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 2016

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.

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 2016 with comparative figures for the year ended 31 December 2015.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For The Year Ended 31 December 2016

	NOTES	**2016** *HK$'000*	2015 *HK$'000*
Revenue	*2*	**146,759**	181,664
Cost of sales		**(78,330)**	(108,800)
Gross profit		**68,429**	72,864
Other income		**22,580**	9,908
Distribution costs and selling expenses		**(3,812)**	(15,329)
Administrative expenses		**(65,284)**	(57,589)
Impairment loss on investment properties	*9*	**(84,467)**	–
Decrease in fair value of investment properties	*9*	**–**	(4,069)
Finance costs		**–**	(2,559)
Other gains and losses	*4*	**(27,138)**	21,945
(Loss) profit before tax		**(89,692)**	25,171
Income tax expense	*5*	**(5,602)**	(4,986)
(Loss) profit for the year	*6*	**(95,294)**	20,185
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		**(55,217)**	(42,259)
Items that may be reclassified subsequently to profit or loss:			
(Decrease) increase in fair value of available-for-sale investment		**(1,508)**	368
Cumulative gain reclassified to profit or loss on sale of available-for-sale investment		**–**	(20,789)
		(1,508)	(20,421)
Other comprehensive expenses for the year		**(56,725)**	(62,680)
Total comprehensive expenses for the year		**(152,019)**	(42,495)

	NOTE	2016 HK$'000	2015 HK$'000
(Loss) profit for the year attributable to:			
Owners of the Company		**(62,158)**	10,994
Non-controlling interests		**(33,136)**	9,191
		(95,294)	20,185
Total comprehensive (expenses) income for the year attributable to:			
Owners of the Company		**(116,767)**	(49,275)
Non-controlling interests		**(35,252)**	6,780
		(152,019)	(42,495)
		HK cents	*HK cents*
(Loss) earnings per share	*8*		
Basic		**(4.09)**	0.72

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2016

	NOTES	2016 HK$'000	2015 HK$'000
Non-current assets			
Property, plant and equipment		**199,086**	233,148
Investment properties	*9*	**409,263**	524,073
Prepaid lease payments		**4,837**	5,303
Available-for-sale investments		**–**	23,040
Other receivables and deposits		**–**	23,866
Restricted bank deposit	*10*	**17,797**	–
		630,983	809,430
Current assets			
Productions work in progress		**19,416**	4,988
Amounts due from customers for contract work		**2,455**	6,654
Trade receivables	*11*	**20,085**	32,147
Other receivables and deposits		**9,252**	9,085
Prepaid lease payments		**123**	131
Available-for-sale investment		**20,936**	–
Structured deposits		**19,007**	147,618
Bank balances and cash		**274,528**	137,317
		365,802	337,940
Current liabilities			
Advances from customers		**4,733**	6,872
Amounts due to customers for contract work		**101**	507
Trade payables	*12*	**2,426**	2,393
Other payables and accruals		**77,682**	63,035
Tax liabilities		**10,719**	10,063
Derivative financial instrument		**16,879**	–
Deferred income		**512**	8,516
		113,052	91,386
Net current assets		**252,750**	246,554
Total assets less current liabilities		**883,733**	1,055,984

	NOTE	2016 HK$'000	2015 HK$'000
Non-current liabilities			
Deferred income		**121**	466
Deferred tax liabilities		**38,386**	41,595
Derivative financial instrument		**–**	16,678
		38,507	58,739
Net assets		**845,226**	997,245
Capital and reserves			
Share capital	*13*	**15,183**	15,183
Reserves		**811,884**	928,651
Equity attributable to owners of the Company		**827,067**	943,834
Non-controlling interests		**18,159**	53,411
Total equity		**845,226**	997,245

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2016

	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 2015	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
Loss for the year	–	–	–	–	–	–	–	–	(62,158)	(62,158)	(33,136)	(95,294)
Exchange differences on translation of financial statements from functional currency to presentation currency	–	–	–	–	–	–	(53,101)	–	–	(53,101)	(2,116)	(55,217)
Decrease in fair value of available-for-sale investment	–	–	–	–	–	(1,508)	–	–	–	(1,508)	–	(1,508)
Other comprehensive expenses for the year	–	–	–	–	–	(1,508)	(53,101)	–	–	(54,609)	(2,116)	(56,725)
Total comprehensive expenses for the year	–	–	–	–	–	(1,508)	(53,101)	–	(62,158)	(116,767)	(35,252)	(152,019)
Sub-total	15,183	75,856	445	245,881	1,953	4,057	(39,305)	(1,209)	524,206	827,067	18,159	845,226
Transfer to statutory reserve	–	–	–	–	2,363	–	–	–	(2,363)	–	–	–
At 31 December 2016	15,183	75,856	445	245,881	4,316	4,057	(39,305)	(1,209)	521,843	827,067	18,159	845,226

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

Amendments to HKFRSs that are mandatorily effective for the current year

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 HKFRS 11	Accounting for Acquisitions of Interest in Joint Operations
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012 - 2014 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 amendments to HKFRSs in issue but not yet effective

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

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers and the related amendments[1]
HKFRS 16	Leases[2]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 7	Disclosure Initiative[4]
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[4]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019
3 Effective for annual periods beginning on or after a date to be determined
4 Effective for annual periods beginning on or after 1 January 2017

HKFRS 9 *Financial Instruments*

HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of HKFRS 9 which are relevant to the Group are:

- all recognised financial assets that are within the scope of HKFRS 9 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 fair value through other comprehensive income ("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.

- 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.

Based on the Group's financial instruments and risk management policies as at 31 December 2016, application of HKFRS 9 in the future may have an impact on the classification and measurement of the Group's financial assets. The Group's available-for-sale investments will either be measured as fair value through profit or loss or be designated as FVTOCI (subject to fulfillment of the designation criteria). In addition, the expected credit loss model may result in early provision of credit losses which are not yet incurred in relation to the Group's Financial assets measured at amortised cost.

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.

In 2016, the HKICPA issued Clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The directors of the Company ("Directors") anticipate that the application of HKFRS 15 in the future may have an impact on the amounts reported as the timing of revenue recognition may be affected and the amounts of revenue recognised are subject to variable consideration constraints, and more disclosures relating to revenue is required. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Directors complete a detailed review. In addition, the application of HKFRS 15 in the future may result in more disclosures in the consolidated financial statements.

HKFRS 16 *Leases*

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 *Leases* and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use while other operating lease payments are presented as operating cash flows. Under the HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows.

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 December 2016, the Group as lessee has non-cancellable operating lease commitments of HK$397,444,000. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. In addition, the application of new requirements may result changes in measurement, presentation and disclosure as indicated above. However, it is not practicable to provide a reasonable estimate of the financial effect until the Directors complete a detailed review.

The Directors do not anticipate that the applications of other new and amendments to 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:

	2016	2015
	HK$'000	*HK$'000*
Revenue from contracts for computer graphic ("CG") creation and production *(note)*	**43,340**	63,700
Rental and building management service fee income	**97,166**	99,093
CG training fee	**6,253**	18,871
	146,759	181,664

Note: During the year ended 31 December 2016, no animated film has been released. For the year ended 31 December 2015, an amount of approximately HK$15,524,000 was attributable to revenue from the release of one 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 2016

	CG creation and production	**CG training**	**Cultural park**	**Consolidated**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Revenue	**96,454**	**6,253**	**44,052**	**146,759**
Segment result	**31,138**	**(4,113)**	**(98,937)**	**(71,912)**
Unallocated income and other gains and losses				**509**
Unallocated expenses				**(18,289)**
Loss before tax				**(89,692)**

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 and other gains and losses				11,019
Unallocated expenses				(19,029)
Profit before tax				25,171

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 2016

	CG creation and production HK$'000	CG training HK$'000	Cultural park HK$'000	Consolidated HK$'000
Assets				
Segment assets	**461,180**	**2,860**	**445,335**	**909,375**
Unallocated assets				
– Available-for-sale investment				**20,936**
– Bank balances and cash				**63,801**
– Others				**2,673**
Consolidated total assets				**996,785**
Liabilities				
Segment liabilities	**63,669**	**1,905**	**66,696**	**132,270**
Unallocated liabilities				
– Derivative financial instrument				**16,879**
– Others				**2,410**
Consolidated total liabilities				**151,559**

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

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 2016

	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)*	**2,839**	**–**	**–**	**2,839**	**18**	**2,857**
Depreciation of property, plant and equipment	**16,175**	**2,690**	**265**	**19,130**	**886**	**20,016**
Loss (gain) on disposal of property, plant and equipment	**196**	**(22)**	**–**	**174**	**–**	**174**
Allowance for doubtful debt	**316**	**–**	**–**	**316**	**–**	**316**
Amortisation of prepaid lease payments	**128**	**–**	**–**	**128**	**–**	**128**
Interest income	**(4,331)**	**(11)**	**(8)**	**(4,350)**	**(509)**	**(4,859)**
Government grants	**(17,536)**	**(70)**	**–**	**(17,606)**	**–**	**(17,606)**
Write-off of construction deposit	**–**	**–**	**23,310**	**23,310**	**–**	**23,310**
Impairment loss on investment properties	**–**	**–**	**84,467**	**84,467**	**–**	**84,467**

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 cost payables	–	–	(10,824)	(10,824)	–	(10,824)

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

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)*	
	2016	2015	**2016**	2015
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
PRC	**117,636**	155,623	**611,243**	759,713
USA	**14,509**	1,241	**–**	–
Denmark	**13,951**	16,708	**–**	–
India	**663**	3,963	**–**	–
France	**–**	4,129	**–**	–
Hong Kong	**–**	–	**1,943**	2,811
	146,759	181,664	**613,186**	762,524

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

Information about major customers

During the years ended 31 December 2016 and 2015, none of the customers contributed over 10% of the total revenue of the Group.

4. OTHER GAINS AND LOSSES

	2016	2015
	HK$'000	*HK$'000*
Write-off of construction deposit *(note 9)*	**(23,310)**	–
Late payment surcharges on overdue rental *(note 9)*	**(3,172)**	–
Allowance for doubtful debt	**(316)**	(136)
Loss on fair value changes of derivative financial instrument	**(201)**	(16,678)
Loss on disposal of property, plant and equipment	**(174)**	(111)
Changes in fair value of structured deposits	**35**	992
Gain on disposal of available-for-sale investment	**–**	20,789
Write-off of construction cost payables	**–**	10,824
Changes in fair value of held-for-trading investments *(note)*	**–**	6,265
	(27,138)	21,945

Note: During the year ended 31 December 2015, the changes in fair value of held-for-trading investments include an amount of approximately HK$6,265,000 attributable to the realised gain on fair value changes of held-for-trading investments. All held-for trading investments were disposed in 2015.

5. INCOME TAX EXPENSE

	2016	2015
	HK$'000	*HK$'000*
The income tax expense comprises:		
PRC Enterprise Income Tax ("EIT")		
Current tax	**6,651**	4,287
Overprovision in prior years	**(509)**	(1,944)
	6,142	2,343
Deferred tax	**(540)**	2,643
	5,602	4,986

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 is expired 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. In addition, according to the circular of State Council for the Enterprise income tax policies on the advanced technology service enterprise ("ATSE") (Caishui [2014] No. 59), one of the PRC subsidiaries was able to enjoy a preferential tax rate at 15% from 2015 till 2017 as it was qualified as ATSE. For the year ended 31 December 2016, the relevant tax rates for the Group's subsidiaries in the PRC was ranged from 12.5% to 25% (2015: 12.5% to 25%).

No provision for tax in other jurisdictions 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 other jurisdictions.

6. (LOSS) PROFIT FOR THE YEAR

	2016	2015
	HK$'000	*HK$'000*
(Loss) profit for the year has been arrived at after charging (crediting):		
Staff costs, including directors' emoluments:		
– Salaries, wages and other benefits	**89,105**	91,941
– Retirement benefit scheme contributions	**5,280**	6,335
Total staff costs	**94,385**	98,276
Less: amounts included in contract costs	**(10,877)**	(16,165)
amounts included in productions work in progress	**(11,120)**	(3,909)
	72,388	78,202
Allowance for doubtful debts	**316**	136
Amortisation of prepaid lease payments	**128**	136
Auditor's remuneration	**1,560**	1,285
Contract costs recognised as an expense:		
Staff costs	**23,570**	34,670
Others	**16,536**	22,858
	40,106	57,528
Depreciation of property, plant and equipment	**22,445**	24,423
Less: amounts included in contract costs	**(1,260)**	(2,610)
amounts included in productions work in progress	**(1,169)**	(610)
	20,016	21,203
Exchange (gain) loss, net	**(745)**	2,551
Loss on disposal of property, plant and equipment	**174**	111
Minimum lease payments under operating leases	**19,119**	12,043
Less: amounts included in contract costs	**–**	(24)
	19,119	12,019
Gross rental income from investment properties	**(27,475)**	(32,494)
Less: direct operating expenses incurred for investment properties that generated rental income during the year	**2,728**	4,651
	(24,747)	(27,843)

7. DIVIDENDS

No dividend is paid, declared or proposed during the years ended 31 December 2016 and 2015, and no dividend has been proposed since the end of the reporting period.

8. (LOSS) EARNINGS PER SHARE

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

	2016	2015
	HK$'000	*HK$'000*
(Loss) earnings		
(Loss) profit for the year attributable to owners of the Company for the purpose of basic (loss) earnings per share	**(62,158)**	10,994

	2016	2015
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purposes of basic (loss) earnings per share	**1,518,256**	1,518,256

No diluted (loss) earnings per share for both 2016 and 2015 were presented as there were no potential ordinary shares issue for both 2016 and 2015.

9. INVESTMENT PROPERTIES

	Completed properties	**Properties interest under construction**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
At 1 January 2015	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
Impairment loss	–	(84,467)	(84,467)
Exchange realignment	(28,327)	(2,016)	(30,343)
At 31 December 2016	409,263	–	409,263

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 payments 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 2016, 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. The original period during which construction was to be completed in accordance with the Framework Agreement has expired. Pearl River Film Production has initiated legal proceedings against Guangdong Cultural Park in 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) ("Guangzhou Intermediate People's Court") in respect of an alleged breach of the Framework Agreement governing the lease and reconstruction of the related land (the "Alleged Breach") and compensation of damages. Guangdong Cultural Park denied Pearl River Film Production's accusations and the responsibility of the Alleged Breach and filed a counterclaim against Pearl River Film Production in Guangzhou Intermediate People's Court in May 2016 to demand Pearl River Film Production to continue executing the Framework Agreement and compensation of damages (please refer to note 14(a) for details).

Guangdong Cultural Park has received the civil judgment issued on 11 October 2016 by Guangzhou Intermediate People's Court (the "Civil Judgment"), which declared that the Framework Agreement governing the lease and reconstruction of the Pearl River Film Cultural Park was terminated as of 22 March 2016 and Guangdong Cultural Park shall pay late payment surcharges for the overdue rental of approximately RMB2,722,000 (equivalent to approximately HK$3,172,000) and Pearl River Film Production, the landlord of the Pearl River Film Cultural Park, is entitled to keep the construction deposit of RMB20,000,000 (equivalent to approximately HK$23,310,000) paid by Guangdong Cultural Park. All other claims made by Pearl River Film Production and the counterclaim made by Guangdong Cultural Park were dismissed.

In November 2016, Guangdong Cultural Park lodged an appeal with the Guangzhou Intermediate People's Court requesting for an order that the Civil Judgment be set aside and that judgment be entered in favour of Guangdong Cultural Park with costs (the "Appeal").

During the year ended 31 December 2016, in light of the Civil Judgment, the Group recognised an impairment loss on properties interest under construction and wrote off the construction deposit in respect of the Pearl River Film Cultural Park which amounted to approximately HK$84,467,000 and HK$23,310,000, respectively.

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 2016 and 2015. The fair value of the Group's investment properties as at 31 December 2016 and 2015 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.

Guangdong Cultural Park continues to operate the completed properties. Therefore, for the completed properties and its related rental business representing Phase I of the Pearl River Film Cultural Park, the Group has continued to account for these assets as investment properties which are stated at their fair value of approximately HK$409,263,000 as at 31 December 2016 and record the rentals receivable from lessees as the Group's revenue of approximately HK$44,052,000 for the year then ended, on the assumption that the legal contractual right to receive the rental income from the lessees and the rental payable to Pearl River Film Production will remain unchanged and the terms and conditions of the Framework Agreement governing Phase I of the Pearl River Film Cultural Park will continue to be enforceable.

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 with the assumptions as described as above and the allocation basis of the operating lease payments between Phase I and Phase II of Pearl River Film Cultural Park in the future years would remain the same as if the Framework Agreement is executing continuously. 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% (2015: 6.5% to 7%) or risk premium of 3.5% (2015: 5%) and market rental which ranges from RMB44 to RMB500 (2015: RMB44 to RMB500) per square metre per month or land yield rate of 5% (2015: 6.5%). An increase in the discount rate or risk premium would result in a decrease in fair value measurement of the investment properties and vice versa. An increase in the market rental or land yield rate would result in an increase 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 2016 and 2015 are as follows:

	Level 3	**Fair value as at 31 December 2016**
	HK$'000	***HK$'000***
Pearl River Film Cultural Park Phase I	**409,263**	**409,263**

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

There was no transfer between different levels during the year.

10. RESTRICTED BANK DEPOSIT

During the current year, Guangzhou Intermediate People's Court granted an order to preserve the bank deposit of Guangdong Cultural Park and the bank account was frozen on 6 May 2016 pursuant to the legal proceedings against Guangdong Cultural Park in respect of an Alleged Breach (please refer to note 14(a) for details). The restricted bank deposit is interest free and it has been classified as non-current asset as the ultimate outcome of the related lawsuits cannot be assessed at this stage.

11. TRADE RECEIVABLES

	2016	2015
	HK$'000	HK$'000
Trade receivables	**20,085**	32,147

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:

	2016	2015
	HK$'000	*HK$'000*
Within three months	**17,142**	31,908
Three to six months	**645**	–
Over six months	**2,298**	239
	20,085	32,147

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$3,651,000 (2015: HK$756,000) 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:

	2016	2015
	HK$'000	*HK$'000*
Within three months	**899**	517
Three to six months	**645**	–
Over six months	**2,107**	239
	3,651	756

Movements in the allowance for doubtful debts

	2016	2015
	HK$'000	*HK$'000*
1 January	**–**	–
Impairment losses recognised on receivables	**316**	136
Amounts written off as uncollectible	**–**	(136)
Exchange realignment	**(13)**	–
31 December	**303**	–

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:

	2016	2015
	HK$'000	HK$'000
Within three months	**1,528**	614
Three to twelve months	**50**	893
Over one year	**848**	886
	2,426	2,393

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$'000
Ordinary shares of HK$0.01 each		
Authorised:		
At 1 January 2015, 31 December 2015 and 2016	2,400,000,000	24,000
Issued and fully paid		
At 1 January 2015, 31 December 2015 and 2016	1,518,255,540	15,183

14. LITIGATIONS

As at 31 December 2016, the Group has the following litigations:

(a) On 11 April 2016, Guangdong Cultural Park received a notice of respondence to action (應訴通知書) (the "Notice of Respondence to Action") from the Guangzhou Intermediate People's Court dated 6 April 2016. It was set out in the Notice of Respondence to Action that Pearl River Film Production as the plaintiff (the "Plaintiff") has initiated legal proceedings against Guangdong Cultural Park in respect of an Alleged Breach. The Plaintiff has demanded to terminate the Framework Agreement and claimed, among others, for compensation of damages in the form of economic loss in the amount of approximately RMB75,779,000 resulting from the Alleged Breach.

On 19 April 2016, pursuant to the application from the Plaintiff, the Guangzhou Intermediate People's Court granted an order to preserve the bank deposit of Guangdong Cultural Park's bank account at Industrial and Commercial Bank of China ("Bank Account"). The Bank Account was frozen on 6 May 2016. As at 31 December 2016, the restricted bank deposit amounted to approximately HK$17,797,000.

The first court hearing commenced on 24 May 2016 and the second court hearing was held on 3 June 2016. At the second court hearing, the Guangzhou Intermediate People's Court permitted the parties to attempt settlement negotiations for one month. On 30 June 2016, the PRC legal advisors of Guangdong Cultural Park sought an extension of the settlement negotiations period until 3 August 2016. On 2 August 2016, the PRC legal advisors of Guangdong Cultural Park has sought a further extension of the settlement negotiations period for one month.

In light of the above legal proceedings, Guangdong Cultural Park denied the Plaintiff's accusations and the responsibility of the Alleged Breach and filed a counterclaim against the Plaintiff to demand the Plaintiff to continue to execute the Framework Agreement and to compensate Guangdong Cultural Park's damages in the form of economic loss which is amounted to RMB100,000,000. On 26 May 2016, the Guangzhou Intermediate People's Court accepted the counterclaim filing by the Guangdong Cultural Park against the Plaintiff. The first hearing of the counterclaim was held on 2 August 2016. On 2 August 2016, the PRC legal advisors of Guangdong Cultural Park sought a further extension of the settlement negotiations period for one month.

On 17 October 2016, Guangdong Cultural Park received a Civil Judgment from the Guangzhou Intermediate People's Court dated 11 October 2016. According to the Civil Judgment, the Guangzhou Intermediate People's Court declared that the Framework Agreement was terminated as of 22 March 2016. The Civil Judgment also stated that Guangdong Cultural Park shall pay late payment surcharges for the overdue rental of approximately RMB2,722,000 during the period from 1 October 2015 to 21 March 2016 and that Pearl River Film Production is entitled to keep the RMB20,000,000 construction deposit paid by Guangdong Cultural Park. All other claims made by Pearl River Film Production were dismissed and the counterclaim made by Guangdong Cultural park was dismissed.

In November 2016, Guangdong Cultural Park has lodged an appeal with the Guangzhou Intermediate People's Court urging for an order that the civil judgment be set aside and that judgment be entered in favour of Guangdong Cultural Park with costs which was accepted by Guangzhou Higher People's Court on 9 February 2017. The first court hearing of the Appeal will be commenced on 30 March 2017. As at the date of this announcement, the Appeal is still in progress and no conclusion has been reached, whilst the completed properties of the Pearl River Film Cultural Park is currently still operated by Guangdong Cultural Park.

(b) On 16 June 2016, two of the Company's indirect wholly-owned subsidiaries in the PRC, namely 環球數碼媒體科技研究(深圳)有限公司 ("IDMT (Shenzhen)"), 深圳市環球數碼影視文化有限公司 and the Company's indirect non-wholly owned subsidiary, 深圳市環球數碼創意科技有限公司, (collectively, the "Defendants"), received the same notice of respondence to action No. 610 (應訴通知書編號610) (the "Notice of Respondence to Action No. 610") from Intermediate People's Court of Shenzhen City of Guangdong Province in the PRC (中國廣東省深圳市中級人民法院) (the "Shenzhen Intermediate People's Court") dated 15 June 2016 together with a civil complaint No. 610 (民事起訴狀編號 610) (the "Civil Complaint No. 610") issued by The Foundry Visionmongers Ltd. ("Foundry"). It was set out in the Civil Complaint No. 610 that Foundry has initiated legal proceedings against the Defendants in respect of infringement of Foundry's computer software copyrights including making unauthorised copies, installation and for commercial use of certain software application at its place of business. Foundry has claimed for, among others, damages in the form of economic loss in the aggregate amount of RMB5,000,000.

On the same day, 深圳市南山區環球數碼培訓學校 (the "Training School") operated by IDMT (Shenzhen) also received a notice of respondence to action No. 611 (應訴通知書編號 611) (the"Notice of Respondence to Action No. 611") from the Shenzhen Intermediate People's Court dated 15 June 2016 together with a civil complaint No. 611 (民事起訴狀編號 611) (the "Civil Complaint No. 611") issued by Foundry. It was set out in the Civil Complaint No. 611 that Foundry has initiated legal proceedings against the Training School in respect of infringement of the Foundry's computer software copyrights including unauthorised use of certain software applications in commercial training. Foundry has claimed for, among others, damages in the form of economic loss in the aggregate amount of RMB5,000,000.

The Group filed its response in June 2016 denying Foundry's allegations in the Notices of Respondence to Action No. 610 and 611 and asserting various affirmative defences and the calculations on the claimed amounts were without sufficient basis.

On 9 August 2016, the Company has made an announcement that the PRC legal advisor of the Defendants and the Training School was informed by the Shenzhen Intermediate People's Court that Foundry has filed an application to withdraw the claims under the Civil Complaint No. 610 and Civil Complaint No. 611. On 25 August 2016, the Company received the Civil Ruling (民事裁定書) of Civil Complaint No.610 and Civil Complaint No.611 respectively from the Shenzhen Intermediate People's Court, permitting the withdrawal of proceedings on Civil Complaint No.610 and Civil Complaint No.611.

Accordingly, no provision for the litigation is required in the consolidated financial statements.

EXTRACT FROM INDEPENDENT AUDITOR'S REPORT

The following is an extract of the independent auditor's report on the consolidated financial statements of the Group for the year ended 31 December 2016.

"DISCLAIMER OF OPINION

We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements. In all other respects, in our opinion the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR DISCLAIMER OF OPINION

As disclosed in note 16 to the consolidated financial statements, according to the framework agreement, the Group has completed properties representing Phase I of 珠影文化產業園 (the "Pearl River Film Cultural Park") which amounted to HK$409,263,000 as at 31 December 2016 and has properties interest under construction to redevelop Phase II of the Pearl River Film Cultural Park 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.

As further disclosed in note 42(a) to the consolidated financial statements, 珠江電影製片有限公司 ("Pearl River Film Production") as the plaintiff (the "Plaintiff") has initiated legal proceedings against 廣東環球數碼創意產業有限公司 ("Guangdong Cultural Park"), a subsidiary of the Company, in respect of an alleged breach of the framework agreement governing the lease and reconstruction of the related land (the "Alleged Breach"). The Plaintiff has claimed for compensation of damages in the form of economic loss resulting from the Alleged Breach and also demanded to terminate the framework agreement. Guangdong Cultural Park has also filed a counterclaim against the Plaintiff to demand the Plaintiff to continue executing the framework agreement and compensate Guangdong Cultural Park's damages in the form of economic loss.

Guangdong Cultural Park received the civil judgment issued on 11 October 2016 by 中國廣東省廣州市中級人民法院 (the "Civil Judgment"), which declared that the framework agreement governing the lease and reconstruction of the Pearl River Film Cultural Park was terminated as of 22 March 2016 and Guangdong Cultural Park shall pay late payment surcharges for the overdue rental of approximately RMB2,722,000 (equivalent to approximately HK$3,172,000) and Pearl River Film Production, the landlord of the Pearl River Film Cultural Park, is entitled to keep the construction deposit of RMB20,000,000 (equivalent to approximately HK$23,310,000) paid by Guangdong Cultural Park. All other claims made by Pearl River Film Production and the counterclaim made by Guangdong Cultural Park were dismissed.

In November 2016, Guangdong Cultural Park lodged an appeal with 中國廣東省廣州市中級人民法院 requesting for an order that the Civil Judgment be set aside and that the judgment be entered in favour of Guangdong Cultural Park with costs (the "Appeal").

During the year ended 31 December 2016, in light of the Civil Judgment, the Group recognised an impairment loss on properties interest under construction and wrote off the construction deposit in respect of the Pearl River Film Cultural Park which amounted to approximately HK$84,467,000 and HK$23,310,000, respectively. Guangdong Cultural Park continues to operate the completed properties. Therefore, for the completed properties and its related rental business representing Phase I of the Pearl River Film Cultural Park, the Group has continued to account for these assets as investment properties which are stated at their fair value of approximately HK$409,263,000 as at 31 December 2016 and record the rentals receivable from lessees as the Group's revenue of approximately HK$44,052,000 for the year then ended, on the assumption that the legal contractual right to receive the rental income from the lessees and the rental payable to Pearl River Film Production will remain unchanged and the terms and conditions of the framework agreement governing Phase I of the Pearl River Film Cultural Park will continue to be enforceable.

As of the date of our audit report, the Appeal is still in progress and no conclusion has been reached. Depending on the ultimate outcome of the Appeal, there may be significant impacts on multiple elements of the Group's consolidated financial statements. Amongst other impacts, the Group might be required to derecognise the investment properties, derecognise rental income already reflected as revenue and make provisions for compensation in respect of damages and other costs. However, the ultimate outcome of the Appeal cannot be assessed at this stage. In view of the significant uncertainty relating to the ultimate outcome of the Appeal and its pervasive impact on the consolidated financial statements, we disclaim our opinion in this respect.

Details of "notes 16 and 42(a) to the consolidated financial statements" have been included in "notes 9 and 14(a) to consolidated financial statements" of this announcement respectively.

FINAL DIVIDEND

The Board does not recommend the payment of any dividend for the year ended 31 December 2016 (2015: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

CG creation and production

The revenue of the Group's computer graphics ("CG") creation and production business division was mainly generated from the animation production services, box office receipts and copyrights of original animated films, copyrights of animated television dramas and productions of display videos for digital animated technology exhibitions. For the year ended 31 December 2016, the revenue of CG creation and production division amounted to HK$96,454,000, representing a decrease of HK$20,216,000 or approximately 17% as compared with that of HK$116,670,000 for the year 2015.

The clients of CG creation and production division in animation production services are mainly those animation companies in Europe and North America. During the year, the division completed four international animated television drama projects, covering the areas of innovative design, computer animation production and audio production, etc. Currently, the production of one international animated television drama is still in progress. The division had more opportunities to be involved in the PRC projects this year. The division entered into a cooperation agreement with a renowned Tibetan enterprise in relation to the creative development of two animated television drama series, undertook the pre-production work of an animation film of a renowned animation and comic platform in the PRC as well as engaged in the tourism promotion of the "Blissful"* of Guangfo Metro (廣佛地鐵「幸福號」), a specially designed train with an animation and comic theme.

In respect of original work projects, revenue was mainly generated from "Smart Shunliu – Eagle Boy", an animated television drama which was well-received by the broadcast channels and the audience with positive feedback after it was first broadcasted on major cartoon satellite TV channels in the PRC in March this year. The viewership rating of the animated television drama was among the top ten when compared with those of the animated television dramas broadcasted in the same period. It was also included in the broadcast recommendation as the outstanding domestically produced animated television drama by the State Administration of Press, Publication, Radio, Film and Television (SAPPRFT). The television drama was later broadcasted on online video platforms and achieved an accumulated hit rate of over 200 million times. In view of the positive responses, the division now actively engages in the production of a sequel of this drama.

Meanwhile, a new film in the same series will be launched to commemorate the 90th anniversary of the founding of the army of the PRC and to further expand its broadcasting channels and maximize its impact. "Smart Shunliu" brought about a number of awards for the division, including the "Jade Monkey Prize – Annual Top Ten New Animation IP"* (「玉猴獎年度十佳新銳動漫IP」) awarded by "2016 China IP Licensing Conference" co-organized by Guangdong Animation & Comic Industry Association, Hong Kong Animation & Comic Association and Hong Kong International Brand Licensing Association, "2016 Animated Golden Sheep Outstanding Work Supportive Scheme – the Best TV Animation"* (「2016動感金羊優秀作品扶持計劃最佳電視動畫片」), being recommended by the SAPPRFT as an outstanding domestically animated televisions drama in the second quarter of 2016, being selected as one of the animations in the Development & Protection of Comic & Animation 2016 of the country and the Winner of the 5th Shenzhen Copyright Golden Prize. During the year, the division actively engaged in the development and production of animated film projects. Production of three launched animation films are currently in progress; one of the original animation films of which the production started last year has already entered into the mid-late production stage and is scheduled to be screened in the second half of 2017 across the PRC. Moreover, the division has entered into the pre-production stage of the 6th film of the "Happy Little Submarine" series and is considering several animated films which are based on Chinese traditional cultural stories. In order to enhance the overall ability in original animation development, the division set up an animation studio in Beijing this year so as to strengthen the cooperation and the use of resources of animation media in the country.

In view of the development of new technology, the division set up, with "To create extraordinary VR images" as one of its core values, the "GDC Virtual Reality (VR) Laboratory" in Shenzhen to expand the business in areas such as research and development, innovative design and video content production in VR. The division created two VR short films which were about military and ocean, respectively in this year. The two short films received excellent commendation in Shenzhen International Cultural Industry Fair (ICIF) and Guangfo Animation Exhibition. The short film "Ocean Exploration" received an outstanding award at the Golden Rooster and Hundred Flowers Film Festival – the 2nd International Micro Film Exhibition. This has boosted the confidence of the division in VR creation.

In respect of digital animated technology exhibitions and large event production projects, the revenue dropped substantially during the year, affecting the revenue of the division. It was mainly affected by the slowdown of the PRC economy which led to the significant drop in the production budget of television stations and large-scale theme parks. This affected the business of the Group's subsidiary in Beijing severely and led to a sharp decline in revenue. On the other hand, Shenzhen Global Digital Creations Technology Limited* ("Shenzhen Creations"), a subsidiary of the Group in Shenzhen, secured production tender projects in relation to three large-scale theme parks during the year. Looking forward, Shenzhen Creations will strive to work on the research and development of interactive technology so as to further enhance the quality and creativity in the field of CG production.

Looking ahead, the CG creation and production division will continue to work proactively in innovative development and animation production. The division plans to establish a creative team in Foshan. Meanwhile, it will also strive to enhance internal management and improve skills, so as to build a team with high standard of efficiency and to achieve a diversified and sustainable development.

CG Training

The revenue from the CG training division for the year ended 31 December 2016 amounted to HK$6,253,000, representing a decrease of approximately 67% as compared with that of HK$18,871,000 for the year 2015.

Due to the change of market situation and the impact of the game industry, the business of the CG training division recorded a loss for the last three years. Therefore, significant business adjustment was made during the year, which was the consolidation and subsequent relocation of the CG training division's business from Guangzhou and Shanghai to Shenzhen in February and April 2016 respectively. The teaching team also revised the curriculum content by introducing personnel from the CG creation and production division to teach the practical courses and lengthening the training sessions in order to focus on the nurture of more experienced technicians so as to cope with the needs of the Group's CG creation and production business. The division also recruited students to join charitable events, such as "Building the Wall of Love"* (共築愛心牆) organized by the Shenzhen Nanshan Volunteer Association, in order to nurture genuine talents for the community. Currently, most of the major competitors in the market have shifted to the game industry. Although there is still a demand for talents in the film and drama animation industry, the salary of junior personnel in the industry is relatively low and cannot match the salary standard of the game industry, resulting in difficulties and challenges in the student recruitment work. The division's loss in 2016 increased by HK$1,776,000 as compared to that in 2015; the performance of the division deteriorated by 76%. Apart from the decrease in revenue as compared with that in 2015, the significant increase in expenses incurred by the closure of the schools in Shanghai and Guangzhou was also one of the major reasons which led to the deterioration.

We expect that the CG training division will face great pressure and challenges in 2017. The division will focus on its training school in Shenzhen and continue to nurture talents proactively. Meanwhile, with the technical strength of the CG creation and production business, the division will further enrich the content of curriculum, strengthen the training and motivation of the sales team and increase the competence of the tutors and improves the quality of teaching, so as to cope with the Group's internal needs as well as the needs of the industry. The division also hopes to increase its market share, maintain stable revenue and achieve profit.

Cultural Park

The revenue from the Cultural Park division for the year ended 31 December 2016 amounted to HK$44,052,000, representing a decrease of approximately 4% as compared to that of HK$46,123,000 in 2015. The revenue was mainly generated from shop rental and building management service fee income.The slight decrease in revenue was mainly due to the impact of the tax detaching from selling price resulting from the replacement of the business tax with value-added tax ("VAT") implemented in May 2016. The division recorded a loss of HK$98,937,000 this year, mainly due to the impairment loss on investment properties resulted from litigations, the write-off of the construction deposit and the litigation fee amounted to HK$113,342,000 in total.

The Pearl River Film Cultural Park is operated by the Cultural Park division. 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 division for operation for a term up to 31 December 2045. The Pearl River Film Cultural Park has a leasable floor area of approximately 15,000 square meters. Since the opening of the Pearl River Film Cultural Park in 2013, the division has successfully attracted quite a number of well-known brands to settle in. This has raised the profile of the Pearl River Film Cultural Park as well as driven the leasing business of the Pearl River Film Cultural Park, leading to a steady growth in the rental revenue. By the end of 2016, the occupancy rate of the Pearl River Film Cultural Park reached 97%. However, on 11 April 2016, the division received a notice of respondence to action (應訴通知書) (the "Notice of Respondence to Action") dated 6 April 2016 from 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) ("Guangzhou Intermediate People's Court"). It was set out in the Notice of Respondence to Action that Pearl River Film Production has initiated litigation against 廣東環球數碼創意產業有限公司 ("Guangdong Cultural Park*"), an indirect wholly-owned subsidiaries of the Company in respect of an alleged breach of the provisions of 珠影文化產業園－改造建設合作框架協議 (The Framework Agreement of the Reconstruction of the Pearl River Film Park*) (the "Framework Agreement and its Supplemental Agreements"). The Framework Agreement and its Supplemental Agreements have been declared terminated by Guangzhou Intermediate People's Court in the late October 2016. Subsequently, Guangdong Cultural Park commenced negotiation with Pearl River Film Production regarding the rights and obligations of both parties in connection with Pearl River Film Cultural Park phase I and the commercial terms of a proposed new framework agreement. Guangdong Cultural Park continues to strive to reach an agreement with Pearl River Film Production, whilst the Pearl River Film Cultural Park is currently still operated by the division. Meanwhile, Guangdong Cultural Park has also lodged an appeal (the "Appeal") with the Guangzhou Intermediate People's Court in November 2016, urging for an order that the civil judgment be set aside and that judgment be entered in favour of Guangdong Cultural Park with costs. The Appeal application has been accepted by the Higher People's Court of Guangdong Province of the PRC on 9 February 2017 and the hearing date on the Appeal has been fixed on 30 March 2017. In the event that the Appeal is unsuccessful, and/or the terms of the New Framework Agreement concluded are not in favour of the division, such as the rental payable to Pearl River Film Production increases significantly and/or the term of the New Framework Agreement is shortened significantly, there will be a material adverse impact on the fair value of the Pearl River Film Cultural Park phase I as recorded in the consolidated financial statements of the Group.

FINANCIAL REVIEW

For the year ended 31 December 2016, the Group recorded a loss attributable to owners of the Company of HK$62,158,000 while for the corresponding period in 2015, the Group recorded a profit attributable to owners of the Company of HK$10,994,000.

Revenue and Gross Profit

Revenue for the year ended 31 December 2016 amounted to HK$146,759,000 (2015: HK$181,664,000). The decrease was mainly attributable to a decrease of HK$20,360,000 and HK$12,618,000 in revenue from contracts for computer graphics ("CG") creation and production and income from CG training respectively. The decrease in revenue from contracts for CG creation and production was mainly due to the decreases in box office revenue and revenue from digital animated technology exhibitions and large event production attributable to the PRC's economic slowdown. For the year ended 31 December 2015, the CG creation and production division completed and released one animation film, while no film was released during the corresponding period in 2016, leading to a decrease of HK$14,464,000 in the box office revenue of the CG creation and production division when compared with the corresponding period in 2015. The decrease in revenue from CG training was primarily due to the consolidation of the CG training division in the first half of 2016.

Cost of sales for the year ended 31 December 2016 amounted to HK$78,330,000, representing a decrease of approximately 28% when compared with that of HK$108,800,000 in 2015. The decrease was mainly attributable to the fact that the direct cost of an animation film released last year was recognized for the period, while no such cost was recognized for the corresponding period of this year. In addition, the production cost of contracts for CG creation and production also decreased due to the sharp decline in business of digital animated technology exhibitions and large event production.

Other Income

Other income for the year ended 31 December 2016 amounted to HK$22,580,000 (2015: HK$9,908,000). Other income comprised mainly government grants of HK$17,606,000 (2015: HK$4,927,000) and interest income of HK$4,859,000 (2015: HK$4,709,000).

Distribution Costs and Selling Expenses

Distribution costs and selling expenses for the year ended 31 December 2016 amounted to HK$3,812,000 (2015: HK$15,329,000), representing a decrease of approximately 75%. The decrease was mainly attributable to the fact that no film was released during the year under review.

Administrative Expenses

Administrative expenses for the year ended 31 December 2016 amounted to HK$65,284,000 (2015: HK$57,589,000), which represented an increase of approximately 13%. The increase was primarily due to the litigation costs of Guangdong Cultural Park (廣東文化產業園) incurred in 2016 and the rental cost of Phase II of the Pearl River Film Cultural Park for the year. As of the date of this announcement, Guangdong Cultural Park and Pearl River Film Production has not yet reached a final consensus in relation to the future collaboration arrangement of Pearl River Film Cultural Park. Therefore, the Group adopts a prudent approach by making full provision for the rental cost of 2016 in accordance with the rental fee set out in the original Framework Agreement in which, the rental cost allocated to Phase I was recognized in the cost of sales while the rental cost of approximately HK$10,294,000 allocated to Phase II was recognized in the administrative expenses.

Impairment Loss on Investment Properties

An impairment loss on investment properties was made in connection with the interest of the properties under construction of the Pearl River Film Cultural Park. As disclosed in the note 14(a) to the consolidated financial statements of this announcement, Guangzhou Intermediate People's Court (廣州市中級人民法院) declared that the Framework Agreement and its Supplemental Agreements were terminated on 22 March 2016. According to the opinion of our PRC legal advisor, after the termination of the Framework Agreement and its Supplemental Agreements, both parties ceased to have all the rights and obligations thereunder. Accordingly, the Group recorded the impairment loss in respect of the interest of the properties under construction of the Pearl River Film Cultural Park in 2016. Meanwhile, as at 31 December 2016 and 2015, the fair values in Renminbi of the completed Pearl River Film Cultural Park Phase I remained unchanged.

Finance Costs

There were no finance costs incurred for the year ended 31 December 2016 (2015: HK$2,559,000). All bank loans were repaid in advance in July 2015.

Other Gains and Losses

Other gains and losses for the year ended 31 December 2016 was HK$27,138,000 of net losses (2015: HK$21,945,000 of net gains). The decrease in net gains was mainly attributable to 1) the recognition of the profit from the disposal of available-for-sale investments of HK$20,789,000 arising from the completion of the first disposal of shares of GDC Technology Limited for the year ended 31 December 2015, while no such gain was recognized in the corresponding period in 2016; and 2) the write-off of the construction deposit of HK$23,310,000 and the late payment surcharges for the overdue rental as a result of the judgment given by Guangzhou Intermediate People's Court (Please refer to the note 14(a) to the consolidated financial statements of this announcement).

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2016, the Group had bank balances and cash of HK$274,528,000 (2015: HK$137,317,000), which were mainly denominated in Hong Kong dollars, Renminbi and United States dollars, restricted bank deposits of HK$17,797,000 (2015: HK$Nil) and structured deposits of HK$19,007,000 (2015: HK$147,618,000).

As at 31 December 2016 and 31 December 2015, the Group had no borrowings or overdrafts. The Group's current ratio was 3.2 (2015: 3.7), which was calculated based on current assets of HK$365,802,000 and current liabilities of HK$113,052,000.

For the year ended 31 December 2016, the Group's cash inflow from operating activities was HK$32,987,000 (2015: HK$46,573,000). The Board considers that the Group has adequate existing financial resources to meet its commitments and current working capital requirements.

CAPITAL STRUCTURE

The equity attributable to the owners of the Company amounted to HK$827,067,000 as at 31 December 2016 (2015: HK$943,834,000). The decrease was mainly attributable to exchange differences of HK$53,101,000 arising from the translation of financial statements attributable to owners of the Company from functional currency to presentation currency and the loss attributable to owners of the Company of HK$62,158,000 for the year ended 31 December 2016.

MATERIAL ACQUISITIONS, DISPOSALS AND SIGNIFICANT INVESTMENT

The Group did not have any material acquisitions, disposals and significant investment during the year ended 31 December 2016.

CHARGE ON ASSETS

As at 31 December 2016, the Group had no charges on any of the Group's assets for loans and bank facilities.

FOREIGN EXCHANGE EXPOSURE

Currently, the Group earns revenue mainly in Renminbi and United States dollars, and incurs costs mainly in Renminbi and Hong Kong dollars. The Directors believe that the Group does not have significant foreign exchange exposure, and thus do not implement any foreign currency hedging policy at the moment. However, if necessary, the Group will consider using forward exchange contracts to hedge against foreign currency exposure. As at 31 December 2016, the Group had no significant exposure under foreign exchange.

CONTINGENT LIABILITY

Save as disclosed in note 14 to the consolidated financial statements of this announcement about litigation proceedings, the Group had no significant contingent liabilities as at 31 December 2016.

EMPLOYEES

As at 31 December 2016, the Group employed 398 (2015: 453) full time employees (excluding employees from the Group's associates). The Group remunerates its employees mainly with reference to the prevailing market practice, individual performance and experience. Other benefits, such as medical coverage, insurance plan, mandatory provident fund, discretionary bonus and employee share option scheme are also available to the employees of the Group.

For the year ended 31 December 2016, neither the Company nor its subsidiaries had paid or committed to pay any amount as an inducement to join or upon joining the Company and/or its subsidiaries to any individual.

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 2016.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company has complied with the Corporate Governance Code as set out in the Appendix 15 of the GEM Listing Rules (the "CG Code") during the year ended 31 December 2016 except for a deviation from the Code Provision A.6.7 of the CG Code.

Under the Code Provision A.6.7 of the CG Code, independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the view of the shareholders. Prof. Japhet Sebastian Law, an independent non-executive director of the Company, was not able to attend the annual general meeting of the Company held on 29 June 2016 due to other commitments.

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 2016.

AUDIT COMMITTEE AND REVIEW OF CONSOLIDATED FINANCIAL STATEMENT

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 2016.

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 Friday, 26 May 2017 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 Tuesday, 23 May 2017 to Friday, 26 May 2017 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. (H.K. time) on Monday, 22 May 2017.

PUBLICATION OF 2016 FINAL RESULTS AND 2016 ANNUAL REPORT

The 2016 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 2016 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 gratitude to our shareholders, business partners and customers for their utmost support to the Group. I would also like to extend my gratitude and appreciation to all of the Directors, 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 2017

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.