



環球數碼

GLOBAL DIGITAL CREATIONS HOLDINGS LIMITED

環球數碼創意控股有限公司 *

(Incorporated in Bermuda with limited liability)

(Stock Code: 8271)

FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2023

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

* For identification purpose only

FINAL RESULTS

The board of Directors of the Company (the “Board”) hereby announces the audited financial results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2023 with comparative figures for the year ended 31 December 2022.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2023

	<i>Note</i>	2023 HK\$'000	2022 HK\$'000
Continuing operations			
Revenue	2	70,189	72,295
Cost of sales		(65,092)	(43,518)
Gross profit		5,097	28,777
Other income	3	10,053	13,804
Distribution and selling expenses		(8,863)	(3,233)
Administrative expenses		(33,064)	(32,968)
Reversal of provision/(provision) for impairment of financial assets and contract assets		145	(2,191)
Other (losses)/gains, net		(3,258)	38
Operating (loss)/profit		(29,890)	4,227
Finance cost	4	(5)	(22)
(Loss)/profit before income tax		(29,895)	4,205
Income tax expense	5	(3,303)	(2,327)
(Loss)/profit for the year from continuing operations		(33,198)	1,878
Discontinued operation			
Profit/(loss) for the year	8	23,056	(11,857)
Loss for the year		(10,142)	(9,979)

	2023	2022
<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Other comprehensive loss:		
<i>Item that will not be reclassified to profit or loss:</i>		
– Exchange differences on translation to presentation currency	<u>(6,137)</u>	<u>(29,007)</u>
Other comprehensive loss for the year	<u>(6,137)</u>	<u>(29,007)</u>
Total comprehensive loss for the year	<u>(16,279)</u>	<u>(38,986)</u>
(Loss)/profit for the year attributable to:		
– Owners of the Company		
– Continuing operations	(33,198)	1,878
– Discontinued operation	<u>15,678</u>	<u>(8,063)</u>
	<u>(17,520)</u>	<u>(6,185)</u>
– Non-controlling interests		
– Continuing operations	–	–
– Discontinued operation	<u>7,378</u>	<u>(3,794)</u>
	<u>7,378</u>	<u>(3,794)</u>
	<u>(10,142)</u>	<u>(9,979)</u>

	<i>Note</i>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Total comprehensive (loss)/income for the year attributable to:			
– Owners of the Company			
– Continuing operations		(46,720)	(64,752)
– Discontinued operation		20,700	17,521
		<u>(26,020)</u>	<u>(47,231)</u>
– Non-controlling interests			
– Continuing operations		–	–
– Discontinued operation		9,741	8,245
		<u>9,741</u>	<u>8,245</u>
		<u>(16,279)</u>	<u>(38,986)</u>
		<i>HK cents</i>	<i>HK cents</i>
(Loss)/earnings per share attributable to the owners of the Company:			
<i>6</i>			
Basic and diluted (loss)/earnings per share			
– Continuing operations		(2.21)	0.12
– Discontinued operation		1.04	(0.53)
		<u>(1.17)</u>	<u>(0.41)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	<i>Note</i>	2023 HK\$'000	2022 HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment		12,336	13,770
Right-of-use assets		8,126	9,040
Investment property		231,388	238,677
Interest in an associate		–	–
Movies and television programmes rights		15,229	–
Productions work in progress		4,567	37,798
		<u>271,646</u>	<u>299,285</u>
Total non-current assets		271,646	299,285
Current assets			
Contract assets		899	1,610
Trade receivables	9	11,120	11,224
Deposits, prepayments and other receivables		13,356	6,971
Restricted bank deposits		21	42,689
Cash and cash equivalents		248,039	270,584
		<u>273,435</u>	<u>333,078</u>
Total current assets		273,435	333,078
		<u>545,081</u>	<u>632,363</u>
Total assets		545,081	632,363
EQUITY			
Equity attributable to owners of the Company			
Share capital		15,036	15,042
Retained earnings		62,268	79,788
Other reserves		355,579	364,140
		<u>432,883</u>	<u>458,970</u>
Total equity attributable to owners of the Company		432,883	458,970
Non-controlling interests		(124,695)	(134,436)
		<u>308,188</u>	<u>324,534</u>
Total equity		308,188	324,534

	<i>Note</i>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
LIABILITIES			
Non-current liabilities			
Lease liabilities		–	17
Contract liabilities		1,786	2,415
Deferred income tax liabilities		19,408	23,831
Other payables		289	–
		<hr/>	<hr/>
Total non-current liabilities		21,483	26,263
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Current liabilities			
Trade payables	<i>10</i>	–	202
Accruals and other payables		58,655	59,990
Provision for rental and settlement payables	<i>11</i>	140,822	211,942
Contract liabilities		1,538	581
Lease liabilities		17	475
Current income tax payable		14,378	8,376
		<hr/>	<hr/>
Total current liabilities		215,410	281,566
		<hr style="border-top: 3px double black;"/>	<hr style="border-top: 3px double black;"/>
Total liabilities		236,893	307,829
		<hr style="border-top: 3px double black;"/>	<hr style="border-top: 3px double black;"/>
Total equity and liabilities		545,081	632,363
		<hr style="border-top: 3px double black;"/>	<hr style="border-top: 3px double black;"/>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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.

(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 2023:

HKAS 1 and HKFRS Practice statement 2 (Amendments)	Disclosure of Accounting Policies
HKAS 8 (Amendments)	Definition of Accounting Estimates
HKAS 12 (Amendments)	Deferred tax related to assets and liabilities arising from a single transaction
HKFRS 17	Insurance contract

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

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

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

2 REVENUE AND SEGMENT INFORMATION

Segment information

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

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

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

There were no material sales between the reportable segments for the year ended 31 December 2023 (2022: same).

	Year ended 31 December 2023		
	Interactive Entertainment and Digital Assets <i>HK\$'000</i>	New cultural and Sports Space <i>HK\$'000</i>	Total <i>HK\$'000</i>
– Revenue from computer graphic (“CG”) production	15,295	–	15,295
– Box office receipts	2,951	–	2,951
– Licensing income from television programmes and movies to online platforms	3,492	–	3,492
– Patent fee income from granting the right to access of trademarks	2,088	–	2,088
– Management service fee	–	11,785	11,785
– Rental income	–	34,578	34,578
	<hr/>	<hr/>	<hr/>
Total revenue from external customers	23,826	46,363	70,189
Segment results	(33,633)	18,720	(14,913)
Unallocated income			711
Unallocated expenses			(15,693)
			<hr/>
Loss before income tax from continuing operations			(29,895)
			<hr/>
	Year ended 31 December 2022		
	Interactive Entertainment and Digital Assets <i>HK\$'000</i>	New cultural and Sports Space <i>HK\$'000</i>	Total <i>HK\$'000</i>
– Revenue from CG production	11,844	–	11,844
– Box office receipts	10	–	10
– Licensing income from television programmes and movies to online platforms	883	–	883
– Patent fee income from granting the right to access of trademarks	1,792	–	1,792
– Management service fee	–	13,579	13,579
– Consultancy fee	–	1,392	1,392
– Rental income	–	42,795	42,795
	<hr/>	<hr/>	<hr/>
Total revenue from external customers	14,529	57,766	72,295
Segment results	(13,232)	31,257	18,025
Unallocated income			265
Unallocated expenses			(14,085)
			<hr/>
Profit before income tax from continuing operations			4,205
			<hr/>

The segment assets and liabilities as at 31 December 2023 and 2022 are as follows:

	Year ended 31 December 2023			
	Interactive Entertainment and Digital Assets <i>HK\$'000</i>	New Cultural and Sports Space <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment assets	<u>210,125</u>	<u>304,860</u>	<u>30,096</u>	<u>545,081</u>
Segment liabilities	<u>44,083</u>	<u>38,914</u>	<u>153,896</u>	<u>236,893</u>
Additions to non-current assets	<u>9,050</u>	<u>–</u>	<u>–</u>	<u>9,050</u>
	Year ended 31 December 2022			
	Interactive Entertainment and Digital Assets <i>HK\$'000</i>	New Cultural and Sports Space <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment assets	<u>242,531</u>	<u>332,806</u>	<u>57,026</u>	<u>632,363</u>
Segment liabilities	<u>46,930</u>	<u>35,236</u>	<u>225,663</u>	<u>307,829</u>
Additions to non-current assets	<u>25,939</u>	<u>–</u>	<u>–</u>	<u>25,939</u>

Other information:

	Year ended 31 December 2023			
	Interactive Entertainment and Digital Assets <i>HK\$'000</i>	New Cultural and Sports Space <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Depreciation of property, plant and equipment	(1,286)	(440)	(254)	(1,980)
Depreciation of right-of-use assets	–	(272)	(494)	(766)
Amortisation of movies and television programmes rights	(11,663)	–	–	(11,663)
Written-off of productions work in progress	(13,705)	–	–	(13,705)
Interest income	6,734	9	631	7,374
Government grants	1,286	763	–	2,049
	<u>1,286</u>	<u>763</u>	<u>–</u>	<u>2,049</u>

	Year ended 31 December 2022			
	Interactive Entertainment and Digital Assets <i>HK\$'000</i>	New Cultural and Sports Space <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Depreciation of property, plant and equipment	(694)	(368)	(313)	(1,375)
Depreciation of right-of-use assets	–	(283)	(734)	(1,017)
Provision for impairment of productions work in progress	(1,841)	–	–	(1,841)
Amortisation of movies and television programmes rights	(1,735)	–	–	(1,735)
Interest income	8,169	21	82	8,272
Government grants	3,807	800	144	4,751
	<u>3,807</u>	<u>800</u>	<u>144</u>	<u>4,751</u>

3 OTHER INCOME

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Government grants	2,049	4,751
Interest income	7,374	8,272
Others	630	781
	<u>10,053</u>	<u>13,804</u>

4 FINANCE COST

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Finance cost on lease liabilities	<u>(5)</u>	<u>(22)</u>

5 INCOME TAX EXPENSE

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Continuing operations		
Current tax:		
– Hong Kong profits tax	–	–
– Corporate income tax (“CIT”) in the People’s Republic of China (“PRC”)	1,626	923
– Under/(Over) provision for prior years	<u>5,695</u>	<u>(37)</u>
	----- 7,321	----- 886
Deferred income tax (credit)/expense	<u>(4,018)</u>	<u>1,441</u>
Income tax expense	<u>3,303</u>	<u>2,327</u>

6 (LOSS)/EARNINGS PER SHARE

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
(Loss)/profit attributable to owners of the Company		
– Continuing operations	(33,198)	1,878
– Discontinued operation	<u>15,678</u>	<u>(8,063)</u>
	<u>(17,520)</u>	<u>(6,185)</u>
	2023 No. of shares '000	2022 No. of shares '000
Weighted average number of ordinary shares in issue	<u>1,504,000</u>	<u>1,507,734</u>

	2023 <i>HK cents</i>	2022 <i>HK cents</i>
Basic and diluted (loss)/earnings per share		
– Continuing operations	(2.21)	0.12
– Discontinued operation	<u>1.04</u>	<u>(0.53)</u>
Total basic and diluted loss per share	<u><u>(1.17)</u></u>	<u><u>(0.41)</u></u>

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

Diluted (loss)/earnings per share is the same as basic (loss)/earnings per share as there were no potential dilutive ordinary shares outstanding during the year (2022: same).

7 DIVIDENDS

No dividend is paid, declared or proposed during the years ended 31 December 2023 and 2022, and no dividend has been proposed since the end of the reporting period.

8 DISCONTINUED OPERATION

As set out in Note 11, the Cultural Park operation was classified as discontinued operation since 1 December 2018. Certain costs continued to be incurred during the years ended 31 December 2022 and 2023 as the matters as set out in Note 11 are still ongoing.

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

Cultural Park

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Other income	384	16
Administrative expenses	(3,049)	(3,874)
Reversal of provision/(provision) for rental and settlement expenses	<u>25,721</u>	<u>(7,999)</u>
Profit/(loss) before income tax	23,056	(11,857)
Income tax expense	<u>–</u>	<u>–</u>
Profit/(loss) for the year from discontinued operation	<u><u>23,056</u></u>	<u><u>(11,857)</u></u>

9 TRADE RECEIVABLES

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Trade receivables from contracts with customers	3,397	6,447
Rental receivables	<u>8,043</u>	<u>6,992</u>
	11,440	13,439
<i>Less:</i> Provision for impairment	<u>(320)</u>	<u>(2,215)</u>
	<u><u>11,120</u></u>	<u><u>11,224</u></u>

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Current to 90 days	11,440	11,597
91 to 180 days	–	6
Over 180 days	<u>–</u>	<u>1,836</u>
	<u><u>11,440</u></u>	<u><u>13,439</u></u>

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

10 TRADE PAYABLES

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Current to 90 days	<u>–</u>	<u>202</u>

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

11 PROVISION FOR RENTAL AND SETTLEMENT PAYABLES

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Accrued rental and settlement payables and late payment surcharge (<i>Note</i>)	<u>140,822</u>	<u>211,942</u>

Note:

In prior years, the Group was involved in the investment and operation of the Cultural Park. The Cultural Park was a property project based on a framework agreement on 28 March 2007 (as supplemented on 3 April 2008) (the “Framework Agreement”) entered into by 廣東環球數碼創意產業有限公司 (“Guangdong GDC”), a non-wholly-owned subsidiary of the Company and 珠江電影製片有限公司 (“Pearl River Film Production”), a limited liability company established in the Mainland China and a state-owned enterprise, to redevelop the Cultural Park. Pursuant to the Framework Agreement, Pearl River Film Production, as the landlord of the Cultural Park, agreed to grant the property leasing right to Guangdong GDC, in return for predetermined monthly rental payments (the “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 (“2016 litigation”). On 11 October 2016, 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”) 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.

In November 2018, Pearl River Film Production issued a formal demand letter which demanded Guangdong GDC to return the entire Cultural Park. On 1 December 2018, upon the lapse of the re-trial appeal period of 2016 litigation, the Group decided to derecognise the investment property and cease recognition of all revenue in relation to the operation of the Cultural Park. The Cultural Park operation was classified as discontinued operation since 1 December 2018.

In April 2019, Pearl River Film Production initiated three legal proceedings against Guangdong GDC: (1) to require Guangdong GDC to return the entire Cultural Park; (2) to claim for property occupation fee of the Cultural Park and related interests; and (3) to claim for property occupation fee of certain parking spaces and related interests.

(1) Return of the Cultural Park

With respect to the return of the Cultural Park, a final judgement under civil case dated 8 February 2021 from Guangzhou Intermediate People's Court was received by the Group pursuant to which Guangdong GDC shall return the Cultural Park to Pearl River Film Production. On 27 April 2021, Guangdong GDC returned the Cultural Park to Pearl River Film Production and ceased to receive rentals from tenants since then.

(2) Property occupation fee of the Cultural Park

A civil judgement ("Civil Judgement 1") 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 and related interest for the period from 23 March 2016 to 11 September 2019 of the Cultural Park determined on the basis that the property occupation fee shall be calculated based on the Predetermined Rental as stipulated in the Framework Agreement. Subsequently, Guangdong GDC and Pearl River Film Production both filed appeals with the Guangzhou Intermediate People's Court on 6 January 2020 and 14 January 2020, respectively on various matters about the Civil Judgement 1.

On 16 April 2021, a civil judgement ("Civil Judgement 2") 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") dated 30 March 2021 was received by Guangdong GDC that the judgement from the Guangzhou Intermediate People's Court was set aside and the case shall be returned to the Guangzhou Intermediate People's Court for re-trial.

On 13 December 2022, a civil judgement ("Civil Judgement 3") for re-trial from the Guangzhou Intermediate People's Court was handed down to Guangdong GDC. According to Civil Judgement 3, Guangdong GDC is required to pay property occupation fee to the Pearl River Film Production of RMB157,353,781 for the period between 23 March 2016 and the day when Guangdong GDC returned the entire Pearl River Film Cultural Park to Pearl River Film Production. All other claims made by Pearl River Film Production were dismissed. Subsequently, both Guangdong GDC and Pearl River Film Production have filed appeal with the Guangdong Higher People's Court on the matters about the Civil Judgement 3.

On 7 October 2023, The Company has received a civil judgment ("Civil Judgement 4") from the Guangdong Higher People's Court. According to Civil Judgement 4, the appeal was rejected and Civil Judgement 3 was upheld. Subsequently, Guangdong GDC applied to the Supreme Peoples' Court for retrial on the matters about the Civil Judgement 4.

During the year ended 31 December 2023, restricted deposits amounted to HK\$42,485,000 was used for partial settlement of provision of rental and settlement payables. As at 31 December 2023, approximately HK\$21,000 (2022: HK\$42,689,000) were restricted deposits held at one (2022: one) bank account as reserve under a court order granted for a litigation claim on the Cultural Park.

Subsequent to the reporting period, on 26 February 2024, the Supreme Peoples' Court rejected the retrial application. The civil judgment from the Guangdong Higher People's Court is the final judgment on the case.

(3) Parking space

With respect to the parking space that was governed by a separate agreement dated 1 August 2012, occupation fee of RMB4.6 million had been paid to Pearl River Film Production as settlement and a court order from 海珠區人民法院 (the “People’s Court of Haizhu District”) was received on 19 November 2020, notifying Guangdong GDC the closure of this civil case. On 8 March 2021, Pearl River Film Production has initiated a re-trial to the Guangdong Higher People’s Court. On 28 February 2022, Guangdong Higher People’s Court has rejected the re-trial.

Management engaged an independent external lawyer to assist in assessing the magnitude and likelihood of occurrence for the possible outcomes of the litigation as of 31 December 2023 and 2022 based on the relevant information obtainable at the relevant stage of the litigation, including court decisions and related legal correspondence. Management also engaged an independent external valuer to assist in assessing the fair value of the economic benefits that could be derived from the Cultural Park during the periods in dispute.

Based on the magnitude and likelihood of occurrence for the possible outcomes of the current litigation status as advised by the independent external lawyer, and with reference to the valuation results from the independent external valuer, management determined that provision for rental and settlement payables in relation to the litigation amounting to HK\$140.8 million) for the year end 31 December 2023 (2022: HK\$211.9 million) and reversal of provision amounting to HK\$25,721,000 was recognised under discontinued operation for the year ended 31 December 2023.

12 CONTINGENT LIABILITIES

As detailed in Note 11, the Group is subject to uncertainty regarding the final outcome of the litigation claim. Having considered the various possible outcomes of the current litigation status, management considered a provision for rental and settlement payables amounting to HK\$140,822,000 as at 31 December 2023 to be sufficient and not excessive.

FINAL DIVIDEND

The Board does not recommend the payment of final dividend for the year ended 31 December 2023 (2022: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2023 (the “Year”), revenue from continuing operations amounted to HK\$70,189,000, representing a decrease of HK\$2,106,000 as compared with HK\$72,295,000 in 2022, which was mainly attributable to a combination of factors such as the decrease in the average exchange rate of Renminbi against Hong Kong dollars by approximately 5% as compared with the corresponding period last year, the decrease in rental income as well as the distribution of an original animated film during the Year which led to a year-on-year increase in income from original projects.

Cost of Sales

Cost of sales from continuing operations for the Year amounted to HK\$65,092,000, representing an increase of HK\$21,574,000 as compared with HK\$43,518,000 in 2022, which was mainly attributable to 1) the releasing of an original animated film during the Year (2022: nil), and the related costs were included in profit and loss; and 2) the write-off of an original co-produced animated film of HK\$13,705,000.

Other Income

Other income from continuing operations for the Year amounted to HK\$10,053,000 (2022: HK\$13,804,000) was mainly from government grants of HK\$2,049,000 and interest income of HK\$7,374,000.

Distribution and Selling Expenses

Distribution and selling expenses from continuing operations for the Year amounted to HK\$8,863,000, representing an increase of HK\$5,630,000 as compared with HK\$3,233,000 in 2022, which was mainly attributable to the increase in marketing expenses required to distribute the animated film.

Administrative Expenses

Administrative expenses from continuing operations for the Year amounted to HK\$33,064,000 (2022: HK\$32,968,000), mainly including staff costs, professional service fees and office running expenses.

Reversal of Provision/ (Provision) for Impairment of Financial Assets and Contract Assets

Reversal of provisions for impairment of financial assets and contract assets from continuing operations for the Year amounted to HK\$145,000 (2022: provisions of HK\$2,191,000), which was attributable to the adjustment to provisions for impairment of trade receivables.

Other (Losses)/Gains, Net

Other net losses from continuing operations for the Year amounted to HK\$3,258,000. Other losses increased by HK\$3,296,000 as compared with other net gains of HK\$38,000 recorded last year, which was attributable to the decrease in the fair value of investment properties by HK\$3,084,000.

Finance Cost

Finance cost from continuing operations for the Year amounted to HK\$5,000 (2022: HK\$22,000). The Group does not have any borrowings and such finance costs were the interest component of lease liabilities.

(Loss)/Profit from Continuing Operations

Based on the above factors, loss from the continuing operations for the Year amounted to HK\$33,198,000, representing a decrease of HK\$35,076,000 as compared with the profit of HK\$1,878,000 for the corresponding period of 2022.

Profit/(Loss) from Discontinued Operation

Profit from the discontinued operation for the Year amounted to HK\$23,056,000, representing an increase in profit of HK\$34,913,000 as compared with loss of HK\$11,857,000 in 2022, which was attributable to the adjustment of provisions for rent payables and settlement amounts due to the litigation judgment regarding Guangzhou Pearl River Film Cultural Park during the Year.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2023, the Group had cash and cash equivalents of HK\$248,039,000 (2022: HK\$270,584,000), which were mainly denominated in RMB, US dollars and Hong Kong dollars, and restricted bank deposits amounted to HK\$21,000 (31 December 2022: HK\$42,689,000).

As at 31 December 2023, the Group had no borrowings or overdrafts. The Group's current ratio was 1.27 (2022: 1.18), which was calculated based on current assets of HK\$273,435,000 and current liabilities of HK\$215,410,000.

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

CAPITAL STRUCTURE

Equity attributable to owners of the Company amounted to HK\$432,883,000 as at 31 December 2023 (2022: HK\$458,970,000). The decrease was mainly due to exchange differences of HK\$8,500,000 on translation of financial statements from functional currency to presentation currency and the loss attributable to owners of the Company of HK\$17,520,000.

MATERIAL ACQUISITIONS, DISPOSALS AND SIGNIFICANT INVESTMENT

The Group did not have any material acquisitions, disposals and significant investment during the year ended 31 December 2023.

CHARGE ON ASSETS

As at 31 December 2023, there were no charges on any of the Group's assets for loans and bank facilities.

FOREIGN EXCHANGE EXPOSURE

As at 31 December 2023, the Group had no significant exposure under foreign exchange. Currently, the Group earns revenue mainly in RMB, and incurs costs mainly in RMB and HK\$. The Directors believe that the Group's operational cash flow and liquidity do not have significant foreign exchange exposure, and thus has not implemented any foreign currency hedging policy at the moment. However, if necessary, the Group will use reasonable measures to hedge against foreign currency exposure. The closing RMB exchange rate as at 31 December 2023 was approximately 1.8% lower than the exchange rate as at the end of 2022, and such exchange differences led to an additional exchange loss of HK\$6,137,000 being recognised in the other comprehensive income upon translation of financial statements from functional currency to presentation currency for the Year.

CONTINGENT LIABILITIES

Save for the disclosure in Note 12 to the consolidated financial statements, the Group had no significant contingent liabilities as at 31 December 2023.

EMPLOYEES

As at 31 December 2023, the Group employed 148 (2022: 165) full time employees (other than employees of the Group's associates).

The Group remunerates its employees mainly with reference to the prevailing market practice, individual performance and experience. Other benefits, such as medical coverage, insurance plan, mandatory provident fund, and discretionary bonus are also available to the employees of the Group. During the Year, neither the Company nor its subsidiaries had paid or committed to pay any amount as an inducement to join or upon joining the Company and/or its subsidiaries to any individuals.

BUSINESS REVIEW

Interactive Entertainment and Digital Assets

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

The interactive entertainment business is committed to integrating trendy and visualised elements with art and advanced technology to produce personalised digital creative content, demonstrating a side of its diverse business and clients. Following the delivery of a series of cutting-edge creative digital content design, production and technical services of Tencent’s Dunhuang Gajiao* (《敦煌伽瑤》), Just Dance* (《星瞳》), Ningxia Wine Expo* (《寧夏葡萄展會》), Migu Asian Games E-Sports* (《咪咕亞運電競》), Qualcomm’s Trial of AI* (《AI的試煉》), Transsion’s Mobile Avatar* (手機虛擬形象), Fosun’s Virtual Idol Short Film* (《虛擬偶像短片》), GDC became a top digital interactive entertainment content supplier.

During the year 2023, GDC made in-depth use of artificial intelligence generative content (“AIGC”) technology to promote the scaled implementation of digital economy business. With the implementation of numerous digital economy projects such as Qualcomm’s “Trial of AI”* promotional video, Tencent IEG Comprehensive Project, Huizhou Press Sector Virtual character Project, Huawei HDC Conference Project, Huawei HC Conference Project, Huawei HC-E Conference Project, Huawei Latin America Tour Conference, Huawei Compass Conference Project, Huawei Turkey Conference Project, Huawei North Africa Night Project, West China Digital Twin City Project and the Guangzhou Disease Control and Prevention Center Project, the related revenue has increased significantly. The Huawei Connect held at the Shanghai World Expo is Huawei’s most important meeting of the year, in which the Group has undertaken the task of being the virtual host for all of its summits and subforums, and also responsible for the development and booth implementation of three intelligent holographic cabinets. The “AI Holographic Virtual BOX”* (「AI全息虛擬BOX」) developed by the virtual character team was able to achieve consultation, navigation, Q&A, interaction and traffic attraction. It has made its debut during the Conference on Promoting the Development of a Culturally Powerful Province in Jiangxi Province* (江西省文化強省建設推進大會) and became the most popular virtual character product.

GDC provides digital twin product and solutions for construction of a smart city. Currently, domestic digital twin construction is in the stage of exploration with a huge market for development in China. GDC took the lead to build a high-standard global twin data base through three-dimensional (“3D”) modelling and data global identification by integrating the actual needs of the Chengdu Yuehu New Materials Industrial Zone* (成都悅湖新材料產業功能區) and the West China Medical Beauty and Health Industrial Park* (華西醫美健康產業園區), resulting in a successful completion of the accurate mapping of physical jurisdictions in the digital twin space as well as execution of data docking and application management with the Management Platform Operated by the China’s Government and City* (政府城市運行管理平台).

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The training business is gradually creating a new business model, deep collaborations with vocational colleges in several cities has reached a consensus, and projects are gradually commencing.

During the reporting period, the original ocean-themed animated film “Around the Earth in 80 Days”* (《環遊地球80天》) was released nationwide in China, which rose up to the top of the box office among other animated films of the same period and earned an excellent reputation. Another original animated film “Dance With the Finless Porpoise”* (《江豚·風時舞》) was released nationwide in China on 20 January 2024. GDC co-organized the movie viewing ceremony of “Dance with the Finless Porpoise” and the Jiangxi-Hukou-Poyang Lake Night-Finless Porpoise Music Festival* (江西·湖口·鄱陽湖之夜·江豚音樂節) in the Shizhong Mountain Scenic Area in Hukou, Jiangxi Province with Jiangxi Cultural Performance and Hukou Cultural Tourism, so as to promote the film.

The original ocean-themed animated film “Around the Earth in 80 Days”* and the domestic leading toy enterprises jointly launched IP derivative products. GDC launched crossovers with KFC, Umetrip and Lawson. The ocean-themed entertainment castle has been shortlisted for the supplier list of China Resources Mixc One Shopping Mall. “Dance With the Finless Porpoise”* has reached annual collaborations with leading enterprises such as China Resources Vanguard and Tencent Charity, so as to boost the sales of IP’s derivative products.

New Cultural and Sports Space

Used digital culture industry as its first mover advantage, the GDC Building in Shenzhen continued to attract high quality animated film and television, high technology and cultural and creative enterprises. It focuses on creating a green ecology where culture and technology are mutually supported by one another, and firmly constructs a high-quality building development model empowered by “Culture + Technology”. The Group utilized its self-developed cloud platform for cloud information processing to provide professional operation management services for the properties, continued to enhance the digital technology management system and improved ancillary facilities and services.

The Chengdu Sports Park Project* (成都體育公園項目) focuses on the philosophy of “Cultural IP + Technology + Sports”, forming a special package with a composite business model, gaining commercial forces around six aspects: matching, differentiation, theme, purpose, coordination, and vision. It integrates sports, leisure and smart experience and rejuvenates the sports park. At the same time, the sports park project collaborated with JD.com using JD.com’s sports experience scene “Offline Carnival” as well as various professional and interesting offline experience projects to let sports enthusiasts extensively and deeply experience the allure of sports.

The Chengdu C8 Cultural and Creative Industrial Park* (成都C8文化創意產業園) is a digital economic industrial park which the Wuhou District Government of Chengdu focuses on building. It aligns with the concepts of new economy, new business ecology and new consumption. Upon completion, it would represent another successful case of GDC’s light asset brand export.

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During the year, the Group cooperated with the Wuzhong District Government in Suzhou, China (the "Suzhou Wozhong Project"), which aims to form industry clusters as well as upstream and downstream operations for GDC, in addition to supporting local governments to complete cluster construction and assist in attracting investments. The Suzhou Wuzhong Project* (蘇州吳忠項目) will be officially launched in 2024.

To empower urban industries' new vitality with culture, local urban IP stories serve as culture carriers and are disseminated throughout urban industries. Art revitalizes culture, and technology empowers culture and tourism. Through regionality + culture + contemporary, we will build an urban super cultural and tourism IP and integrate IPs from multiple perspectives such as cultural confidence, trendy and youthful as well as cultural value, so as to provide impetus to a new system of the digital culture industry. Currently, the Group is building the Guangzhou Zengcheng District Female Immortal Super Urban IP* (廣州增城區仙姑文化超級城市IP). In the future, we will also build the Nie' Er Urban IP* (聶耳城市IP) and the Su Dongbo Urban IP*(蘇東坡城市IP) and other IPs as the key projects of the new urban culture and tourism industry.

Research and Development

The Group has a first-mover advantage in the technical accumulation of Metaverse infrastructure and the construction of virtual reality, possesses a complete solution and business experience in the areas such as virtual digital simulation and full-real digital natives, and has a software and hardware solution integrating automatic intelligent control, highly accurate full-body motion capture and artificial intelligence, which can be applied to customised services such as enterprise digital employees, digital scenario and virtual spokespersons. The research and development team has completed the development of computer animation and artificial intelligence engine driver interface, as well as optimised the production process and technics continuously. The Group has also continued to enhance the improvement and application of new technologies such as unreal engine and artificial intelligence.

The 3D virtual character "Phantom Platform"* (擬影平台) is a leading virtual character design platform self-developed by GDC. This platform, which is centred on VRoidStudio, Unity and Blender, contains a vast array of downloadable avatars and offers personalized customization services to suit any creative needs. This platform is the only domestic partner of Sony's Mocopi portable motion capture products and has been integrated into the designated applications of this product.

The AIGC Virtual Character Performance System technology is being researched and developed based on neuron network, and can perform in-depth learning of skeleton-generating animations, film and television animations and facial expressions accumulated over the years, especially the actions of the virtual character when hosting summits and doing consultations. The system can perform deep reinforced learning and uses large models to instantly generate complex, lifelike virtual character performance movements and expressions through posture estimation, without using motion capture systems.

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The application and development of emotion recognition and speech and language generation technology is based on the cooperation with the Himalayan Everest Laboratory, a leading natural language technology company in China (喜馬拉雅珠峰實驗室). Leveraging on its semantic and emotion recognition system combined with GDC’s virtual character natural movements and expressions and performance system engine, virtual characters can comprehend and react to the user’s emotions and voice communication more thoroughly in real-life applications, which offers more compassionate and intelligent services. The advancement of such technology holds great importance in augmenting the roles and functions of virtual characters during human-computer interactions.

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

GOVERNMENT AWARDS

GDC won numerous awards in 2023. The Group was consecutively nominated as a national high-tech enterprise and was awarded honorary recognitions and awards, such as the 2023 National Culture Metaverse Pioneer Institution and Star Supplier (Culture category)* (全國文化元宇宙先鋒機構和星級供應商(文化類)), the “Outstanding Enterprise Award”* (“卓越企業獎”) of the World Metaverse Ecology Conference* (世界元宇宙生態大會), Specialized, Refinement, Differential, Innovation (SDRI) Enterprise of Shenzhen Municipality* (深圳市專精特新企業), the Recognition of Technology-based Small and Medium Enterprises* (科技型中小企業認定), the Recognition of Small and Micro Enterprise Entrepreneurship and Innovation Demonstration Base* (小型微型企業創業創新示範基地認定), the Annual Sports Metaverse Innovation Enterprise Grand Award* (年度體育元宇宙創新企業大獎), the Industry-Education Integration Demonstration Enterprise* (產教融合型示範企業入庫), the Recognition of the 19th Cultural Expo Branch and Outstanding Branch* (第19屆文博會分會場認定及優秀分會場), the Culture Industry Demonstration Base of Foshan Municipality* (佛山市文化產業示範基地), Member Unit of the Sichuan Culture Industry Development Alliance* (四川文化產業發展聯盟成員單位), and the Shenzhen Women-Child Fund Green Common Welfare Partner* (深圳市婦兒基金綠色共益夥伴).

In 2023, the Group was granted the key laboratory project of the Ministry of Culture and Tourism, Award for Original R&D and Industrialization Projects of Shenzhen Municipal Bureau of Culture, Radio, Television, Tourism and Sports, the 2023 Funding for the Cultivation of High-tech Enterprises of Science, Technology and Innovation Commission of Shenzhen Municipality, the Branch Award of the 19th Shenzhen Cultural Expo, the Subsidy for Small and Micro Enterprises Entrepreneurship and Innovation Demonstration Base Recognition, the Subsidy for Improving the Creative Ability of Smart Property Rights of Market Supervision and Regulation Bureau of Shenzhen Municipality, the Original Operation Income Reward and Copyright Subsidy of Nanshan District Culture, Radio, Television, Tourism and Sports Bureau, Parent-Child Reception Subsidy of the Women’s Federation of Nanshan District, as well as the Foshan Original Boutique Subsidy.

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In 2023, GDC participated in multiple events, such as the Annual Conference of the Financial Street Forum 2023* (2023金融街論壇年會), the Technology and Financial Innovation Development Forum 2023* (2023科技金融創新發展論壇), the World Metaverse Conference* (世界元宇宙大會), the 2023 Forbes China Most Influential Chinese Elite List Award Ceremony* (2023福布斯中國最具影響力華人精英榜單頒獎典禮), the Hong Kong International Film and TV Market* (香港國際影視展), the 19th Shenzhen Cultural Expo and the High Quality Development Conference of the Cultural and Entertainment Association* (第19屆深圳文博會及文娛協會高品質發展大會), the first China (Harbin) International Animation and Comic Game Expo* (首屆中國(哈爾濱)國際動漫遊戲博覽會), the 18th Changchun Film Festival* (第18屆中國長春電影節), the China Game Industry Annual Conference 2023* (2023中國遊戲行業年會), the Chinese-Arabic Animation and Comic Forum* (中阿動漫論壇), the Beijing Animated Films Week* (北京動畫電影周), the High Quality Development Forum of Animated Films in the Greater Bay Area* (大灣區動畫電影高品質發展論壇), the 2nd China Film Art Direction Academy Honorary Ceremony* (第二屆中國電影美術學會榮譽盛典), the 9th China International Copyright Expo* (第九屆中國國際版權博覽會), the Ningxia Culture and Tourism Metaverse Forum* (寧夏文旅元宇宙論壇), the International Fashion and Urban High-Quality Development cum Chengdu-Chongqing Double City Economic Zone Fashion Industry Co-Creation Conference* (國際時尚與城市高品質發展暨成渝雙城經濟圈時尚產業共創大會), the Xicheng District Sub-Forum of the 2nd Beijing Urban Renewal Forum Event* (第二屆北京城市更新論壇西城區分論壇活動), the 2023 Xiamen International Fashion and Sport Consumption Development Trend Forum* (2023廈門國際時尚運動消費發展趨勢論壇) and the first Shenzhen Children's Expo* (深圳首屆兒童博覽會).

At the same time, the Company's original IPs has earned many accolades: "Around the Earth in 80 Days" was successfully shortlisted for the "Chasing Light Project* (追光項目)" of the 15th Straits Film and Television Season and was shortlisted for the list of "The Most Anticipated Animated Films (Series)" of the High Quality Development Forum of Animated Films in the Greater Bay Area and the Shenzhen Youth Image Festival Youth Themed Special Work Award in Animation Category; "Journey to the Center of the Earth"* (《地心遊記》) was awarded the first China Children's Literature and Animation Outstanding Award; "Thru The Mobius Strip"* (《魔比斯環》) was awarded the 100 Outstanding Animation Works Award in the Flowing Light — China Animation Centenary Exhibition (流光浮動 — 中國動畫百年紀念展); "Smart Shunliu"* (《聰明的順溜》) was awarded the 100 Outstanding Animation Works Award in the Flowing Light — China Animation Centenary Exhibition; "Dance with the Finless Porpoise* (江豚·風時舞)" was awarded among the list of "The Most Anticipated Animated Films* (最值得期待動畫電影)" of the High Quality Development Forum of Animated Films in the Greater Bay Area, and was shortlisted for the main competition unit of the Macau International Movie Festival and the Outstanding Music Marketing Project of the Year of the China Music Marketing Summit 2023* (中國音樂行銷峰會2023年度優秀音樂行銷項目). The military virtual character "Shunliu Telling the Party's History"* (《順溜講黨史》) was designated as the national culture metaverse demonstration case of 2023. Sci-fi Girl* (科幻女孩) was awarded the "Digital Character Innovation and Application Design Award"* (數字人創新應用設計獎) of the first Shenzhen Metaverse Digital Human Innovating Application Competition* (深圳首屆元宇宙數字人創新應用大賽), while a subsidiary of the Group located in Foshan has been shortlisted for the best 10 cases of "Double Entrepreneurship" (「雙創」) of Lingnan Culture.

The Company attaches high importance in technology innovation and intellectual property rights protection. In 2023, it acquired 10 copyright registrations and 14 computer software copyright registrations in total.

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OUTLOOK

Leveraging on its existing business advantages, GDC will continue to optimise the city-level Metaverse solutions. GDC adopts a S2G+S2B model to build a platform empowerment system and provides digital content solutions to government departments and large enterprises, information packs were obtained to provide back-end derivative digital economy services such as information capitalization. On the supply side, preferred suppliers conduct reverse centralized procurement and customization of big data according to demand. On the platform side, utilize content, technology and information integration to empower clients, and build commercial central platforms, solution central platforms and delivery central platforms to deeply serve clients, so as to offer differentiated products and values. On the commercial side, focus on the needs of governments and large enterprises, and offers personalized and scenario-based solutions to empower sustainable development.

The film and television business will continue to explore the unique, local cultural content, and develop multiple themes such as ocean exploration, Yangtze River stories, Chinese mythology and science fictions in the future. Self-production and co-production modes will both be adopted to produce one to two animated films every year. The Group strives to recreate good Chinese stories through cutting-edge computer animation technology and novel art style. In terms of the undertaking and production business, the Group will continue to provide high-quality and stable production services. The undertaking and production business of digital virtual characters will form a platform business model to expand market shares.

Following the inception of Chengdu Sports Park project, the Group will embrace “Cultural IP + Technology + Sports” as the core strategy, operate the New Cultural and Sports Space with the concept of commercialisation, and create an innovative, commercial and ecological sports park, thereby redefining the city with culture. Meanwhile, GDC’s digital genes will facilitate the creation of smart cities and the construction of the digital twin project “Smart City Rongcheng”* (「智慧蓉城」). The Suzhou Wuzhong Project strives to form industry clusters and industrial upstream and downstream operations for GDC.

The Group continues to commit to talent development and technology optimisation to improve business quality. At the same time, we will actively expand the market, boost efforts to expand the Metaverse virtual characters and New Cultural and Sports Space business. The Group will also fully achieve breakthroughs in the urban culture and tourism and the provision of variety shows in the Metaverse, gradually expand the Metaverse products of various industries, and make every effort to become China’s leading digital asset management group in Metaverse.

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UPDATE ON LITIGATIONS

Details of the business disputes between 廣東環球數碼創意產業有限公司 (“Guangdong GDC”), a non-wholly owned subsidiary of the Company, and 珠江電影製片有限公司 (“Pearl River Film Production”) in respect of the Pearl River Film Cultural Park and litigations resulted therefrom were reported in the preceding financial year and the first, the second and the third quarter of this year. Updates are as follows:

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

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

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

On 13 December 2022, a civil judgment for re-trial from Guangzhou Intermediate People’s Court (the “Guangzhou Intermediate People’s Court Civil Judgment for Re-trial”) was handed down to Guangdong GDC. According to the Guangzhou Intermediate People’s Court Civil Judgment for Re-trial, Guangdong GDC is required to pay property occupation fee to the Pearl River Film Production of RMB157,353,781 for the period between 23 March 2016 and the day when Guangdong GDC returned the entire Pearl River Film Cultural Park to Pearl River Film Production. All other claims made by Pearl River Film Production were dismissed. Each of Guangdong GDC and Pearl River Film Production filed an appeal with the Guangdong Higher People’s Court. The Group has received a civil judgment (民事判決書) from the Guangdong Higher People’s Court (the “Guangdong Higher People’s Court Civil Judgment for Appeal”) on 7 October 2023. According to the Guangdong Higher People’s Court Civil Judgement for Appeal, the Appeal was rejected and the Guangzhou Intermediate People’s Court Civil Judgment for Re-trial was upheld. Thereafter, Guangdong GDC has applied to the Supreme People’s Court of the People’s Republic of China (the “Supreme People’s Court”) for re-trial. On 26 February 2024, the Company has been informed that re-trial application had been rejected by the Supreme People’s Court.

2. In April 2019, Pearl River Film Production filed an action with 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”), requiring Guangdong GDC and 廣州高尚商業經營管理有限公司 (“Gaoshang Property Management*”), an indirect non-wholly owned subsidiary of the Company to pay the property occupation fee of the car park of the Pearl River Film Cultural Park in an amount of RMB26,457,900 for the period between 1 August 2015 and 21 June 2018 and related interest in the amount of RMB2,520,062 for the interest as of 27 March 2019.

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

The Guangzhou Intermediate People’s Court made the final judgment on 27 September 2020 in which the original judgment was upheld. The judgment was enforced by both parties in November 2020 and the case proceedings were concluded.

On 8 March 2021, Pearl River Film Production has applied to the Guangdong Higher People’s Court for setting aside of the abovementioned final judgment, and initiated a re-trial of the legal proceedings. After that, the Company has been informed that the re-trial initiated by Pearl River Film had been rejected by the Guangdong Higher People’s Court. The Intermediate Court Civil judgment is the final judgment.

3. In April 2021, Guangdong GDC has initiated legal proceedings against Pearl River Film Production, claiming for the (i) return of capital contribution invested in the construction for the Pearl River Film Cultural Park and the related interests in the amount of approximately RMB240,000,000 and RMB54,900,000, respectively, and (ii) compensation on losses of RMB20,000,000 borne by Guangdong GDC arising from the said investment due to breach of contract by Pearl River Film Production.

On 18 May 2022, a civil judgment (民事判決書) (the “Civil Judgment”) from the Guangzhou Intermediate People’s Court was handed down to Guangdong GDC. According to the Civil Judgment, the Claims have been rejected by the Guangzhou Intermediate People’s Court. Guangdong GDC filed an appeal with the Guangdong Higher People’s Court on 1 June 2022 (the “Appeal”). On 21 July 2023, Guangdong GDC received a civil judgment (民事判決書) from the Guangdong Higher People’s Court (the “Higher Court Civil Judgment”). According to the Higher Court Civil Judgement, the Appeal was rejected and the judgment of the Guangzhou Intermediate People’s Court was upheld. Thereafter, Guangdong GDC has applied to the Supreme People’s Court for re-trial. As at the date of this announcement, no judgment has been handed down for the re-trial.

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

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

During the year ended 31 December 2023, the Company repurchased its ordinary shares on the Stock Exchange as follows:

Month of the repurchases	Number of ordinary shares repurchased	Highest price paid per share <i>HK\$</i>	Lowest price paid per share <i>HK\$</i>	Aggregate consideration paid <i>HK\$</i>
June 2023	342,000	0.080	0.075	26,578
August 2023	250,000	0.087	0.077	19,614
December 2023	<u>260,000</u>	0.082	0.079	<u>20,848</u>
Total	<u><u>852,000</u></u>			<u><u>67,040</u></u>

During the year, total of 592,000 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.

As at the date of this announcement, 260,000 repurchased shares have not yet been cancelled.

Save as the above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the listed securities of the Company during the year ended 31 December 2023.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

During the year ended 31 December 2023, the Company has applied the principles of and complied with the code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 15 which has been renumbered as Appendix C1 under the GEM Listing Rules that came into effect on 31 December 2023, to the Rules Governing the Listing of Securities on GEM (the "GEM Listing Rules") of Stock Exchange.

During the year ended 31 December 2023, the Company has complied all applicable code provisions as set out in the CG Code.

COMPLIANCE WITH CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiries with the Directors, all Directors confirmed that they have complied with such code of conduct and the required standard of dealings regarding securities transactions by the Directors throughout the year ended 31 December 2023.

AUDIT COMMITTEE

The Company's Audit Committee together with the auditor and the management of the Company have reviewed the final results of the Group for the year ended 31 December 2023.

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of comprehensive income and the related notes thereto for the year ending 31 December 2023 as set out in the preliminary announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by PricewaterhouseCoopers on the preliminary announcement.

ANNUAL GENERAL MEETING

The annual general meeting of the Company (the "Annual General Meeting") will be held on Friday, 24 May 2024. The notice of the Annual General Meeting will be separately published in due course.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 21 May 2024 to Friday, 24 May 2024, both dates inclusive, during which period, no transfer of shares will be registered. In order to qualify for attend and vote at the Annual General Meeting, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with Hong Kong branch share registrar and transfer office of the Company, Tricor Standard Limited, at 17/F., Far East Finance Centre, 16 Harcourt Road, Hong Kong, not later than 4:30 p.m. (H.K. time) on Monday 20 May 2024.

PUBLICATION OF 2023 FINAL RESULTS AND 2023 ANNUAL REPORT

The 2023 final results announcement of the Company is published on the website of the Stock Exchange and the Company's website. The 2023 annual report of the Company will be despatched to the shareholders of the Company and published on the above websites in due course.

APPRECIATION

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

By Order of the Board

Xu Liang

Chairman

Hong Kong, 25 March 2024

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

This announcement will remain on the websites of The Stock Exchange of Hong Kong Limited at <http://www.hkexnews.hk> on the “Latest Listed Company Information” page for at least 7 days from the date of its publications and on the website of Company at <http://www.gdc-world.com>.