTHER RESERVES

	Share premium reserve HK$'000	Capital contribution reserve HK$'000 (Note (i))	Contributed surplus reserve HK$'000 (Note (ii))	Statutory reserve HK$'000 (Note (iii))	Property revaluation reserve HK$'000	Exchange reserve HK$'000	Special reserve HK$'000 (Note (iv))	Total HK$'000
Balance at 1 January 2018	75,856	445	245,881	4,462	–	17,653	(1,209)	343,088
Other comprehensive income								
Gain on revaluation upon transfer from property, plant and equipment and prepaid lease payments to investment property	–	–	–	–	61,049	–	–	61,049
Deferred tax on revaluation upon transfer from property, plant and equipment and prepaid lease payments to investment property	–	–	–	–	(15,262)	–	–	(15,262)
Currency translation differences	–	–	–	–	–	(40,038)	–	(40,038)
Total other comprehensive income	–	–	–	–	45,787	(40,038)	–	5,749
Transaction with owner								
Transfer to statutory reserve	–	–	–	2,173	–	–	–	2,173
	–	–	–	2,173	–	–	–	2,173
Balance at 31 December 2018	75,856	445	245,881	6,635	45,787	(22,385)	(1,209)	351,010

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

25 OTHER RESERVES *(Continued)*

	Share premium reserve HK$'000	Capital contribution reserve HK$'000 (Note (i))	Contributed surplus reserve HK$'000 (Note (ii))	Statutory reserve HK$'000 (Note (iii))	Property revaluation reserve HK$'000	Exchange reserve HK$'000	Special reserve HK$'000 (Note (iv))	Treasury share reserve HK$'000	Total HK$'000
Balance at 1 January 2019	75,856	445	245,881	6,635	45,787	(22,385)	(1,209)	-	351,010
Other comprehensive income									
Currency translation differences	-	-	-	-	-	(9,010)	-	-	(9,010)
Total other comprehensive income	-	-	-	-	-	(9,010)	-	-	(9,010)
Transaction with owner									
Acquisition of additional interest in a PRC subsidiary	-	-	-	-	-	-	(744)	-	(744)
Repurchase of treasury shares	-	-	-	-	-	-	-	(76)	(76)
Cancellation of treasury share	(57)	-	-	-	-	-	-	63	6
Transfer to statutory reserve	-	-	-	1,485	-	-	-	-	1,485
	(57)	-	-	1,485	-	-	(744)	(13)	671
Balance at 31 December 2019	75,799	445	245,881	8,120	45,787	(31,395)	(1,953)	(13)	342,671

Notes:

(i) Capital contribution reserve represents accumulated effect of imputed interest on amount due to other related parties.

(ii) Contribution surplus reserve represents (a) the difference between the nominal value of share capital of the Company and the aggregate amount of nominal value of share capital of subsidiaries acquired by the Company through an exchange of share pursuant to a group reorganisation which was completed on 31 December 2002 and; (b) the transfer of the share premium reserve to contributed surplus reserve which was applied to eliminate the deficit of the Company.

(iii) In accordance with the relevant laws and regulations in the PRC and Articles of Association of the companies incorporated in the PRC now comprising the Group, it is required to allocate at least 10% of their after tax profit according to the PRC accounting standard and regulations to the statutory reserve until such reserve has reached 50% of registered capital. Appropriations to the enterprise expansion fund and staff welfare and bonus fund are at the discretion of the respective board of directors of the subsidiaries. The statutory surplus reserve fund can be used to offset prior years' losses, if any, and may be converted into registered capital in proportion to their existing shareholding, provided that the remaining balance of the statutory surplus reserve fund after such issue is no less than 25% of registered capital.

(iv) The special reserve represents the amount paid to non-controlling interests in excess of carrying amount of non-controlling interests acquired upon acquisition of additional interest in subsidiaries.

On 1 April 2019, the Group acquired the remaining 30% of the equity interest of 深圳市環球數碼創意科技有限公司, an indirect subsidiary held by the Company, from the non-controlling interests of the said indirect subsidiary with a cash consideration of HK$114,000 (RMB108,000). After the transaction, 深圳市環球數碼創意科技有限公司 became a wholly-owned subsidiary of the Group. The effect of change in the ownership interest on the equity attributable to owner of the Company during the year is summarised as follows:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

25 OTHER RESERVES *(Continued)*

Notes: (Continued)

(iv) *(Continued)*

	2019
	HK$'000
Carrying amount of non-controlling interest acquired	(630)
Consideration paid to non-controlling interest	(114)
Excess of consideration paid recognised within equity	(744)

26 TRADE PAYABLES, ACCRUALS AND OTHER PAYABLES

(i) 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.

(ii) Accruals and other payables

	2019	2018
	HK$'000	*HK$'000*
Receipt in advance *(Note)*	**22,297**	17,084
Accruals	**7,231**	5,105
Salary payable	**9,092**	10,199
Deposits	**15,892**	16,904
Construction cost payables	**2,178**	2,354
Other tax payables	**628**	424
Advance from leasees	**312**	893
Others	**4,822**	5,070
Total	**62,452**	58,033
Denominated in:		
– RMB	**58,918**	55,241
– HK$	**3,040**	2,792
– Others	**494**	–
	62,452	58,033

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

26 TRADE PAYABLES, ACCRUALS AND OTHER PAYABLES *(Continued)*

(ii) Accruals and other payables *(Continued)*

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

Notes:

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

Pursuant to the Cooperation Agreement, Foshan Xincai agreed to contribute a property located in Foshan to Foshan GDM as capital contribution in exchange for 10% equity interest in Foshan GDM while Brilliant Link agreed to contribute cash in the amount of RMB26,000,000 (inclusive of RMB15,000,000 (equivalent to HK$16,722,000) that has been paid in full as at the date of the Cooperation Agreement) in aggregate to Foshan GDM in exchange for 5% equity interest in Foshan GDM. On 1 February 2019, an additional of RMB5,000,000 (equivalent to HK$5,575,000) was paid by Brilliant Link to Foshan GDM. The full amount of the advance payment will form part of the cash consideration payable by Brilliant Link under the Cooperation Agreement.

As at the date of this report, the transactions with Foshan Xincai and Brilliant Link are not yet completed.

* *English entity name is for identification purpose only*

27 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

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 Pearl River Film Production, a limited liability company established in the PRC and a state-owned enterprise, to redevelop the Cultural Park. Pursuant to the Framework Agreement, Pearl River Film Production, as the landlord of the Cultural Park, agreed to grant the property leasing right to Guangdong GDC, in return for predetermined monthly rental payments ("Predetermined Rental") from Guangdong GDC for a term up to 31 December 2045. Guangdong GDC is responsible for the design, financing, construction and operation of the Cultural Park and the funding of the entire construction project. Upon the expiration of the Framework Agreement, Guangdong GDC has to return all properties to Pearl River Film Production. After the redevelopment, the whole Cultural Park project will have a commercial area, a cultural entertainment area and a film production and development area, which was intended to be held for investment purpose.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

27 PROVISION FOR RENTAL AND SETTLEMENT PAYABLES *(Continued)*

Notes: (Continued)

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.

28 DEFERRED GOVERNMENT GRANT

	2019	2018
	HK$'000	*HK$'000*
Deferred government grant	**1,509**	2,521
Less: current portion	**(817)**	(2,521)
	692	–

As at 31 December 2019, deferred government grant mainly represents government grants from the PRC amounted to HK$1,509,000 (2018: HK$2,521,000) which was to subsidise the Group for the acquisition of certain equipment for usage in CG production projects.

During the year ended 31 December 2019, HK$975,000 (2018: HK$2,405,000) is recognised in "other income" upon the completion of the project.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

29 DEFERRED INCOME TAX

The analysis of deferred tax liabilities is as follows:

	2019 *HK$'000*	2018 *HK$'000*
Deferred tax liabilities		
– to be realised after 12 months	**19,467**	16,317

The net movement on the deferred income tax account is as follows:

	Fair value change of investment property *HK$'000*	**Others** *HK$'000*	**Total** *HK$'000*
At 1 January 2018	38,133	3,214	41,347
Credited to consolidated statement of comprehensive income	(35,918)	(2,168)	(38,086)
Exchange realignment	(2,024)	(182)	(2,206)
Charge to other comprehensive income	15,262	–	15,262
At 31 December 2018 and 1 January 2019	15,453	864	16,317
Reclassification from current income tax payable	–	1,302	1,302
(Credited)/charged to consolidated statement of comprehensive income	(335)	2,596	2,261
Exchange realignment	(319)	(94)	(413)
At 31 December 2019	14,799	4,668	19,467

As at 31 December 2019, deferred income tax liabilities of HK$9,313,000 (2018: HK$8,396,000) have not been recognised for the withholding tax that would be payable on the unremitted earnings of subsidiaries in the PRC. The unremitted earnings are to be used for reinvestment. The income tax liability is not recognised where the timing of the reversal of the temporary differences is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for tax loss carry-forward to the extent that the realisation of the related tax benefit through the future taxable profits is probable. As at 31 December 2019, the Group did not recognise deferred income tax assets of HK$3,579,000 (2018: HK$5,478,000) in respect of losses amounting to HK$19,697,000 (2018: HK$25,695,000) that can be carried forward against future taxable income.

No deferred tax asset has been recognised in respect of the above tax losses due to unpredictability of future profit streams.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

29 DEFERRED INCOME TAX *(Continued)*

The expiry date for the unused tax losses is as follows:

	2019 HK$'000	2018 HK$'000
Within 1 year	**468**	–
Within 2 years	**3,405**	619
Within 3 years	**–**	3,957
Within 4 years	**–**	5,052
Within 5 years	**–**	4,935
Without expiry date	**15,824**	11,132
	19,697	25,695

30 FINANCIAL INSTRUMENTS BY CATEGORY

The following is an analysis of financial instruments by category:

	2019 HK$'000	2018 HK$'000
Financial assets		
Financial assets at amortised cost		
– Trade receivables *(Note 21)*	**7,778**	8,631
– Other receivables (excluding non-financial assets) *(Note 21)*	**1,995**	1,930
– Amount due from an associate *(Note 34(c))*	**–**	1,185
– Restricted bank deposits *(Note 22)*	**34,802**	–
– Cash and cash equivalents *(Note 22)*	**270,251**	273,133
	314,826	284,879

	2019 HK$'000	2018 HK$'000
Financial liabilities		
Financial liabilities at amortised cost		
– Trade payables *(Note 26)*	**40**	3
– Other payables (excluding non-financial liabilities)*(Note 26)*	**29,988**	29,349
– Lease liabilities *(Note 17)*	**2,117**	–
	32,145	29,352

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

31 CASH GENERATED FROM OPERATIONS

(a) Reconciliation of profit before income tax to cash generated from operations

	Note	2019 HK$'000	2018 HK$'000
Profit before income tax from			
– Continuing operations		**24,148**	21,004
– Discontinued operations		**(16,061)**	(493,637)
Profit before income tax		**8,087**	(472,633)
Adjustments for:			
– Depreciation of property, plant and equipment	*16*	**2,364**	16,125
– Depreciation of right-of-use assets	*8*	**1,728**	–
– Amortisation of prepaid lease payments		**–**	123
– Provision for impairment of financial assets and contract assets		**1,405**	1,347
– Fair value loss on investment property	*18*	**1,339**	2,481
– Provision for impairment of investment property	*18*	**–**	411,412
– Provision for accrued rental and settlement payables	*15*	**6,505**	95,148
– Write off of rent receivables previously recognised in trade receivables		**–**	8,901
– Government grants related to property, plant and equipments	*6*	**(975)**	(2,405)
– Interest income	*6*	**(6,981)**	(8,293)
– Finance cost on lease liabilities	*11*	**135**	–
– Gain on disposal of equipment	*7*	**(213)**	–
– Provision for impairment of movies and TV programmes rights and productions work in progress	*20*	**6,181**	3,918
– Amortisation of movies and TV programmes rights	*20*	**7,958**	13,488
Operating profit before changes in working capital		**27,533**	69,612
Changes in working capital:			
Restricted bank deposits		**(35,434)**	47,333
Trade receivables		**217**	2,545
Deposits, prepayments and other receivables		**938**	1,846
Trade payables		**38**	(1,624)
Accruals and other payables		**5,474**	2,780
Provision for rental and settlement payables		**38,430**	–
Contract liabilities		**(4,172)**	1,262
Contract assets		**(5,648)**	–
Cash generated from operations		**27,376**	123,754

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

31 CASH GENERATED FROM OPERATIONS *(Continued)*

(b) In the consolidated statement of cash flows, proceeds from disposal of property, plant and equipment comprise:

	2019	2018
	HK$'000	*HK$'000*
Net book amount *(Note 16)*	**3**	–
Gains on disposal of property, plant and equipment *(Note 7)*	**213**	–
Proceeds from disposal of property, plant and equipment	**216**	–

(c) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Lease liabilities
	HK$'000
At 31 December 2018	–
Recognised on adoption of HKFRS 16 *(Note 2.2)*	3,746
At 1 January 2019	3,746
Cash flow from operating activities	
– Interest paid	(135)
Cash flow from financing activities	
– Capital element on lease liabilities	(1,629)
Non-cash movement	135
At 31 December 2019	2,117

The non-cash movements represent the related finance cost of HK$135,000 (Note 11) arising from the adoption of HKFRS 16.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

32 COMMITMENTS

(a) Operating lease commitments – Group as lessor

The investment property is leased to tenants under operating leases with rentals payable monthly.

Minimum lease payments receivable on leases of investment property are as follows:

	2019	2018
	HK$'000	*HK$'000*
Within 1 year	**41,992**	46,824
Between 1 and 2 years	**29,392**	33,790
Between 2 and 3 years	**14,993**	21,199
Between 3 and 4 years	**12,338**	9,346
Between 4 and 5 years	**11,231**	8,533
Later than 5 years	**27,025**	32,862
	136,971	152,554

(b) Operating lease commitments – Group as lessee

The Group leases offices and equipment under non-cancellable operating leases expiring within 3 years to 5 years. The leases have varying terms and renewal rights. On renewal, the terms of the leases are renegotiated.

From 1 January 2019, the Group has recognised right-of-use assets for these leases (Note 17).

	2018
	HK$'000
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:	
Within 1 year	1,764
Between 2 to 5 years	2,181
Over 5 years	–
	3,945

33 CONTINGENT LIABILITIES

As detailed in Note 27, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

34 RELATED PARTY TRANSACTIONS

The Company is controlled by Shougang Group Co., Ltd, which owns 40.80% of the Company's shares.

The following transactions were carried out with related parties:

(a) Consultancy fee

	2019	2018
	HK$'000	*HK$'000*
Consultancy fee charged by Shougang Holding (Hong Kong) Limited	**2,880**	960

Consultancy fee charges are negotiated with the related company with terms mutually agreed with the relevant parties.

(b) Key management compensation

	2019	2018
	HK$'000	*HK$'000*
Salaries and other short-term employee benefits	**5,042**	7,831
Post-employment benefit	**129**	263
	5,171	8,094

(c) Year end balances

	2019	2018
	HK$'000	*HK$'000*
Amount due from an associate, at cost	**924**	1,185
Less: Provision for impairment of amount due from an associate	**(940)**	–
Exchange difference	**16**	–
	–	1,185

The receivable from related party is unsecured, interest-free and receivable on demand. The carrying values of the balance approximates its fair value.

For the year ended 31 December 2019, provision for impairment of amount due from an associate of HK$940,000 (2018: Nil) was recognised and included in the consolidated statement of comprehensive income within "provision for impairment of financial assets and contract assets".

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

34 RELATED PARTY TRANSACTIONS *(Continued)*

(d) Subsidiaries

The following is a list of the principal subsidiaries:

Name of subsidiary	Place of incorporation or establishment and kind of legal entity	Principal activities and place of operation	Issued and fully paid share capital/ register and paid-up capital *(Note)*	Proportion of ownership interest held by the Company 2019	2018
Direct subsidiary					
GDC Holdings Limited	British Virgin Islands ("BVI"), limited liability company	Investment holding in Hong Kong	US$ 5,214,181	**100%**	100%
Indirect subsidiaries					
GDC Asset Management Limited	BVI, limited liability company	Animation investment in Hong Kong	US$1	**100%**	100%
GDC China Limited	Hong Kong, limited liability company	Investment holding in Hong Kong	HK$2	**100%**	100%
GDC International Limited	Samoa, limited liability company	Provision of CG animation creation and production services in Hong Kong	US$1	**100%**	100%
GDC Management Services Limited	Hong Kong, limited liability company	Provision of administration and management service in Hong Kong	HK$2	**100%**	100%
GDC Cultural Parks Limited (formerly known as Shougang GDC Media Holding Limited)	Hong Kong, limited liability company	Investment holding in Hong Kong	HK$1	**100%**	100%
GDC International Limited	Hong Kong, limited liability company	Provision of CG animation creation and production services in Hong Kong	HK$1	**100%**	100%
環球數碼媒體科技研究（深圳）有限公司	The PRC, limited liability company	Provision of CG and animation creation and production services, development of multimedia software and hardware, provision of related technical consultancy services and property holding in the PRC	US$36,633,896	**100%**	100%
深圳市環球數碼影視文化有限公司	The PRC, limited liability company	Animation Investment in the PRC	RMB3,000,000	**100%**	100%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

34 RELATED PARTY TRANSACTIONS *(Continued)*

(d) Subsidiaries *(Continued)*

Name of subsidiary	Place of incorporation or establishment and kind of legal entity	Principal activities and place of operation	Issued and fully paid share capital/ register and paid-up capital *(Note)*	Proportion of ownership interest held by the Company 2019	2018
深圳市環球物業管理有限公司	The PRC, limited liability company	Provision of building management service in the PRC	RMB1,000,000	**100%**	100%
佛山環球數碼媒體科技有限公司	The PRC, limited liability company	Provision of CG and animation creation and production services in the PRC	RMB10,000,000	**100%**	100%
深圳市南山區環球數碼培訓學校	The PRC, private non-enterprise institution	Provision of CG and animation training in the PRC	RMB200,000	**100%**	100%
廣東環球數碼創意產業有限公司	The PRC, limited liability company	Provision of culture, entertainment and related commercial property investment in the PRC	RMB 10,000,000	**68%**	68%
廣州高尚商業經營管理有限公司	The PRC, limited liability company	Provision of building management service in the PRC	RMB1,000,000	**68%**	68%
北京風雲環球數碼傳媒技術有限公司	The PRC, limited liability company	Provision of graphic animation creation in the PRC	RMB15,000,000	**100%**	100%
深圳市環球數碼創意科技有限公司	The PRC, limited liability company	Provision of graphic animation creation in the PRC	RMB2,000,000	**100%**	70%

Note:

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affect the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

35 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

	Note	2019 HK$'000	2018 HK$'000
ASSETS			
Non-current asset			
Investment in a subsidiary		–	–
Current assets			
Deposits, prepayments and other receivables		**400**	323
Cash and cash equivalents		**5,401**	892
		5,801	1,215
Total assets		**5,801**	1,215
EQUITY AND LIABILITIES			
Equity attributable to owner of the Company			
Share capital		**15,177**	15,183
Reserves	*(a)*	**290,888**	290,958
Accumulated losses	*(a)*	**(301,494)**	(305,716)
Total equity		**4,571**	425
LIABILITIES			
Current liability			
Accruals and other payables		**1,230**	790
Total liabilities		**1,230**	790
Total equity and liabilities		**5,801**	1,215

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

35 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

(Continued)

Note (a) Reserves and accumulated losses movements of the Company

	Share premium reserve *HK$'000*	Contributed surplus reserve *HK$'000*	Accumulated losses *HK$'000*	Treasury share reserve *HK$'000*	Total *HK$'000*
At 1 January 2018	75,856	215,102	(305,539)	–	(14,581)
Profit for the year	–	–	121,283	–	121,283
Dividends paid	–	–	(121,460)	–	(121,460)
At 31 December 2018 and 1 January 2019	75,856	215,102	(305,716)	–	(14,758)
Profit for the year	–	–	4,222	–	4,222
Repurchase of treasury shares	–	–	–	(76)	(76)
Cancellation of treasury shares	(57)	–	–	63	6
At 31 December 2019	75,799	215,102	(301,494)	(13)	(10,606)

36 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.

FIVE YEARS FINANCIAL SUMMARY

CONSOLIDATED RESULTS

	For the year ended 31 December				
	2015 *HK$'000* (Restated)	2016 *HK$'000* (Restated)	2017 *HK$'000* (Restated)	2018 *HK$'000*	**2019** ***HK$'000***
Continuing operations					
Revenue	116,670	96,454	80,762	107,642	**96,771**
(Loss)/profit from operations	(2,778)	13,358	(40,882)	21,004	**24,283**
Finance cost	(2,559)	–	–	–	**(135)**
Share of loss of an associate	–	–	(23)	–	**–**
(Loss)/profit before tax	(5,337)	13,358	(40,905)	21,004	**24,148**
Income tax expense	(1,156)	(4,800)	(535)	(11,320)	**(3,460)**
(Loss)/profit for the year from continuing operations	(6,493)	8,558	(41,440)	9,684	**20,688**
Discontinued operations					
Profit/(loss) for the year from discontinued operations	26,678	(103,852)	17,425	(456,221)	**(16,258)**
Profit/(loss) for the year	20,185	(95,294)	(24,015)	(446,537)	**4,430**

CONSOLIDATED ASSETS AND LIABILITIES

	At 31 December				
	2015 *HK$'000*	2016 *HK$'000*	2017 *HK$'000*	2018 *HK$'000*	**2019** ***HK$'000***
Total assets	1,147,370	996,785	1,030,888	534,282	**573,561**
Total liabilities	(150,125)	(151,559)	(155,133)	(223,447)	**(264,830)**
Net assets	997,245	845,226	875,755	310,835	**308,731**

PARTICULARS OF PROPERTIES

Details of the Group's properties at the end of the reporting period are as follows:

Location	Existing use	Lease term	Attributable interest of the Group
Investment properties			
No. 9, Gaoxin Central Avenue 3rd Nanshan District, Shenzhen the People's Republic of China	Commercial	Medium	100%