GDC
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 2015

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

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

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

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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 the 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 2015 with comparative figures for the year ended 31 December 2014.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For The Year Ended 31 December 2015

	NOTES	**2015** *HK$'000*	2014 *HK$'000*
Revenue	*2*	**181,664**	204,404
Cost of sales		**(108,800)**	(126,789)
Gross profit		**72,864**	77,615
Other income		**9,908**	50,859
Distribution costs and selling expenses		**(15,329)**	(19,104)
Administrative expenses		**(57,589)**	(66,539)
Decrease in fair value of investment properties		**(4,069)**	–
Finance costs		**(2,559)**	(6,761)
Other gains and losses		**21,945**	2,156
Profit before tax		**25,171**	38,226
Income tax expense	*4*	**(4,986)**	(5,607)
Profit for the year	*5*	**20,185**	32,619
Other comprehensive (expenses) income:			
Item that will not be reclassified to profit or loss:			
Exchange differences on translation of financial statements from functional currency to presentation currency		**(42,259)**	(20,991)
Items that may be reclassified subsequently to profit or loss:			
Increase in fair value of available-for-sale investment	*9*	**368**	25,986
Cumulative gain reclassified to profit or loss on sale of available-for-sale investment	*9*	**(20,789)**	–
		(20,421)	25,986
Other comprehensive (expenses) income for the year		**(62,680)**	4,995
Total comprehensive (expenses) income for the year		**(42,495)**	37,614

	NOTE	2015 HK$'000	2014 HK$'000
Profit for the year attributable to:			
Owners of the Company		**10,994**	31,862
Non-controlling interests		**9,191**	757
		20,185	32,619
Total comprehensive (expenses) income for the year attributable to:			
Owners of the Company		**(49,275)**	38,228
Non-controlling interests		**6,780**	(614)
		(42,495)	37,614
		HK cents	HK cents
Earnings per share	*7*		
Basic		**0.72**	2.10

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2015

	NOTES	2015 HK$'000	2014 HK$'000
Non-current assets			
Property, plant and equipment		**233,148**	263,729
Investment properties	*8*	**524,073**	542,350
Prepaid lease payments		**5,303**	5,692
Available-for-sale investments	*9*	**23,040**	22,701
Other receivables and deposits		**23,866**	25,000
		809,430	859,472
Current assets			
Productions work in progress		**4,988**	3,548
Amounts due from customers for contract work		**6,654**	5,489
Trade receivables	*10*	**32,147**	40,016
Other receivables and deposits		**9,085**	13,392
Loan receivable		**–**	25,000
Prepaid lease payments		**131**	138
Available-for-sale investment	*9*	**–**	88,303
Held-for-trading investments		**–**	15,717
Structured deposits	*11*	**147,618**	130,788
Bank balances and cash		**137,317**	98,043
		337,940	420,434
Current liabilities			
Advances from customers		**6,872**	7,301
Amounts due to customers for contract work		**507**	4,498
Trade payables	*12*	**2,393**	4,134
Other payables and accruals		**63,035**	84,548
Tax liabilities		**10,063**	10,331
Deferred income		**8,516**	5,535
Secured bank borrowings – due within one year		**–**	45,000
		91,386	161,347
Net current assets		**246,554**	259,087
Total assets less current liabilities		**1,055,984**	1,118,559

	NOTE	**2015** HK$'000	2014 HK$'000
Non-current liabilities			
Deferred income		**466**	2,927
Deferred tax liabilities		**41,595**	40,892
Secured bank borrowings – due after one year		**–**	35,000
Derivative financial instrument		**16,678**	–
		58,739	78,819
Net assets		**997,245**	1,039,740
Capital and reserves			
Share capital	*13*	**15,183**	15,183
Reserves		**928,651**	977,926
Equity attributable to owners of the Company		**943,834**	993,109
Non-controlling interests		**53,411**	46,631
Total equity		**997,245**	1,039,740

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For The Year Ended 31 December 2015

	Attributable to owners of the Company											
	Share capital *HK$'000*	Share premium reserve *HK$'000*	Capital contribution reserve *HK$'000*	Contributed surplus reserve *HK$'000*	Statutory reserve *HK$'000*	Investment revaluation reserve *HK$'000*	Exchange reserve *HK$'000*	Special reserve *HK$'000*	Retained earnings *HK$'000*	Sub-total *HK$'000*	Non-controlling interests *HK$'000*	Total *HK$'000*
At 1 January 2014	15,183	75,856	445	245,881	870	–	73,264	39	544,591	956,129	46,112	1,002,241
Profit for the year	–	–	–	–	–	–	–	–	31,862	31,862	757	32,619
Exchange differences on translation of financial statements from functional currency to presentation currency	–	–	–	–	–	–	(19,620)	–	–	(19,620)	(1,371)	(20,991)
Increase in fair value of available-for-sale investment	–	–	–	–	–	25,986	–	–	–	25,986	–	25,986
Other comprehensive income (expenses) for the year	–	–	–	–	–	25,986	(19,620)	–	–	6,366	(1,371)	4,995
Total comprehensive income (expenses) for the year	–	–	–	–	–	25,986	(19,620)	–	31,862	38,228	(614)	37,614
Sub-total	15,183	75,856	445	245,881	870	25,986	53,644	39	576,453	994,357	45,498	1,039,855
Acquisition of additional interest in a subsidiary	–	–	–	–	–	–	–	(1,248)	–	(1,248)	1,248	–
Transfer to statutory reserve	–	–	–	–	237	–	–	–	(237)	–	–	–
Dividend paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	(115)	(115)
At 31 December 2014	15,183	75,856	445	245,881	1,107	25,986	53,644	(1,209)	576,216	993,109	46,631	1,039,740
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**10,994**	**10,994**	**9,191**	**20,185**
Exchange differences on translation of financial statements from functional currency to presentation currency	**–**	**–**	**–**	**–**	**–**	**–**	**(39,848)**	**–**	**–**	**(39,848)**	**(2,411)**	**(42,259)**
Increase in fair value of available-for-sale investment	**–**	**–**	**–**	**–**	**–**	**368**	**–**	**–**	**–**	**368**	**–**	**368**
Cumulative gain reclassified to profit or loss on sale of available-for-sale investment	**–**	**–**	**–**	**–**	**–**	**(20,789)**	**–**	**–**	**–**	**(20,789)**	**–**	**(20,789)**
Other comprehensive expenses for the year	**–**	**–**	**–**	**–**	**–**	**(20,421)**	**(39,848)**	**–**	**–**	**(60,269)**	**(2,411)**	**(62,680)**
Total comprehensive (expenses) income for the year	**–**	**–**	**–**	**–**	**–**	**(20,421)**	**(39,848)**	**–**	**10,994**	**(49,275)**	**6,780**	**(42,495)**
Sub-total	**15,183**	**75,856**	**445**	**245,881**	**1,107**	**5,565**	**13,796**	**(1,209)**	**587,210**	**943,834**	**53,411**	**997,245**
Transfer to statutory reserve	**–**	**–**	**–**	**–**	**846**	**–**	**–**	**–**	**(846)**	**–**	**–**	**–**
At 31 December 2015	**15,183**	**75,856**	**445**	**245,881**	**1,953**	**5,565**	**13,796**	**(1,209)**	**586,364**	**943,834**	**53,411**	**997,245**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT

For The Year Ended 31 December 2015

1. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Application of new and revised HKFRSs

The Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") for the first time in the current year:

Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010 – 2012 Cycle
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011 – 2013 Cycle

The application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

New and revised HKFRSs in issue but not yet effective

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers[1]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[2]
Amendments to HKAS 1	Disclosure Initiative[2]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012 – 2014 Cycle[2]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception[2]

[1] Effective for annual periods beginning on or after 1 January 2018
[2] Effective for annual periods beginning on or after 1 January 2016
[3] Effective for annual periods beginning on or after a date to be determined

HKFRS 9 ***Financial Instruments***

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in 2013 to include the new requirements for general hedge accounting. Another revised version of HKFRS 9 was issued in 2014 mainly to include (a) impairment requirements for financial assets and (b) limited amendments to the classification and measurement requirements by introducing a "fair value through other comprehensive income" ("FVTOCI") measurement category for certain simple debt instruments.

Key requirements of HKFRS 9:

- all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- with regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

- in relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

- the new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in HKAS 39. Under HKFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the retrospective quantitative effectiveness test has been removed. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The directors of the Company ("Directors") anticipate that the application of HKFRS 9 in the future may have an impact on the amounts reported and disclosed in the Group's consolidated financial statements. Regarding the Group's financial assets, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

HKFRS 15 *Revenue from Contracts with Customers*

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer

- Step 2: Identify the performance obligations in the contract

- Step 3: Determine the transaction price

- Step 4: Allocate the transaction price to the performance obligations in the contract

- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

The Directors anticipate that the application of HKFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

The Directors do not anticipate that the applications of other new and revised HKFRSs will have a material impact on the Group's consolidated financial statements.

2. REVENUE

An analysis of the Group's revenue for the year is as follows:

	2015	2014
	HK$'000	*HK$'000*
Revenue from contracts for computer graphic ("CG") creation and production *(note)*	**63,700**	107,938
Rental and building management service fee income	**99,093**	79,627
CG training fee	**18,871**	16,839
	181,664	204,404

Note: During the year, an amount of approximately HK$15,524,000 (2014: HK$22,679,000) was attributable to revenue from the release of one (2014: two) animated film based on an agreed sharing percentage of the box office receipts.

3. SEGMENT INFORMATION

Information reported to the Chief Executive Officer of the Company, being the chief operating decision maker ("CODM"), for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. The Group is currently organised into three operating divisions. These operating divisions are the basis upon which the information that is regularly reviewed by the CODM is prepared and are analysed under HKFRS 8 as follows:

- CG creation and production – CG creation and production, exhibition of television series and movies as well as property rental income and building management service fee income
- CG training – provision of CG and animation training
- Cultural park – culture, entertainment and related commercial property investment

The above operating divisions constitute the operating segments of the Group.

Segment revenue and results

The following is an analysis of the Group's revenue and results by operating segments:

For the year ended 31 December 2015

	CG creation and production *HK$'000*	**CG training** *HK$'000*	**Cultural park** *HK$'000*	**Consolidated** *HK$'000*
Revenue	**116,670**	**18,871**	**46,123**	**181,664**
Segment result	**2,673**	**(2,337)**	**32,845**	**33,181**
Unallocated income				**11,019**
Unallocated expenses				**(19,029)**
Profit before tax				**25,171**

For the year ended 31 December 2014

	CG creation and production *HK$'000*	CG training *HK$'000*	Cultural park *HK$'000*	Consolidated *HK$'000*
Revenue	147,015	16,839	40,550	204,404
Segment result	18,171	(1,421)	14,875	31,625
Unallocated income				25,760
Unallocated expenses				(19,159)
Profit before tax				38,226

Segment results represent the profit earned by or loss incurred from each segment without allocation of investment income and central administration costs. This is the measure reported to the CODM of the Company for the purposes of resources allocation and performance assessment.

Segment revenue reported above represents revenue generated from external customers.

There were no material inter-segment sales in the current and prior years.

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by operating segment:

At 31 December 2015

	CG creation and production *HK$'000*	CG training *HK$'000*	Cultural park *HK$'000*	Consolidated *HK$'000*
Assets				
Segment assets	**460,147**	**6,681**	**571,132**	**1,037,960**
Unallocated assets				
– Available-for-sale investments				**23,040**
– Bank balances and cash				**82,523**
– Others				**3,847**
Consolidated total assets				**1,147,370**
Liabilities				
Segment liabilities	**56,267**	**3,492**	**72,022**	**131,781**
Unallocated liabilities				
– Derivative financial instrument				**16,678**
– Others				**1,666**
Consolidated total liabilities				**150,125**

At 31 December 2014

	CG creation and production *HK$'000*	CG training *HK$'000*	Cultural park *HK$'000*	Consolidated *HK$'000*
Assets				
Segment assets	503,482	10,346	588,455	1,102,283
Unallocated assets				
– Available-for-sale investments				111,004
– Held-for-trading investments				15,717
– Bank balances and cash				23,889
– Loan receivable				25,000
– Others				2,013
Consolidated total assets				1,279,906
Liabilities				
Segment liabilities	149,118	5,950	81,177	236,245
Unallocated liabilities				3,921
Consolidated total liabilities				240,166

For the purpose of monitoring segment performances and allocating resources between segments:

– all assets are allocated to the operating segments other than unallocated assets attributed to the Company, the Group's management companies and investment holding companies.

– all liabilities are allocated to the operating segments other than unallocated liabilities attributed to the Company, the Group's management companies and investment holding companies.

Other segment information

For the year ended 31 December 2015

	Amounts included in the measure of segment profit or loss or segment assets					
	CG creation and production	**CG training**	**Cultural park**	**Segment total**	**Unallocated**	**Consolidated total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
Additions to non-current assets *(note)*	**1,717**	**637**	**10,254**	**12,608**	**2,780**	**15,388**
Depreciation of property, plant and equipment	**18,298**	**1,843**	**373**	**20,514**	**689**	**21,203**
(Gain) loss on disposal of property, plant and equipment	**(21)**	**–**	**–**	**(21)**	**132**	**111**
Allowance for doubtful debt	**17**	**–**	**119**	**136**	**–**	**136**
Amortisation of prepaid lease payments	**136**	**–**	**–**	**136**	**–**	**136**
Interest income	**(3,922)**	**(12)**	**(19)**	**(3,953)**	**(756)**	**(4,709)**
Government grants	**(4,927)**	**–**	**–**	**(4,927)**	**–**	**(4,927)**
Write-off of construction fee payables	**–**	**–**	**(10,824)**	**(10,824)**	**–**	**(10,824)**

For the year ended 31 December 2014

	Amounts included in the measure of segment profit or loss or segment assets					
	CG creation and production	CG training	Cultural park	Segment total	Unallocated	Consolidated total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Additions to non-current assets *(note)*	6,643	–	11,654	18,297	27	18,324
Depreciation of property, plant and equipment	17,606	1,207	398	19,211	591	19,802
Gain on disposal of property, plant and equipment	(23)	–	–	(23)	–	(23)
Recovery of allowance for doubtful debt	(300)	–	–	(300)	–	(300)
Amortisation of prepaid lease payments	138	–	–	138	–	138
Interest income	(4,924)	(24)	(17)	(4,965)	(1,170)	(6,135)
Government grants	(20,643)	–	–	(20,643)	–	(20,643)

Note: Non-current assets exclude available-for-sale investments and other receivables and deposits.

Geographical information

The Group's operations are located mainly in the People's Republic of China (the "PRC", for the purpose of this announcement, does not include Hong Kong, Macau and Taiwan).

The Group's revenue from external customers by geographical location of the customers, and information about its non-current assets by geographical location of the assets are detailed below:

	Revenue from external customers		**Non-current assets** *(note)*	
	2015	2014	**2015**	2014
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
PRC	**155,623**	161,394	**759,713**	810,920
Denmark	**16,708**	28,643	**–**	–
France	**4,129**	7,472	**–**	–
India	**3,963**	–	**–**	–
USA	**1,241**	6,448	**–**	–
Hong Kong	**–**	–	**2,811**	851
South Korea	**–**	394	**–**	–
Italy	**–**	53	**–**	–
	181,664	204,404	**762,524**	811,771

Note: Non-current assets exclude available-for-sale investments and other receivables and deposits.

Information about major customers

Revenue from customers contributing over 10% of the total revenue of the Group for the corresponding years are as follows:

	2015	2014
	HK$'000	*HK$'000*
Customer A[1]	**N/A[2]**	22,679
Customer B[1]	**N/A[2]**	28,289

[1] Revenue from CG creation and production business.

[2] The corresponding revenue did not contribute over 10% of the total revenue of the Group.

4. INCOME TAX EXPENSE

	2015	2014
	HK$'000	*HK$'000*
The income tax expense comprises:		
PRC Enterprise Income Tax ("EIT")		
Current tax	**4,287**	5,886
Overprovision in prior years	**(1,944)**	(279)
	2,343	5,607
Deferred tax	**2,643**	–
	4,986	5,607

No provision for Hong Kong Profits Tax has been made in the consolidated statement of profit or loss and other comprehensive income for both years as the Group had no assessable profit arising in Hong Kong.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the EIT rate of the Group's PRC subsidiaries is 25% from 1 January 2008 onwards, except for the subsidiary described below.

According to the Circular of State Council for the tax policies on the animation enterprise (Caishui [2009] No. 65), the PRC subsidiaries which qualified as animation enterprise are entitled to tax concession, whereby their applicable tax rate will progressively increase to 25%. The tax concession will expire in 2016. One of the PRC subsidiaries was able to enjoy a preferential tax rate at 12.5% from 2014 till 2016 as it was qualified as animation enterprise. For the year ended 31 December 2015, the relevant tax rates for the Group's subsidiaries in the PRC was ranged from 12.5% to 25% (2014: 12.5% to 25%).

No provision for tax in other jurisdictions has been made in the consolidated statement of profit or loss and other comparative income for both years as the Group had no assessable profit arising in other jurisdictions.

5. PROFIT FOR THE YEAR

	2015	2014
	HK$'000	*HK$'000*
Profit for the year has been arrived at after charging (crediting):		
Staff costs, including directors' emoluments:		
– Salaries, wages and other benefits	**91,941**	105,024
– Retirement benefit scheme contributions	**6,335**	6,987
Total staff costs	**98,276**	112,011
Less: amounts included in contract costs	**(16,165)**	(21,566)
amounts included in productions work in progress	**(3,909)**	(1,948)
	78,202	88,497
Allowance for (recovery of) doubtful debts	**136**	(300)
Amortisation of prepaid lease payments	**136**	138
Auditor's remuneration	**1,285**	2,038
Contract costs recognised as an expense:		
Staff costs	**34,670**	39,565
Others	**22,858**	39,908
	57,528	79,473
Depreciation of property, plant and equipment	**24,423**	22,957
Less: amounts included in contract costs	**(2,610)**	(2,908)
amounts included in productions work in progress	**(610)**	(247)
	21,203	19,802
Exchange loss, net	**2,551**	3,665
Loss (gain) on disposal of property, plant and equipment	**111**	(23)
Minimum lease payments under operating leases for land and buildings	**12,043**	11,514
Less: amounts included in contract costs	**(24)**	(355)
	12,019	11,159
Gross rental income from investment properties	**(32,494)**	(26,945)
Less: direct operating expenses incurred for investment properties that generated rental income during the year	**4,651**	4,670
	(27,843)	(22,275)

6. DIVIDENDS

No dividend is paid, declared or proposed during the years ended 31 December 2015 and 2014, and no dividend has been proposed since the end of the reporting period.

7. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to owners of the Company is based on the following data:

	2015	2014
	HK$'000	*HK$'000*
Earnings		
Earnings for the purpose of basic earnings per share (Profit for the year attributable to owners of the Company)	**10,994**	31,862

	2015	2014
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	**1,518,256**	1,518,256

Diluted earnings per share presented is the same as basic earnings per share as there were no potential ordinary shares outstanding for the years ended 31 December 2015 and 2014.

8. INVESTMENT PROPERTIES

	Completed properties	Properties interest under construction	Total
	HK$'000	*HK$'000*	*HK$'000*
At 1 January 2014	474,359	69,968	544,327
Additions	–	11,630	11,630
Exchange realignment	(11,859)	(1,748)	(13,607)
At 31 December 2014	462,500	79,850	542,350
Additions	–	10,254	10,254
Decrease in fair value recognised in profit or loss	(4,069)	–	(4,069)
Exchange realignment	(20,841)	(3,621)	(24,462)
At 31 December 2015	**437,590**	**86,483**	**524,073**

The investment properties represent the Group's interest held under an operating lease on 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 Cultural Park"), a subsidiary of the Company and 珠江電影製片有限公司("Pearl River Film Production"), a limited liability company established in the PRC and a state-owned enterprise, to redevelop 珠影文化產業園 ("Pearl River Film Cultural Park").

Pearl River Film Production, as the landlord of the Pearl River Film Cultural Park, agreed to grant the property leasing right to Guangdong Cultural Park, in return for predetermined monthly payment from Guangdong Cultural Park for a term up to 31 December 2045. Guangdong Cultural Park is responsible for the design, financing, construction and operation of the Pearl River Film Cultural Park and the funding of the entire construction project. Upon the expiration of the Framework Agreement, Guangdong Cultural Park has to return all properties to Pearl River Film Production.

The Pearl River Film Cultural Park is located at No. 352 and 354, Xin Gang Zhong Road, Guangzhou, the PRC and the present land use right is owned by Pearl River Film Production. After the redevelopment, the whole Pearl River Film Cultural Park project will have a commercial area, a cultural entertainment area and a film production and development area, which will be held for investment purpose. As at 31 December 2015, Phase I of the Pearl River Film Cultural Park was completed and included as completed properties as further described below.

The properties interest under construction represent Phase II of the Pearl River Film Cultural Park which is to be developed as an entertainment and film production and development area and is stated at cost which mainly includes capitalised lease expenses and construction costs as the fair value cannot be reliably measured as at 31 December 2015 and 2014. The original period during which construction was to be completed in accordance with the Framework Agreement has expired. The Group is currently negotiating with Pearl River Film Production on the future development direction including but not limited to the extension of the original construction period, reassessment of the future development plan of these properties or returning the captioned properties interest under construction to Pearl River Film Production at a price to be agreed between the parties. As at the date of approval of these consolidated financial statements, the negotiation is still in progress and no conclusion has been reached between the parties. The management are of the view that an agreement will be reached between the parties, and as such no impairment in respect of properties interest under construction has been recognised. The ultimate outcome of the negotiation cannot be assessed at this stage, and accordingly there may be an impact on the carrying value of the properties interest under construction depending on the ultimate conclusion of the negotiation.

The completed properties represent Phase I of the Pearl River Film Cultural Park which is a prime shopping mall and are stated at the fair value as at 31 December 2015 and 2014. The fair value of the Group's investment properties as at 31 December 2015 and 2014 has been arrived at on the basis of a valuation carried out on the respective dates by Asset Appraisal Limited ("Asset Appraisal"), independent qualified professional valuer not connected to the Group.

The fair value was determined based on the income approach by capitalising the rental income with due allowance for reversionary income potential and taking into consideration the rental payable to Pearl River Film Production. The market rentals are assessed by reference to the rentals achieved in the lettable units of the properties as well as other lettings of similar properties in the neighbourhood. The discount rate is determined by reference to the yields derived from analysing the sales transactions of similar commercial properties in Guangzhou and adjusted to take into account the market expectation from property investors to reflect factors specific to the Group's investment properties.

There has been no change from the valuation technique used in the prior year. In estimating the fair value of the properties, the highest and best use of the properties is their current use.

Key inputs used in valuing the investment properties include discount rate which ranges from 6.5% to 7% (2014: 6% to 6.5%) or risk premium of 5% (2014: 5%) and market rental which ranges from RMB44 to RMB500 (2014: RMB40 to RMB400) per square metre per month or land yield rate of 6.5% (2014: 7.75%). An increase in the discount rate or risk premium and market rental or land yield rate would result in a decrease and increase, respectively, in fair value measurement of the investment properties, and vice versa.

Details of the Group's investment properties and information about the fair value hierarchy as at 31 December 2015 and 2014 are as follows:

	Level 3 ***HK$'000***	**Fair value as at 31 December 2015** ***HK$'000***
Pearl River Film Cultural Park Phase I	437,590	437,590

	Level 3 *HK$'000*	Fair value as at 31 December 2014 *HK$'000*
Pearl River Film Cultural Park Phase I	462,500	462,500

There was no transfer between different levels during the year.

9. AVAILABLE-FOR-SALE INVESTMENTS

	2015 ***HK$'000***	2014 *HK$'000*
2.28% equity interest in GDC Technology Limited ("GDC Tech") (2014: 11.38%) *(note)*	**22,444**	110,379
5% equity interest in a private entity established in the PRC	**596**	625
	23,040	111,004
Analysed for reporting purposes as:		
Current	**–**	88,303
Non-current	**23,040**	22,701
	23,040	111,004

Note: On 28 November 2014, GDC Holdings Limited ("GDC Holdings"), a wholly-owned subsidiary of the Company, and Huayi Brothers International Investment Limited ("Huayi Brothers") entered into the sale and purchase agreement, pursuant to which Huayi Brothers has conditionally agreed to acquire and GDC Holdings has conditionally agreed to sell all the GDC Tech shares currently held by GDC Holdings (i.e. 29,779,777 shares, representing approximately 11.38% of the issued share capital of GDC Tech as at the date hereof) at an initial consideration of US$0.4778 per GDC Tech share (subject to adjustment) (the "Disposal"). Details of the Disposal were set out in the announcement of the Company dated 16 October 2014, 14 November 2014, 28 November 2014, 19 December 2014, 24 December 2014 and 26 February 2015 and the circular of the Company dated 30 December 2014.

As at 31 December 2014, this available-for-sales investment was measured at fair value of HK$110,379,000 with reference to the quoted transaction price of the Disposal. Gain on revaluation of available-for-sale investment of HK$25,986,000 is recognised under investment revaluation reserve. Approximately HK$88,303,000 is classified as current asset and the remaining HK$22,076,000 is classified as non-current asset base on the expected completion time pursuant to the sales and purchase agreement.

On 26 February 2015, all the conditions precedent had been fulfilled and pursuant to the sales and purchase agreement, 23,823,822 GDC Tech shares was disposed of to Huayi Brothers at US$0.4778 per share and the cumulative gain amounted to approximately HK$20,789,000 previously accumulated in the investment revaluation reserve is reclassified to profit or loss. Pursuant to the sales and purchase agreement, the remaining 5,955,955 GDC Tech shares shall be sold and transferred to Huayi Brothers in 2017 at US$0.4778 per share, subject to adjustment with regards to the terms and conditions of the sales and purchase agreement.

As at 31 December 2015, the fair value of this available-for-sale investment has been arrived at on the basis of a valuation carried out by Asset Appraisal. The fair value is determined based on market approach by comparison of valuation multiples of similar companies as available in relevant markets and a fair value gain of approximately HK$368,000 is recognised under investment revaluation reserve. Approximately HK$22,444,000 is classified as non-current asset and the related derivative financial instrument, which initially recognised at fair value on 26 February 2015 when derivative contract is entered into, is subsequently remeasured to its fair value at the end of the subsequent reporting period.

10. TRADE RECEIVABLES

	2015	2014
	HK$'000	*HK$'000*
Trade receivables	**32,147**	40,016

Except for rental income receivable from tenants, which is due for settlement upon issue of invoice, the Group allows different credit periods to its trade customers ranging from 30 days to 120 days, depending on the type of products sold or services provided.

The following is an aged analysis at the end of the reporting period of the trade receivables, net of allowance for doubtful debts presented based on the invoice date:

	2015	2014
	HK$'000	*HK$'000*
Within three months	**31,908**	39,065
Three to six months	**–**	517
Over six months	**239**	434
	32,147	40,016

Before accepting any new customer, the Group will assess the potential customer's credit quality and defines credit limits by customer. Limits attributed to customers are reviewed regularly. In addition, the Group will review the repayment history of trade receivables by each customer with reference to the payment terms to determine the recoverability of trade receivables. Trade receivables that are neither past due nor impaired have good credit quality according to their past repayment history.

Included in the Group's trade receivables are debtors with an aggregate carrying amount of approximately HK$756,000 (2014: HK$434,000) which are past due at the end of the reporting period for which the Group does not provide for impairment loss as the directors assessed that the balances will be recovered. The Group does not hold any collateral over these receivables.

The following is an aged analysis of trade receivables which are past due but not impaired:

	2015	2014
	HK$'000	*HK$'000*
Within three months	517	–
Over six months	239	434
	756	434

Movements in the allowance for doubtful debts

	2015	2014
	HK$'000	*HK$'000*
1 January	**–**	303
Impairment losses recognised on receivables	**136**	–
Amount recovered during the year	**–**	(300)
Amounts written off as uncollectible	**(136)**	–
Exchange realignment	**–**	(3)
31 December	**–**	–

11. STRUCTURED DEPOSITS

	2015	2014
	HK$'000	*HK$'000*
Principal-protected financial products	**147,618**	130,788

The structured deposits as at 31 December 2015 and 2014 are principal-protected deposits issued by banks in the PRC. As at 31 December 2015, the principal-protected deposits carried interest rates ranging from 2.6% to 3.5% (2014: 3.3% to 5.0%) per annum, depending on the market prices of the financial instruments, including money market instruments and debt instruments. The structured deposits are designated at FVTPL on initial recognition as they contain non-closely related embedded derivative. The Directors consider the fair values of the structured deposits, which are based on the prices the counterparty banks would pay to redeem at 31 December 2015 and 2014, respectively, approximate to their carrying values at 31 December 2015 and 2014. The fair value of the structured deposits was classified as level 2 of the fair value hierarchy. There were no transfers between Level 1 and 2.

The structured deposits of approximately HK$97,375,000 have been redeemed in January 2016. The change in fair value up to the date of redemption is not significant. The structured deposits of approximately HK$50,243,000 do not have specific redemption date and can be redeemed any time before expiry date in April 2016. The change in fair value up to the date of report is not significant.

12. TRADE PAYABLES

The following is an aged analysis at the end of the reporting period of the trade payables presented based on the invoice date:

	2015	2014
	HK$'000	*HK$'000*
Within three months	**614**	3,056
Three to twelve months	**893**	195
Over one year	**886**	883
	2,393	4,134

The average credit period on purchases of goods is 60 days. The Group has financial risk management policies in place to ensure that all payables are paid within the credit time frame.

13. SHARE CAPITAL

	Number of shares	**Share capital**
		HK$
Ordinary shares of HK$0.01 each		
Authorised:		
At 1 January 2014, 31 December 2014 and 2015	2,400,000,000	24,000,000
Issued and fully paid		
At 1 January 2014, 31 December 2014 and 2015	1,518,255,540	15,182,555

FINAL DIVIDEND

The Board does not recommend the payment of any dividend for the year ended 31 December 2015 (2014: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

CG creation and production

The Group's revenue from the computer graphic ("CG") creation and production division was primarily generated from the production service of international animated television dramas, box office receipts and copyrights from original animated films projects, copyrights of animated television dramas and film production for exhibition and display etc. The revenue from the CG creation and production division for the year ended 31 December 2015 amounted to HK$116,670,000, representing a decrease of HK$30,345,000 or 21% as compared with the revenue for 2014 of HK$147,015,000.

During the year, the CG creation and production division completed three international animated television drama projects, one of which was a co-production project with a French company and one animated film. Currently, we are working on four international animated television drama projects. We worked with clients from Europe and North America on production projects in relation to international animated television dramas, and we have gained recognition and trust from clients with our advanced technology and professional services. The production projects we worked on achieved high profile and ratings in the overseas markets. We are very proud of being one of the few companies in Asia which can take up animated film projects in the North American market. Moreover, our leading technological support and well-established management system facilitated the effective control on quality, speed and costs of production, while allowing our production team to stay on top of the industry. During the year, more resources were allocated to technology development and a number of proprietary computer-aided animation software was developed. The copyrights we have registered under the category of technology-based software increased from 16 in the last year to 19 this year.

In respect of original work projects, the original animated film "Happy Little Submarine V: Magic Box of Time" was screened nationwide on Children's Day time slot on 29 May 2015. While the competition was fierce during Children's Day time slot this year with a total of three domestically-produced animated films and five imported films being released at the same period, the box office receipt of "Happy Little Submarine V: Magic Box of Time" amounted to approximately RMB31,950,000, ranking first among all domestically-produced films released around the same time slot and contributing an income of approximately HK$15,524,000 to the division even though the box office receipt was less than that of last year. After the release of the film, our licensed product, the mobile game of the "Happy Little Submarine" series were gradually developed and launched to the market, and its related products also contributed income to the division. The Group has finished the production of "Smart Shunliu – Eagle Boy", an educational animated television drama on military theme that the Group produced in collaboration with the Television and Art Centre under the Military and Political Bureau of Jinan province of the PRC, and is currently preparing for distribution. Subject to the approval of the relevant authorities, the animated television drama is expected to be broadcasted on major children's cartoon TV channels in the country in 2016. During the year, the Group has granted approximately 100 licences for the spin-off products of "Smart Shunliu".

We have received a number of awards for our animated film projects in 2015. For instance, our film "Happy Little Submarine IV: Adventure of Octopus" was awarded the "Chinese Animation Monkey King Award 2015– Sliver Prize for the Best Animation Director" (2015中國動畫美猴獎—動畫導演銀獎), "The First Pegasus Cup for Chinese Animated Films —Outstanding Action Choreography" (第一屆中國動畫電影「天馬杯」優秀動作設計獎)and "The Fourth Shenzhen Copyright Gold Award (Animated Film and Television Production)" (第四屆深圳版權金獎(動漫影視作品)); "Happy Little Submarine V: Magic Box of Time" was awarded the "China International Television Animation Copyright Protection and Trade Expo 'Golden Goat Award' –Best Animation Character" (中國國際漫博會動漫「金羊獎」最佳動漫形像獎); and "Toy Guardians" was awarded the "Golden Monkey Award—The Most Promising Animation Screenplay Award" (金猴獎最具潛力動畫劇本獎).

In respect of digital animated technology exhibitions and large event production projects, this year, the division mainly provided high-end CG production services for large-scale theme parks and programs on CCTV in the PRC with self-developed software system integrated with advanced equipment. Meanwhile, the division has applied for patents and expanded its business by integrating creativity and technology.

As the core business of the Group, the CG creation and production division must rely on their creativity and technological advancement so as to be in line with the market trends and achieve success. Looking forward, the Group will keep striving to build a creative team, upgrade the technologies, continue to allocate more resources to creative team development as well as to seek for breakthroughs in the animated film industry.

CG Training

The revenue from the CG training division for the year ended 31 December 2015 amounted to HK$18,871,000, representing an increase of 12% as compared with the revenue for 2014 of HK$16,839,000, with noticeable increase in revenue from the Shenzhen campus.

In 2015, the division re-integrated its internal management of training business and invested additional resources in marketing. During the year, it also organized training course seminars in several schools to let the students gain a better understanding of the training course of the division, thereby opening up the recruitment channels. The number of students enrolled during the year increased by 41% as compared with that of last year. Moreover, the division was able to have a clearer direction in course planning with the comments on CG Training courses collected in the seminars. In addition to marketing, the division would also adjust its teaching curriculum in accordance to the market development to ensure the courses are in line with the market requirement.

Having experienced the peak of development over the past few years, the animated film industry has a higher expectation for the level of professionalism and years of experience of talents in the industry. The comparatively longer training period for animation production as well as the generally unattractive remuneration package for the junior talents have resulted in lower attractiveness to the students and the number of freshman joining the animated film industry reduced. In view of the business environment of the past two years and the slowdown in the growth in demand for CG Training business, the division adjusted our business strategies including adding diversified courses during the year to raise the competitiveness of the business while re-integrating resources of the three training sub-divisions to improve the cost-efficiency.

In 2016, it is expected that the CG Training division will continue to face the upcoming pressure and challenges. The division has put our Shenzhen campus as the focus of development, integrating Shanghai and Guangzhou campus with Shenzhen campus, for further nurturing talents. With the technological strength of the CG creation and production, the division will further enrich the course content and improve the quality of both teachers and teaching as to cope with the internal demand of the Group and the industry as a whole.

Cultural Park

The revenue from the Cultural Park division for the year ended 31 December 2015 amounted to HK$46,123,000, representing an increase of 14% as compared with the revenue for 2014 of HK$40,550,000. The revenue was mainly attributable to the rental income from shop premises and income from property management services.

The Cultural Park is located along the railway line in the center of Haizhu District in Guangzhou, at transport interchange. 珠江電影製片有限公司 ("Pearl River Film Production"), as the landlord of the Pearl River Film Cultural Park, agreed to grant the property leasing right to the Cultural Park for operation for a term up to 31 December 2045. The Cultural Park has a leasable floor area of approximately over 17,000 square meters. Since the opening of Phase I of the Cultural Park in 2013, the division has successfully attracted several well-known brands to settle in. This has raised the profile of the Park and has driven the leasing business of the Park, leading to a steady growth in the rental revenue. In addition, since its commencement of business, the division has been continuously enhancing and adjusting its structure in order to raise cost effectiveness, reducing the administrative expenses by 30% year-on-year. In 2016, through reviewing the tenant portfolio and expanding outdoor leasing areas of the concourse, the division expects that the rental income will be effectively raised which will in turn bring a steady cash flow for the division. As the construction period of the development of the Phase II of the Cultural Park has expired, the Group was still in the process of negotiating with Pearl River Film Production for the future cooperation plan, aiming at reaching a consensus in principle on the direction of future development striving for continuing the development of the Cultural Park and for attaining reasonable return.

FINANCIAL REVIEW

For the year ended 31 December 2015, the Group recorded a profit attributable to owners of the Company of HK$10,994,000 for the year ended 31 December 2015, representing a decrease of 65% when comparing with that of HK$31,862,000 for the year 2014. Earnings per share decreased from HK$2.1 cents for the year 2014 to HK$0.72 cents for this year.

Revenue and gross profit

The Group recorded a turnover of HK$181,664,000 for the year ended 31 December 2015 (2014: HK$204,404,000), a decrease of HK$22,740,000 or 11%. The decrease was mainly attributable to a decrease in revenue from contracts of CG production and creations of HK$44,238,000, partially offset by an increase in rental and management income of HK$19,466,000.

Cost of sales for year ended 31 December 2015 amounted to HK$108,800,000, representing a decrease of 14% when compared with that of HK$126,789,000 for the year 2014. The decrease was mainly attributable to (i) a decrease in production costs for original animated films as there was one animated film completed and released during the year under review compared to two animated films in the year 2014 and (ii) less production costs incurred in line with decrease in revenue from contracts for CG creation and production.

Gross profit dropped 6% while overall gross profit margin increased 2% from 38% for the year 2014 to 40% this year. The growth was mainly driven by increase in rental and management income.

Other income

Other income for the year ended 31 December 2015 amounted to HK$9,908,000 (2014: HK$50,859,000). It mainly included government grants of HK$4,927,000 (2014: HK$20,643,000) and interest income of HK$4,709,000 (2014: HK$6,135,000). There was no dividend income from available-for-sale investment for the year 2015 (2014: HK$21,234,000).

Distribution costs and selling expenses

Distribution costs and selling expenses for the year ended 31 December 2015 amounted to HK$15,329,000 (2014: HK$19,104,000), representing a decrease of 20%. The decrease was mainly attributable to a decrease in the advertising and marketing expenses in respect of original animated films during the year.

Administrative expenses

Administrative expenses for the year ended 31 December 2015 amounted to HK$57,589,000 (2014: HK$66,539,000), representing a decrease of HK$8,950,000 or 13%. The decrease was mainly due to a decrease in staff cost of HK$6,182,000 incurred for the year.

Finance costs

Finance costs for the year ended 31 December 2015 was HK$2,559,000 (2014: HK$6,761,000) being interest on bank borrowings for the construction of the headquarters building in Shenzhen. The decrease resulted from decrease in both interest rate of bank borrowings and early repayment of the outstanding amount of bank borrowings in July 2015.

Other gains and losses

Other gains and losses for the year ended 31 December 2015 amounted to HK$21,945,000 of net gains (2014: HK$2,156,000 of net gains) which mainly included an increase in fair value of held-for-trading investments of HK$6,265,000 (2014: HK$1,045,000), a write-off of construction fee payable for the Phase I of the Cultural Park of HK$10,824,000 and a gain on disposal of available-for-sale investments of HK$20,789,000 (2014: HK$Nil) upon the 1st completion of the disposal of 23,823,822 GDC Technology Limited ("GDC Tech") shares on 26 February 2015, partially offset by a loss recognized on fair value of derivative financial instrument of HK$16,678,000 (2014: HK$Nil). After continuous effort on negotiation with contractors for finalising construction costs of Phase I of the Cultural Park over the years, the

Group successfully reached agreements with respective contractors on the final contract sums of the construction costs during the year, leading to a saving of construction costs provided previously of HK$10,824,000 in the accounts.

Change in fair value of investment properties

Decrease in fair value of investment properties for the year ended 31 December 2015 was HK$4,069,000 (2014: HK$Nil). The completed properties, Phase I of the Cultural Park was revalued on 31 December 2015 by a qualified professional valuer and the fair value as at 31 December 2015 decreased by HK$4,069,000 as compared with that as at 31 December 2014.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2015, the Group had bank balances and cash of HK$137,317,000 (2014: HK$98,043,000) which were mainly denominated in Hong Kong dollars, Renminbi and United States dollars, and structured deposits of HK$147,618,000 (2014: HK$130,788,000). The increase in the sum of bank balance and cash and structured deposits mainly resulted from repayment from the loan to a third party of HK$25,000,000 and the sales proceeds from disposals of available-for-sale investments and held-for-trading investments of HK$88,303,000 and HK$21,982,000 respectively, partially offset by early repayment of bank borrowings of HK$80,000,000 during the year.

As at 31 December 2015, the Group did not have any borrowings or overdraft facilities (2014: HK$80,000,000). The Group had a current ratio of 3.7 (2014: 2.6) based on current assets of HK$337,940,000 and current liabilities of HK$91,386,000.

The Group generated positive operating cash flows for the year ended 31 December 2015 amounted to HK$46,573,000 (2014: HK$27,282,000). The Board considers that the Group's existing financial resources are sufficient to fulfill its commitments and current working capital requirements.

CAPITAL STRUCTURE

The equity attributable to owners of the Company amounted to HK$943,834,000 as at 31 December 2015 (2014: HK$993,109,000). The decrease was mainly attributable to exchange differences arising on translation of financial statements from functional currency to presentation currency attributable to owners of the Company of HK$39,848,000 and decrease in investment revaluation reserve of HK$20,789,000 upon the 1st completion of the disposal of 23,823,822 GDC Tech shares on 26 February 2015, partially offset by profit for the year ended 31 December 2015 attributable to owners of the Company of HK$10,994,000.

MATERIAL ACQUISITIONS, DISPOSALS AND SIGNIFICANT INVESTMENT

On 28 November 2014, GDC Holdings Limited ("GDC Holdings"), a wholly-owned subsidiary of the Company, and the Huayi Brothers International Investment Limited (the "Purchaser"), an independent third party of the Company, entered into the sale and purchase agreement ("Agreement"), pursuant to which the Purchaser has conditionally agreed to acquire and GDC Holdings has conditionally agreed to sell all the shares of GDC Technology Limited ("GDC Tech") held by GDC Holdings (i.e. 29,779,777 shares), representing approximately 11.38% of the issued share capital of GDC Tech as at the date of execution of the Agreement) ("GDC Tech Shares") at an initial consideration of US$0.4778 per GDC Tech Share (subject to adjustment) (the "Disposal").

All the conditions precedent had been fulfilled pursuant to the terms and conditions of the Agreement and the 1st completion in respect of the Disposal took place on 26 February 2015. Following the 1st completion, the GDC Tech Shares which the Group holds reduced from 29,779,777 shares to 5,955,955 shares and the Group's shareholding in GDC Tech reduced from approximately 11.38% to 2.28%. Pursuant to the Agreement, the remaining GDC Tech Shares shall be sold and transferred to the Purchaser at the 2nd completion, subject to the terms and conditions of the Agreement.

Further details of the Disposal are set out in the announcements of the Company dated 16 October 2014, 14 November 2014, 28 November 2014, 19 December 2014, 24 December 2014 and 26 February 2015 and the circular of the Company dated 30 December 2014.

Save as disclosed above, the Group did not have any material acquisitions, disposals and significant investment during the year ended 31 December 2015.

CHARGE ON ASSETS

As at 31 December 2015, no assets of the Group were pledged to secure its loans and banking facilities.

FOREIGN EXCHANGE EXPOSURE

Currently, the Group earns revenue mainly in Renminbi, Euro dollars and United States dollars while costs are mainly incurred in Renminbi and Hong Kong dollars. The Directors believe that the Group does not have significant foreign exchange exposure, and thus has not implemented any foreign currency hedging policy at the moment. However, if necessary, the Group will consider using forward exchange contracts to hedge against foreign currency exposures. As at 31 December 2015, the Group had no significant exposure under foreign exchange.

CONTINGENT LIABILITIES

The Group had no significant contingent liabilities as at 31 December 2015.

EMPLOYEES

As at 31 December 2015, the Group employed 453 (2014: 524) full time employees (excluding those employees under the payroll of an associate of the Group). The Group remunerates its employees mainly with reference to the prevailing market practice, individual performance and experience. Other benefits, such as medical coverage, insurance plan, mandatory provident fund, discretionary bonus and employee share option scheme are also available to the employees of the Group.

During the year ended 31 December 2015, the Company and its subsidiaries have neither paid nor committed to pay any amount as an inducement to join or upon joining the Company and/or its subsidiaries to any individual.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities (whether on the Stock Exchange or otherwise) during the year ended 31 December 2015.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

Pursuant to Rules 5.05(1), 5.05A, 5.28 and 5.34 and code provision A.5.1 of the Corporate Governance Code (the "CG Code") as set out in Appendix 15 of the Rules Governing the Listing of Securities on the Growth Enterprise Market (the "GEM Listing Rules") of the Stock Exchange of Hong Kong Limited (the "Stock Exchange"), (i) the Board is required to have at least three independent non-executive directors; (ii) the Board is required to have independent non-executive directors representing at least one third of the Board; (iii) the audit committee must comprise a minimum of three members, all of whom are non-executive directors only; and (iv) each of the members of the audit, remuneration and nomination committee should comprise a majority of independent non-executive directors.

Mr. Chan Chung Chun, an Independent Non-executive Director as well as a member of each of the Audit Committee, Remuneration Committee and Nomination Committee of the Company passed away on 8 May 2015. Following the passing away of Mr. Chan Chung Chun, the Company only had two Independent Non-executive Directors which deviated from the requirements under Rules 5.05(1) and 5.05A of the GEM Listing Rules. The number of members in the Audit Committee of the Company also decreased from three to two following the passing away of Mr. Chan Chung Chun, which falls short of the minimum number required under Rule 5.28 of the GEM Listing Rules. In addition, the number of Independent Non-executive Directors of the Remuneration Committee and Nomination Committee of the Company have fallen below a majority as required under Rule 5.34 and code provision A.5.1 of the CG Code as set out in Appendix 15 of the GEM Listing Rules.

On 27 July 2015, Mr. Lam Yiu Kin was appointed as an Independent Non-executive Director as well as a member of each of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company. Following the appointment of Mr. Lam Yiu Kin, the number of Independent Non-executive Directors of the Company and Audit Committee members fulfills the minimum number as required under Rules 5.05(1), 5.05A and 5.28 of the GEM Listing Rules, and the number of Independent Non-executive Directors in the Remuneration Committee and Nomination Committee of the Company also represents a majority as required under Rule 5.34 and code provision A.5.1 of the CG Code as set out in Appendix 15 of the GEM Listing Rules. Please refer to the announcement of the Company dated 27 July 2015 for further details.

Save as disclosed above, the Company has complied with the code provisions as set out in the CG Code contained in Appendix 15 of the GEM Listing Rules throughout the year ended 31 December 2015.

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 2015.

AUDIT COMMITTEE AND REVIEW OF CONSOLIDATED FINANCIAL STATEMENT

The consolidated financial statements of the Group for the year ended 31 December 2015 have been audited by the Company's auditor, Messrs. Deloitte Touche Tohmatsu. A meeting of the Audit Committee of the Company was held with the auditor and the management of the Company for, amongst other things, reviewing the final results of the Group for the year ended 31 December 2015.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and the related notes thereto for the year ended 31 December 2015 as set out in this preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on this preliminary announcement.

EXTRACT FROM INDEPENDENT AUDITORS' REPORT

The following is an extract of the independent auditors' report on the audited consolidated financial statements of the Group for the year ended 31 December 2015 which has included paragraphs of emphasis of matter.

> **"Opinion**
>
> In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2015, and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Emphasis of Matter

Without qualifying our opinion, we draw attention to note 18 to the consolidated financial statements which explains that the Group has properties interest under construction which amounted to HK$86,483,000 as at 31 December 2015 in respect of which the original period during which construction was to be completed in accordance with the framework agreement governing the lease of the related land has expired. The Group is currently negotiating with 珠江電影製片有限公司 ("Pearl River Film Production"), the owner of the land use right, on the future development direction including but not limited to the extension of the original construction period, reassessment of the future development plan of these properties or returning the captioned properties interest under construction to Pearl River Film Production at a price to be agreed between the parties. The negotiation is still in progress and no conclusion has been reached as of the date of this report. Depending on the ultimate outcome of the negotiation, the Group might incur a significant impairment loss on the related assets. However, the ultimate outcome of the negotiation cannot be assessed at this stage."

Details of "note 18 to the consolidated financial statements" have been included in "note 8 to consolidated financial statements" of this announcement.

ANNUAL GENERAL MEETING

The annual general meeting of the Company (the "Annual General Meeting") will be held at The Residence, Mezzanine Floor, Grand Hyatt Hong Kong, 1 Harbour Road, Wanchai, Hong Kong on Wednesday, 29 June 2016 at 10:00 a.m.. The notice of the Annual General Meeting will be separately published in due course.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 27 June 2016 to Wednesday, 29 June 2016 both dates inclusive, during which period, no transfer of shares will be registered. In order to qualify for attend and vote at the Annual General Meeting, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with Hong Kong branch share registrar and transfer office of the Company, Tricor Standard Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Friday, 24 June 2016.

PUBLICATION OF 2015 FINAL RESULTS AND 2015 ANNUAL REPORT

The final results announcement of the Company is published on the websites of the GEM website (www.hkgem.com) and the Company's website (www.gdc-world.com). The annual report of the Company for the year ended 31 December 2015 will be dispatched to the Shareholders and published on the GEM website (www.hkgem.com) and the Company's website (www.gdc-world.com) in due course.

APPRECIATION

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

By Order of the Board
Li Shaofeng
Chairman

Hong Kong, 22 March 2016

As at the date of this announcement, the Board comprises Mr. Li Shaofeng (Chairman and Executive Director), Mr. Chen Zheng (Chief Executive Officer and Executive Director), Mr. Jin Guo Ping (Vice President and Executive Director), Ms. Cheng Xiaoyu (Vice President and Executive Director), Mr. Leung Shun Sang, Tony (Non-executive Director), Mr. Kwong Che Keung, Gordon (Independent non-executive Director), Prof. Japhet Sebastian Law (Independent non-executive Director) and Mr. Lam Yiu Kin (Independent non-executive Director).

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