G·D·C

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)

ANNUAL REPORT
2014

* *For identification purpose only*

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

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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 report, 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 report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.

CONTENTS

MISSION STATEMENT

We are the pioneers in a new technology and industry.
There are many problems and difficulties in our way.
We will conquer and overcome.
We believe our future will rest on the people that we train and nurture today. Together working as a team, we will build and lead the digital media industry in Asia.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors
Mr. Li Shaofeng *(Chairman)*
Mr. Chen Zheng *(Chief Executive Officer)*
Mr. Jin Guo Ping *(Vice President)*
Ms. Cheng Xiaoyu *(Vice President)*
(appointed on 18 December 2014)

Non-executive Director
Mr. Leung Shun Sang, Tony

Independent Non-executive Directors
Mr. Kwong Che Keung, Gordon
Prof. Japhet Sebastian Law
Mr. Chan Chung Chun

EXECUTIVE COMMITTEE
Mr. Li Shaofeng *(Chairman)*
Mr. Chen Zheng
Mr. Jin Guo Ping
Ms. Cheng Xiaoyu
(appointed on 18 December 2014)

AUDIT COMMITTEE
Mr. Kwong Che Keung, Gordon *(Chairman)*
Prof. Japhet Sebastian Law
Mr. Chan Chung Chun

NOMINATION COMMITTEE
Mr. Li Shaofeng *(Chairman)*
Mr. Leung Shun Sang, Tony *(Vice Chairman)*
Mr. Kwong Che Keung, Gordon
Prof. Japhet Sebastian Law
Mr. Chan Chung Chun

REMUNERATION COMMITTEE
Prof. Japhet Sebastian Law *(Chairman)*
Mr. Li Shaofeng *(Vice Chairman)*
Mr. Leung Shun Sang, Tony
Mr. Kwong Che Keung, Gordon
Mr. Chan Chung Chun

COMPLIANCE OFFICER
Mr. Chen Zheng

COMPANY SECRETARY
Ms. Kam Man Yi, Margaret

AUTHORISED REPRESENTATIVES
Mr. Chen Zheng
Ms. Kam Man Yi, Margaret

AUDITOR
Deloitte Touche Tohmatsu

BERMUDA PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE
Codan Services Limited
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE
Tricor Standard Limited
Level 22, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

REGISTERED OFFICE
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG
Unit 1-7, 20/F., Kodak House II
39 Healthy Street East
North Point
Hong Kong

STOCK CODE
8271

WEBSITE
www.gdc-world.com

BIOGRAPHICAL DETAILS OF DIRECTORS

EXECUTIVE DIRECTORS

Mr. Li Shaofeng, aged 48, holds a Bachelor's Degree in Automation from University of Science and Technology Beijing. Mr. Li was appointed as an Executive Director and the Chairman, the Chairman of each of the Executive Committee and the Nomination Committee and the Vice Chairman of the Remuneration Committee of the Company in May 2010. He joined Shougang Corporation, the ultimate holding company of Shougang Holding (Hong Kong) Limited ("Shougang Holding") in 1989 and is currently the vice chairman and the managing director of Shougang Holding. Currently, he is an executive director and the chairman of each of Shougang Concord Century Holdings Limited ("Shougang Century"), Shougang Fushan Resources Group Limited ("Shougang Res") and Shougang Concord Grand (Group) Limited ("Shougang Grand"), a substantial shareholder of the Company within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (the "SFO"), the managing director of Shougang Concord International Enterprises Company Limited ("Shougang International"), the executive director of Beijing West Industries International Limited and a non-executive director of China Dynamics (Holdings) Limited (Formerly known as "Sinocop Resources (Holdings) Limited"), all of which are companies whose shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). He is also an non-executive director of Mount Gibson Iron Limited, a company listed on the Australian Securities Exchange and a director of Wheeling Holdings Limited, which is a substantial shareholders of the Company within the meaning of Part XV of the SFO. Mr. Li was an executive director and chairman of Shougang Concord Technology Holdings Limited ("Shougang Technology") from May 2010 to March 2014 and re-designated a non-executive director and chairman from March to December 2014. Mr. Li has extensive experience in management and investment of listed companies, sino-foreign joint ventures and steel industry.

Mr. Chen Zheng, aged 55, engineer and senior economist. He holds a bachelor degree in chemical engineering and a master degree in business administration. Mr. Chen was appointed as an Executive Director of the Company in February 2005 and is currently the Chief Executive Officer of the Company. He is also a member of the Executive Committee of the Company. Mr. Chen has been appointed as the managing director of operations of Shougang Grand. Mr. Chen has extensive experience in investing business and corporate management.

Mr. Jin Guo Ping, aged 56, senior economist. He holds a master of business administration degree of China Europe International Business School. Mr. Jin was appointed as an Executive Director of the Company in February 2006 and currently is Vice President of the Company. He is also a member of the Executive Committee of the Company. Mr. Jin is an ordinary committee member of China Animation Association. Mr. Jin was a director of Shanghai Animation Film Studio, the chairman of Shanghai Cartoon Cultural Developing Co. Ltd., a publisher of "Cartoon King" Magazine, the vice president of Shanghai Film Group Corporation, the vice chairman of Shanghai United Circuit Co., Ltd., a director of Shanghai Paradise Corporation Ltd., and the assistant director of broadcasting of Shanghai Television. Mr. Jin has extensive experience in animation and film industries. He has been appointed as a member of the Shenzhen Committee of the Chinese People's Political Consultative Conference since 21 May 2010.

BIOGRAPHICAL DETAILS OF DIRECTORS

Ms. Cheng Xiaoyu, aged 48. Ms. Cheng was appointed as an Executive Director and the Vice President of the Company and a member of the Executive Committee of the Company on 18 December 2014. Ms. Cheng graduated from The Graduate School of Xi'an Jiaotong University in 1988 and majored in Linguistics and Applied Linguistics, she holds a Bachelor of Arts. Ms. Cheng joined Shougang Corporation in August 1988 as an official translator. She was the secretary to the board of directors and an assistant general manager of Shougang Holding. She was also an assistant to the managing director of Shougang International, a director of Shougang Century,a deputy managing director and an executive director of Shougang Grand, all of which are companies listed on the Stock Exchange. She currently serves as the deputy chairman and general manager of Beijing Dongzhimen International Apartment Co., Ltd.

NON-EXECUTIVE DIRECTOR

Mr. Leung Shun Sang, Tony, aged 72. Mr. Leung was appointed as a Non-executive Director of the Company in December 2005. He is also the Vice Chairman of the Nomination Committee and a member of the Remuneration Committee of the Company. Mr. Leung is a non-executive director of each of Shougang Grand, Shougang International, Shougang Technology, Shougang Century and Shougang Res. Mr. Leung holds a bachelor degree of commerce from the Chinese University of Hong Kong and a master degree in business administration from New York State University. Mr. Leung had worked in Citibank N.A. and W.I. Carr Sons & Co. (Overseas) in his early years and he was the managing director of CEF Group. He has over 40 years of experience in securities and banking business, investment, financial markets, corporate strategy and corporate management.

INDEPENDENT NON-EXECUTIVE DIRECTORS

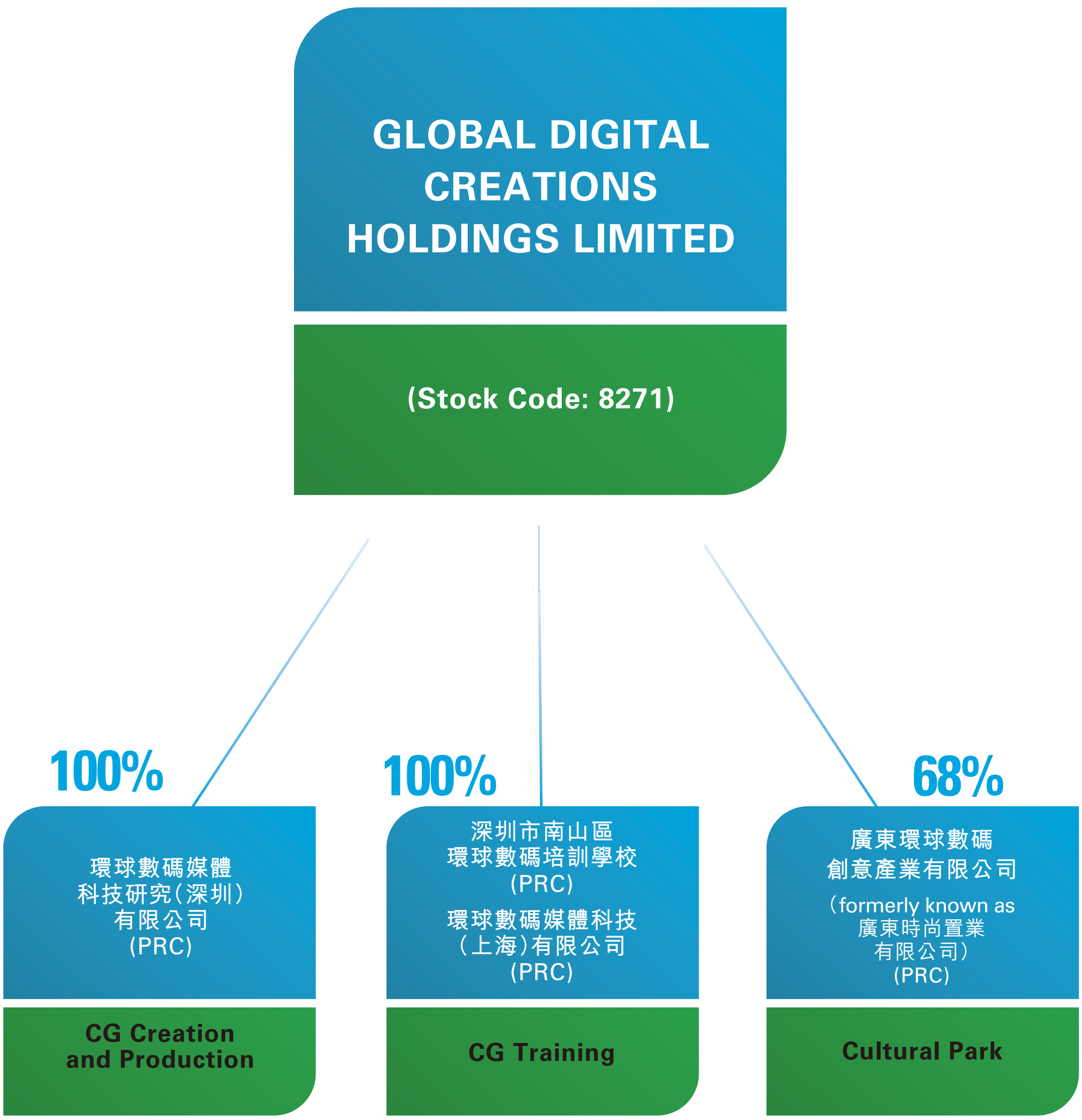
Mr. Kwong Che Keung, Gordon, aged 65. Mr. Kwong was appointed as an Independent Non-executive Director of the Company in April 2003. He is also the Chairman of the Audit Committee, a member of each of the Remuneration Committee and the Nomination Committee of the Company. Mr. Kwong also serves as an independent non-executive director of a number of Hong Kong listed companies including NWS Holdings Limited, OP Financial Investments Limited, China Power International Development Limited, Henderson Land Development Company Limited, Henderson Investment Limited, Agile Property Holdings Limited, CITIC Telecom International Holdings Limited, China COSCO Holdings Company Limited and Chow Tai Fook Jewellery Group Limited. He was an independent non-executive director of the following Hong Kong Listed companies during the past three years: China Chengtong Development Group Limited and Quam Limited. Mr. Kwong graduated from the University of Hong Kong in 1972 and qualified as a Chartered Accountant in England and Wales in 1977. Mr. Kwong was a partner of PriceWaterhouse Hong Kong from 1984 to 1998 and was an independent member of the Council of the Stock Exchange from 1992 to 1997, during which, he had acted as convener of both the compliance committee and the listing committee.

BIOGRAPHICAL DETAILS OF DIRECTORS

Prof. Japhet Sebastian Law, aged 63. Prof. Law was appointed as an Independent Non-executive Director of the Company in September 2008. He is also the Chairman of the Remuneration Committee, a member of each of the Audit Committee and Nomination Committee of the Company. Prof. Law graduated from the University of Texas at Austin with a doctor of philosophy degree in mechanical/industrial engineering in 1976. He joined The Chinese University of Hong Kong in 1986 and retired in August 2012. Before retirement, he was a professor in the Department of Decision Sciences and Managerial Economics. He was the associate dean and subsequently the dean of the Faculty of Business Administration of The Chinese University of Hong Kong from 1993 until 2002. Prior to returning to Hong Kong, Prof. Law was a director of Operations Research at the Cullen College of Engineering and a director of Graduate Studies in Industrial Engineering at the University of Houston and was also involved with the U.S. Space Program in his career with McDonnell Douglas and Ford Aerospace in the United States. He acts as a consultant for various corporations in Hong Kong and overseas. Prof. Law is active in public services and serves as a member of the Provisional Regional Council of the Hong Kong SAR Government and various other committees. He is active on the boards of profit, non-profit and charitable organisations in Hong Kong and overseas. From July 2003 to February 2006, Prof. Law had also acted as an Independent Non-executive Director of the Company. He currently serves as an independent non-executive director of Tianjin Port Development Holdings Limited, Beijing Capital International Airport Company Limited, Binhai Investment Company Limited, Regal Hotels International Holdings Limited, Tianjin Binhai Teda Logistics (Group) Corporation Limited, Shougang Res and Shanghai La Chapelle Fashion Co., Ltd., all of which are companies listed on the Stock Exchange. He was an independent non-executive director of Cypress Jade Agricultural Holdings Limited and First China Financial Holdings Limited.

Mr. Chan Chung Chun, aged 55. Mr. Chan was appointed as an Independent Non-executive Director of the Company in June 2012. He is also a member of each of the Audit Committee, the Nomination Committee and the Remuneration Committee of the Company. He is a fellow member and an associate member of the Hong Kong Institute of Certified Public Accountants and The Australian Society of Certified Practising Accountants respectively. Mr. Chan holds a Bachelor Degree in Commerce from James Cook University of North Queensland and a Master Degree in Commerce from University of New South Wales in Australia. He had worked for the audit department of Ernst & Young for about 7 years and has extensive working experience in accounting and commercial fields, particularly in the manufacturing, marketing and retailing of consumer products in Hong Kong and the PRC. Mr. Chan is currently the deputy chairman and executive director of China Dynamics (Holdings) Limited (Formerly known as "Sinocop Resources (Holdings) Limited"), an independent non-executive director of Shougang Century and Shougang Res, all of which are companies listed on the Stock Exchange.

MAIN OPERATIONAL STRUCTURE



CHAIRMAN'S STATEMENT

I am pleased to present to you the annual results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2014. For the financial year ended 31 December 2014, the Group recorded HK$204,404,000 of total revenue and approximately HK$77,615,000 of gross profit, representing an increase of 27% and 21% respectively as compared to HK$160,720,000 and HK$64,259,000 for the previous year. Consolidated profits increased by 40% as compared to the previous year, to approximately HK$32,619,000.

Amidst the slow recovery of global economy last year, China's economic growth was still below target. The National Bureau of Statistics of the PRC announced that the overall consumer price index in 2014 increased by 2% from last year, but less than the 2.6% growth for the year 2013, hitting a new five-year low. Against the backdrop of China's economy slow down, significant depreciation of Euro, intensified market competition and rising costs, the Group still recorded steady growth in both revenue and profit for 2014.

The animation and comics industry is classified as the country's main development focus under the National 12th Five-Year Plan. According to the statistics released by the State Administration of Press, Publication, Radio, Film and Television of The People's Republic of China, China's box office sales totaled RMB29.639 billion in 2014, representing a year on year increase of 36.15%. It is estimated that the total box office sales of domestic intellectual property animated films exceeded RMB1.1 billion, which was contributed by over 30 films released last year. The Group believes that the development potential for domestic intellectual property films is huge. Leveraging on our stable production with high quality, the experience accumulated in animated films production over the years and various recognitions previously awarded by the State and the industry, the Group is confident in expanding the intellectual property business. Against the backdrop of the favorable PRC government policy and rigid market demand, the Group will ensure market recognition for our quality through continuing its enhancement in technology and creativity, thereby developing comparative advantage through branding.

In respect of the computer graphic training industry, along with the change in market demand in recent years, the training division of the Group performed worse than expected during the year. The Group strongly believes that business core value can be enhanced by providing quality teaching and service, hence it will endeavor to seek ways to improve business performance in the coming year, including redesigning the syllabus to catch up with international standards as well as continuous improvement of our educational quality. Meanwhile, the Group will also strengthen communication with institutions and industry players to have a better understanding in market needs for designing a more appropriate curriculum.

Phase I of the Cultural Park Project of the Group began to generate steady rental income with its occupancy rate reaching 90% as of 31 December 2014. Benefited from its accessibility, this Project enjoys a growing number of mall visitors and tenants' sales volume. Two years have gone by since the completion of Phase I of the Cultural Park Project, in this context, the Group will actively consider proposals to optimize management of the mall, so as to respond to the changing consumption patterns more effectively and maximize rental value.

CHAIRMAN'S STATEMENT

Looking forward, apart from continuing to promote its core business, the Group will also dedicate to explore business in the cultural industry and seek for suitable business opportunities. With our experienced management, competent staff and sound financial status, we are well prepared to create sustainable value for the Group and the shareholders and tackle any upcoming challenges.

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.

Li Shaofeng
Chairman

Hong Kong, 25 March 2015

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL OVERVIEW

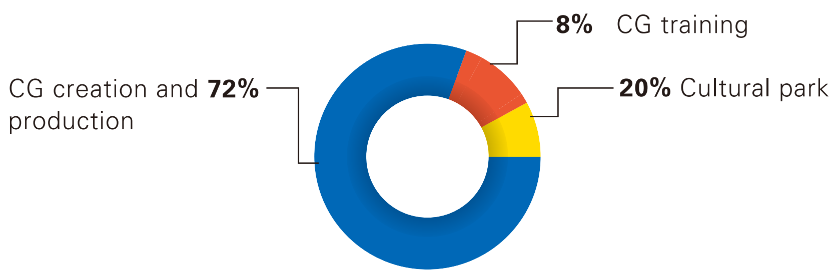
Revenue for the year ended 31 December 2014 was HK$204,404,000, when compared with that of HK$160,720,000 for the year 2013, representing an increase of approximately 27%. The increase was mainly attributable to increases in rental and building management service fee income and revenue from contracts for computer graphic ("CG") creation and production by HK$22,179,000 and HK$20,406,000 respectively.

Cost of sales for the year ended 31 December 2014 amounted to HK$126,789,000, when compared with that of HK$96,461,000 for the year 2013, representing an increase of approximately 31%. The increase was mainly due to more CG production costs incurred in line with increase in CG creation and production income, and an increase in direct operating costs amounting to HK$8,864,000 incurred for our headquarters building in Shenzhen, which started generating management service fee income since the last quarter of 2013.

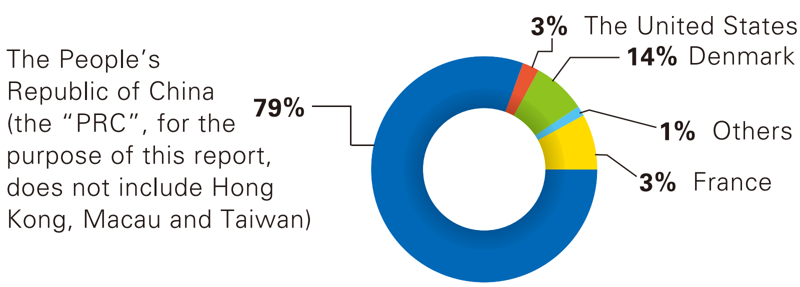
Other income for the year ended 31 December 2014 amounted to HK$50,859,000 (2013: HK$47,029,000). It mainly included dividend income from available-for-sale investment of HK$21,234,000 (2013: HK$13,823,000), government grants of HK$20,643,000 (2013: HK$18,068,000), interest income of HK$6,135,000 (2013:HK$10,143,000) and insurance claims received in the amount of HK$2,243,000 (2013: Nil) in relation to a legal proceeding settled on 5 July 2012.

Distribution costs and selling expenses mainly incurred on advertising and marketing of the intellectual property projects for the year ended 31 December 2014 amounted to HK$19,104,000 (2013: HK$19,972,000), representing a decrease of approximately 4%.

REVENUE BY PRINCIPAL ACTIVITY FOR THE YEAR 2014



REVENUE BY GEOGRAPHICAL LOCATION FOR THE YEAR 2014



MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL OVERVIEW *(Continued)*

Administrative expenses for the year ended 31 December 2014 amounted to HK$66,539,000 (2013: HK$67,261,000), representing a decrease of approximately 1%. The decrease was mainly attributable to a decrease in staff costs during the year.

Finance costs, which represented interest on bank borrowing for headquarters building in Shenzhen, decreased HK$2,232,000 from HK$8,993,000 for the year ended 31 December 2013 to HK$6,761,000 for the year ended 31 December 2014. The decrease resulted from a decrease in principal amount after repayment of part of the bank borrowings during the year.

Other gains for the year ended 31 December 2014 amounted to HK$2,156,000 (2013: HK$4,618,000). It mainly included increases in fair value of held-for-trading investments and structured deposits of HK$1,045,000 (2013: HK$4,077,000) and HK$788,000 (2013: HK$541,000) respectively.

As a whole, the Group recorded a profit attributable to owners of the Company of HK$31,862,000 for the year ended 31 December 2014, when compared with the profit attributable to owners of the Company of HK$33,833,000 for the year ended 31 December 2013, representing a decrease of approximately 6%.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

CG creation and production

The Group's revenue from the CG creation and production division was primarily generated from the production service of international animated television dramas, box office receipts and copyrights from intellectual property 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 2014 amounted to HK$147,015,000, representing an increase of HK$25,045,000 or approximately 21% as compared with the revenue for 2013 of HK$121,970,000.

During the year, the CG creation and production division completed two international animated television drama projects. Currently, we are working on three international animated television drama projects, including one co-production project with the French in which we have copyright. We worked with clients from Europe and North America on production projects in relation to international animated television dramas, and leveraging on the advanced technology and professional services that we offer, our production team has been developing steadily. 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, the Group allocated more resources input to technology development and self-developed a number of computer-aided animation software. The Group has registered a total of 16 copyrights for technology-focused software in respect of its self-developed computer-aided animation software over the years.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK *(Continued)*

CG creation and production *(Continued)*

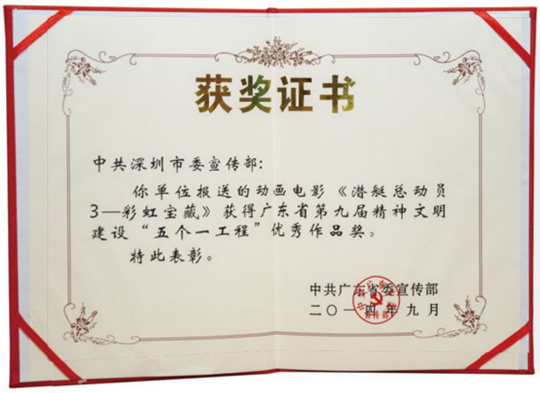
In respect of intellectual property projects, the intellectual property animated film "Happy Little Submarine IV: Adventure of Octopus" released on 30 May 2014 secured first place in terms of box office receipts among seven other domestic animated films released around the same time, it generated HK$21.68 million in revenue to the Group. The "Happy Little Submarine" series hit the highest box office of domestic animated films for the June 1st Children's Day slot for three consecutive years since 2012. The series of animated films and television dramas was broadcasted on six major satellites children's cartoon TV channels and eight of the largest video sites in the country. While the Group generated income from the contracted sales of broadcasting rights, it also offered spin off products such as stage dramas for kids and published weekly magazines and cultural products such as electronic storybooks. It is expected that the sequel of the "Happy Little Submarine" series will be released nationwide in China in 2015, and while the "Happy Little Submarine" brand recognition has been going steady, a number of online video platforms and children cartoon channels are in preliminary contact with us in respect of the broadcasting rights of the sequel. During the year, our animated film series "Three kingdoms Dynasty – Super Three", was released in cinemas and on video websites respectively, where it enjoyed growing hit rate and publicity. Furthermore, the production of "Smart Shunliu", an animated television drama jointly produced by the Group and the Television and Art Center under the Military and Political Bureau of Jinan province of the PRC, is still in progress. As an educational military film, "Smart Shunliu" has attracted the attention of children's cartoon channels and manufacturers of derivative toys.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK *(Continued)*

CG creation and production *(Continued)*
The Group received a number of honours in 2014, including "Top 10 Enterprises in the Cultural and Creative Export Industries in Shenzhen 2014" (「2014年度深圳市文化創意企業出口十強」), "China's Cultural Export Focus Enterprises 2013-2014" (「2013-2014年度國家文化出口重點企業」) and "CCIF Influential Institution of Animation & Comics Industry of China" (「CCIF中國動漫產業影響力機構」). We also received multiple awards for our animated film projects, for instance, our film "Happy Little Submarine III: Rainbow Treasure" was awarded the "China Star Award in Intellectual Property Animation" (「中國動畫原創星獎」) by China Mobile, Outstanding Work of the 9th Spiritual Civilization Development of Guangdong Province "Five Best Ones Projects" (「廣東省第九屆精神文明建設「五個一工程」優秀作品獎」). Our film "Happy Little Submarine IV: Adventure of Octopus" received the Silver Prize of Best Animated Film (「最佳影視動畫長片銀獎」) at the 2014 (7th) "Gold Dolphin" Xiamen International Animation Festival (「2014年(第七屆)廈門國際動漫節「金海豚」獎」) as well as the Best Animated Feature Film (「最佳動畫長片」) at the 8th Asian Youth Animation, Comic and Digital Arts Contest (「第八屆亞洲青年動漫與數字藝術大賽」). During the 10th China (Shenzhen) International Cultural Industry Exhibition in 2014 (2014年第十屆中國(深圳)國際文化產業博覽會), the Group organized activities at the sub-venue for the fourth time and received positive feedback from the industry and general public.

Furthermore, the division carried on providing CG production, digital animated technology exhibition and large event production services for broadcasting programs of mainstream television stations in mainland China and large theme parks in China and overseas. We have expanded our customer base to reach clients from Beijing, Shanghai, Tianjin, Xian, Harbin and overseas clients in Qatar, to whom we offer 4D films, dynamic immersive theatres, magical holographic audio and flying theater.



MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK *(Continued)*

CG creation and production *(Continued)*
As the core business of the Group, the CG creation and production division must rely on their creativity and technological advancement so as to maintain 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 2014 amounted to HK$16,839,000, representing a slight increase of approximately 7% as compared with the revenue for 2013 of HK$15,740,000.

The training division focused on strengthening brand promotion in 2014. The marketing department has made great efforts to develop various admission channels and actively conducted marketing promotion and online advertising, thus the advertising and marketing expenses correspondingly increased by approximately 35%. Apart from that, the marketing department has also broadened and deepened our product lines through reforming the programme in terms of the teaching curriculum and methodology. We have also designed diversified practical courses that can satisfy the needs of students and industry. In 2014, the employment rate of our graduates reached 100% and over 40% of our students were recruited by sizable and renowned enterprises, which demonstrated the effectiveness of our training courses in matching with the actual needs of enterprises. In addition, the training team has actively conducted trial runs on our online teaching module. The module provided free videos of some of our online courses to CG enthusiasts, and with the viewing number of our courses reaching 33,000 to date, the GDC brand has gained wide publicity. In 2014, our training team has continued to nurture the creativity of students and encouraged them to participate in competitions outside school. "Ayamaya: Meet by chance", an art work by our students, received the Silver Dolphin Prize of Best Mobile Animation (手機動畫銀海豚獎) at the 2014 Xiamen Gold Dolphin Animation Festival (2014年廈門金海豚動畫節) and the "Best Animation Award" (「最佳動畫作品」) at the One-minute Video Competition of the 2014 Shanghai Television Festival (2014年上海電視節一分鐘影像大賽). Meanwhile, two short films by our students "Super Three – New Year Edition" and "Droplet! Droplet!" were among the finalists for the Best Mobile Animation Award (手機動畫入圍獎) at the 2014 Xiamen Gold Dolphin Animation Festival (2014年廈門金海豚動畫節).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK *(Continued)*

CG Training *(Continued)*

Intense competition in the industry and rising costs impose much pressure on and challenges to the training team, hence the CG training business recorded a loss in the year 2014. The Group has implemented corresponding measures to actively strengthen brand image, enrich our programmes, enhance the qualifications of our lecturers and improve the quality of teaching. The Group will foster closer cooperation with enterprises, institutions and government while creating a better environment for the nurturing of creative talents and development of innovative projects.

Cultural Park

The revenue from the Cultural Park division for the year ended 31 December 2014 amounted to HK$40,550,000, representing an increase of approximately 76% as compared with the revenue for 2013 of HK$23,010,000. The revenue was mainly attributable to the rental income from shop premises and income from property management services.

The Cultural Park, which commenced operation in late April 2013, has a lettable floor area of approximately 15,000 square meters. As of 31 December 2014, the occupancy rate of the Park has reached almost 90% and our rental revenue has been increasing steadily. The Group began to achieve the diversified business targets it set at the beginning of the year primarily through reviewing the tenant portfolio, expanding outdoor leasing areas of the concourse so as to increase revenue from leasing effectively, and also holding various cultural and promotional activities, promoting and publishing the latest information of activities held in the Cultural Park through WeChat to attract customers within and outside of the Cultural Park and to raise profile of the Cultural Park. On the other hand, the research and discussion for development of Phase II of the Cultural Park are still in progress. Going forward, the Group plans to regularly improve the quality of properties in the Cultural Park and optimize its existing tenant portfolio so as to ensure that such investment property will generate a better return.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2014, the Group had bank balances and cash of HK$98,043,000 (2013: HK$93,351,000) which were mainly denominated in Renminbi, Hong Kong dollars, Euro and United States dollars, and structured deposits of HK$130,788,000 (2013: HK$185,164,000). The decrease in the sum of bank balance and cash and structured deposits was mainly attributable to cash used in repayment of bank borrowings of HK$35,000,000 loan to third party of HK$25,000,000 and settlement of construction cost payables of HK$15,930,000.

As at 31 December 2014, the Group's borrowings amounted to HK$80,000,000, of which HK$45,000,000 were repayable within twelve months from 31 December 2014 and HK$35,000,000 were repayable after twelve months from 31 December 2014. The borrowings were denominated in Renminbi and bore interest at the People's Bank of China Renminbi Lending Rate per annum.

The Group's gearing ratio (calculated as borrowings divided by equity attributable to owners of the Company) as at 31 December 2014 was 8% (2013: 12%). As at 31 December 2014, the Group had a current ratio of 2.6 (2013: 2.0) based on current assets of HK$420,434,000 and current liabilities of HK$161,347,000. The improvement in the gearing ratio was mainly attributable to the repayment of the bank loan of HK$35,000,000 during the year.

MANAGEMENT DISCUSSION AND ANALYSIS

CAPITAL STRUCTURE

The equity attributable to owners of the Company amounted to HK$993,109,000 as at 31 December 2014 (2013: HK$956,129,000). The increase was attributable to profit for the year ended 31 December 2014 attributable to owners of the Company of HK$31,862,000 and increase in fair value of available-for-sale investments of HK$25,986,000, partially offset by exchange differences on translation of financial statements from functional currency to presentation currency attributable to owners of the Company of HK$19,620,000 and an acquisition of additional interest in a subsidiary of HK$1,248,000.

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 Tecnology 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%, resulting in recognition of gain on disposal of available-for-sale investment at an amount of approximately HK$20,789,000 in the profit or loss that had been recognised under investment revaluation reserve as at 31 December 2014. 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 2014.

CHARGE ON ASSETS

As at 31 December 2014, the Group's building, plant and machinery and prepaid lease payments with an aggregate carrying value of HK$235,619,000 were pledged to a bank to secure for bank borrowings with an outstanding amount of HK$80,000,000. As at 31 December 2014, the Group had no unutilised banking facility.

MANAGEMENT DISCUSSION AND ANALYSIS

FOREIGN EXCHANGE EXPOSURE

Currently, the Group earns revenue mainly in Renminbi, Euro 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 2014, the Group had no significant exposure under foreign exchange.

CONTINGENT LIABILITIES

The Group had no significant contingent liabilities as at 31 December 2014.

EMPLOYEES

As at 31 December 2014, the Group employed 524 (2013: 535) 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 2014, 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.

CORPORATE GOVERNANCE REPORT

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

CORPORATE GOVERNANCE CODE

The Company has complied with the Corporate Governance Code (the "CG Code") throughout the year ended 31 December 2014 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").

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by the Directors of the Company (the "Directors" and each a "Director") 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 enquiry to 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 2014.

BOARD OF DIRECTORS

Composition

As at 31 December 2014, the board of Directors of the Company (the "Board") comprises eight members including four Executive Directors, Mr. Li Shaofeng, Mr. Chen Zheng, Mr. Jin Guo Ping and Ms. Cheng Xiaoyu; one Non-executive Director, Mr. Leung Shun Sang, Tony and three Independent Non-executive Directors, Mr. Kwong Che Keung, Gordon, Prof. Japhet Sebastian Law and Mr. Chan Chung Chun. The Board is chaired by Mr. Li Shaofeng and has a balanced composition of Executive and Non-executive Directors such that there is a strong element of independence at the Board level, which facilitates independent judgement. All Directors have given sufficient time and attention to the affairs of the Group and the Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the businesses of the Group. Details of backgrounds and qualification of the Directors are set out in the "BIOGRAPHICAL DETAILS OF DIRECTORS" of this annual report.

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

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

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

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS *(Continued)*

Role and function

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

Board meetings and attendance

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

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

All Directors have access to the company secretary who is responsible for ensuring that the Board meeting's procedures are complied with and all applicable rules and regulations are followed.

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

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

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS *(Continued)*

Board meetings and attendance *(Continued)*

The Board held five Board meetings during the year ended 31 December 2014. The Directors had made active contribution to the affairs of the Group and five Board meetings were held to consider, among other things, various projects contemplated by the Group and to review and approve the quarterly results, interim results and annual results of the Group. The attendance records of the Board meetings and general meeting held in the year 2014 are set out below:

	Attended/ Eligible to attend	
	Board meeting	**General meeting**
Executive Directors		
Mr. Li Shaofeng *(Chairman)*	4/5	1/1
Mr. Chen Zheng	5/5	1/1
Mr. Jin Guo Ping	5/5	0/1
Ms. Cheng Xiaoyu (appointed on 18 December 2014)	0/5	0/1
Non-executive Director		
Mr. Leung Shun Sang, Tony	5/5	1/1
Independent Non-executive Directors		
Mr. Kwong Che Keung, Gordon	5/5	1/1
Prof. Japhet Sebastian Law	5/5	1/1
Mr. Chan Chung Chun	5/5	0/1

The meetings above was not attended by any alternate Director.

Access to information

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

The Board is supplied with relevant information by the management pertaining to matters to be brought before them for decision making as well as reports relating to operational and financial performance of the Group at least three days before each Board meeting. Where any Director requires more information than is supplied by the management, they have the right of separate and independent access to the Group's management to make further enquiries if necessary.

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS *(Continued)*

Appointments and re-election of Directors

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

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

The term of the appointment of Non-executive Director and Independent Non-executive Directors is for a period of three years, subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Bye-laws.

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

Board Diversity Policy

The Board adopted a board diversity policy in 2013. The Company recognises and embraces the benefits of diversity of Board members. While all Board appointments will continue to be made on a merit basis, the Company will ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the needs of the Company's business. Selection of Director candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, experience (professional or otherwise), skills and knowledge.

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS *(Continued)*

Directors' continuing training and development

All Directors have participated in continuous professional development and provided to the Company a record of training which they received during the period from 1 January 2014 to 31 December 2014.

According to the records provided by the Directors, a summary of the training received by the Directors is set out as follows:

Directors	Reading materials and updates relating to the latest development of the GEM Listing Rules and other applicable regulatory requirements	Attending or participating in seminars/workshops
Executive Directors		
Mr. Li Shaofeng *(Chairman)*	✓	✓
Mr. Chen Zheng	✓	✓
Mr. Jin Guo Ping	✓	✓
Ms. Cheng Xiaoyu (appointed on 18 December 2014)	✓	✓
Non-executive Director		
Leung Shun Sang, Tony	✓	✓
Independent Non-executive Directors		
Mr. Kwong Che Keung, Gordon	✓	✓
Prof. Japhet Sebastian Law	✓	✓
Mr. Chan Chung Chun	✓	✓

Directors' and officers' liability

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

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The roles of the Chairman and the Chief Executive Officer are separate and are not performed by the same individual to reinforce their independence and accountability. Mr. Li Shaofeng acts as the Chairman and Mr. Chen Zheng serves as the Chief Executive Officer of the Company. The Chairman provides leadership for the Board and overall strategy formulation for the Group. The Chief Executive Officer has overall responsibility for the Group's business development and day-to-day management. The division of responsibilities between the Chairman and the Chief Executive Officer is clearly established and set out in writing.

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

CORPORATE GOVERNANCE REPORT

NON-EXECUTIVE DIRECTOR

The Non-executive Director provides a wide range of expertise and experience as well as checks and balances to safeguard the interests of the Group and its shareholders. The Non-executive Director of the Company has entered into an engagement letter with the Company for a term of three years commencing from 1 January 2014 and subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Bye-laws.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Pursuant to Rules 5.05(1) and 5.05(2) of the GEM Listing Rules, the Company has appointed three Independent Non-executive Directors. Two of the Independent Non-executive Directors, namely, Mr. Kwong Che Keung, Gordon and Mr. Chan Chung Chun have appropriate professional qualifications or accounting or related financial management expertise. The Company has received from each Independent Non-executive Director an annual confirmation of his independence for the year ended 31 December 2014 pursuant to Rule 5.09 of the GEM Listing Rules and based on the contents of such confirmations, the Company considers all Independent Non-executive Directors to be independent during the year.

All Independent Non-executive Directors were appointed for a specific term and are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Bye-laws. Details of the terms are set out in the "Report of the Directors".

DELEGATION BY THE BOARD

Board Committees

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

Executive Committee

The Executive Committee of the Company (the "Executive Committee") was established in September 2007 and comprises all the Executive Directors of the Company.

During the year ended 31 December 2014, the members of the Executive Committee were as follows:

- Mr. Li Shaofeng *(Chairman)*
- Mr. Chen Zheng
- Mr. Jin Guo Ping
- Ms. Cheng Xiaoyu

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

CORPORATE GOVERNANCE REPORT

DELEGATION BY THE BOARD *(Continued)*

Audit Committee

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

The principal duties of the Audit Committee include, among other things:

- overseeing the relationship with the Company's auditor;
- reviewing the quarterly, interim and annual financial statements; and
- reviewing the Company's financial reporting system, internal control procedures and companies policy which includes the whistleblowing policy reporting system.

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

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

The Audit Committee held four meetings during the year ended 31 December 2014 with the management and the Company's internal audit manager. Two meetings were with the external auditor for the purpose of amongs others, reviewing:

- the Group's internal control;
- the final results of the Group for the financial year ended 31 December 2013;
- the quarterly results of the Group for the three months ended 31 March 2014;
- the interim results of the Group for the six months ended 30 June 2014; and
- the quarterly results of the Group for the nine months ended 30 September 2014.

For the year ended 31 December 2014, the Board had no disagreement with the Audit Committee's view on the selection, appointment, resignation or dismissal of the external auditor.

CORPORATE GOVERNANCE REPORT

DELEGATION BY THE BOARD *(Continued)*

Audit Committee *(Continued)*

The attendance records of the Audit Committee meetings held in the year 2014 are set out below:

	Attended/ Eligible to attend
Mr. Kwong Che Keung, Gordon *(Chairman)*	4/4
Prof. Japhet Sebastian Law	4/4
Mr. Chan Chung Chun	4/4

The meetings above was not attended by any alternate Director.

Nomination Committee

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

The principal duties of the Nomination Committee include:

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

Where vacancies exist on the Board, candidates are proposed and put forward to the Nomination Committee for consideration. The recommendations of the Nomination Committee will then be tendered to the Board for approval.

The nomination committee will also take into account the Board Diversity Policy when identifying suitably qualified candidates to become members of the Board, and the Board will review the Board Diversity Policy, so as to develop and review measurable objectives for the implementing the Board Diversity Policy and to monitor the progress on achieving these objectives.

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

The Nomination Committee consists of five Directors, namely, Mr. Li Shaofeng, Mr. Leung Shun Sang, Tony, Mr. Kwong Che Keung, Gordon, Prof. Japhet Sebastian Law, and Mr. Chan Chung Chun. It is chaired by Mr. Li Shaofeng. The Independent Non-executive Directors constitute the majority of the committee.

For the year ended 31 December 2014, the Nomination Committee held one meeting for the purpose of reviewing the structure of the Board.

CORPORATE GOVERNANCE REPORT

DELEGATION BY THE BOARD *(Continued)*

Nomination Committee *(Continued)*

The attendance record of the Nomination Committee meeting held in the year 2014 is set out as follows:

	Attended/ Eligible to attend
Mr. Li Shaofeng *(Chairman)*	1/1
Mr. Leung Shun Sang, Tony *(Vice Chairman)*	1/1
Mr. Kwong Che Keung, Gordon	1/1
Prof. Japhet Sebastian Law	1/1
Mr. Chan Chung Chun	1/1

The meeting above was not attended by any alternate Director.

Remuneration Committee

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

The principal duties of the Remuneration Committee include:

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

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

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

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

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

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

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

CORPORATE GOVERNANCE REPORT

DELEGATION BY THE BOARD *(Continued)*

Remuneration Committee *(Continued)*

The Remuneration Committee consists of five Directors namely, Prof. Japhet Sebastian Law, Mr. Li Shaofeng, Mr. Leung Shun Sang, Tony, Mr. Kwong Che Keung, Gordon and Mr. Chan Chung Chun. It is chaired by Prof. Japhet Sebastian Law. The Independent Non-executive Directors constitute the majority of the Remuneration Committee.

For the year ended 31 December 2014, the Remuneration Committee was held one meeting for, amongst others:

- reviewing the remuneration and terms of service contracts of the Executive Directors;
- determining the bonuses of the Executive Directors of the Company for the year 2014 and the salaries of the Executive Directors of the Company for the year 2015; and
- making recommendations to the Board on fees for the Non-executive Director and Independent Non-executive Directors for the year 2015.

The attendance record of the Remuneration Committee meeting held in the year 2014 are set out as below:

	Attended/ Eligible to attend
Prof. Japhet Sebastian Law *(Chairman)*	1/1
Mr. Li Shaofeng *(Vice Chairman)*	1/1
Mr. Leung Shun Sang, Tony	1/1
Mr. Kwong Che Keung, Gordon	1/1
Mr. Chan Chung Chun	1/1

The meeting above was not attended by any alternate Director.

Corporate Governance Function

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

Company Secretary

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

CORPORATE GOVERNANCE REPORT

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

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

The statement of the auditor of the Company, Messrs. Deloitte Touche Tohmatsu, on its reporting responsibilities on the consolidated financial statements of the Group is set out in the Independent Auditor's Report on pages 41 to 42 of this annual report.

INTERNAL CONTROL

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

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

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

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

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

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

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

CORPORATE GOVERNANCE REPORT

INTERNAL CONTROL *(Continued)*

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

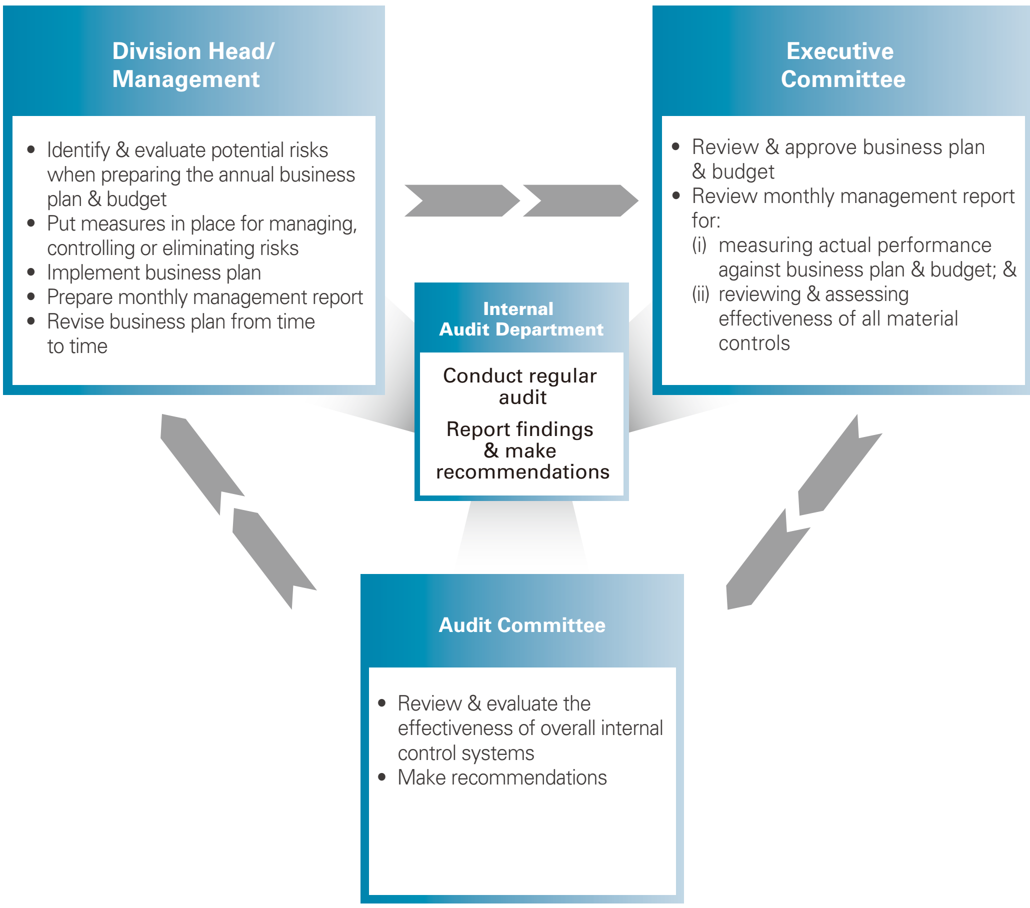
The Board considers that it is an ongoing and continuous process for the Group to review and improve its internal control systems in order to ensure that they remain effective in the dynamic and ever-changing business environment. During the year ended 31 December 2014, the Board has been, through the Executive Committee and the Audit Committee (with the assistance from the I.A. Department), continuously reviewing the effectiveness of the Group's internal control systems. The division head of each principle business unit has submitted representation letters to the Chief Executive Officer, in which they made representations as to compliance by themselves and their subordinates of key internal control systems for the year 2014. In turn, the Chief Executive Officer has submitted the representation letter for the Group to the Board of Directors. The requirement for making representation letters by the management can strengthen individual responsibility for corporate governance and controls.

To comply with the Code Provision C.2.2 of the CG Code, the Board also included a review of adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, their training programmes and budget in its annual review for the year 2014.

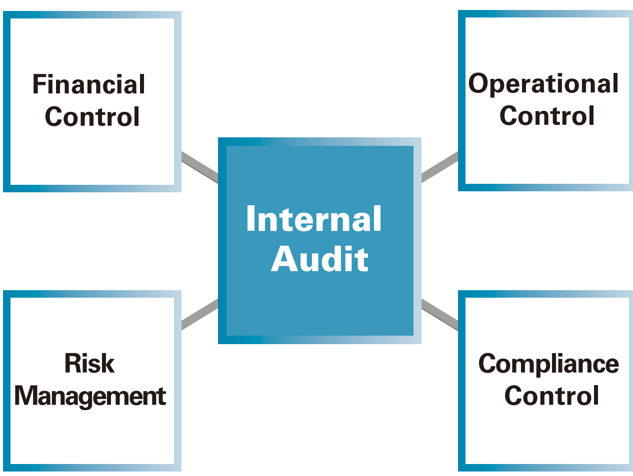
CORPORATE GOVERNANCE REPORT

INTERNAL CONTROL *(Continued)*

Internal control system



Internal audit functions



CORPORATE GOVERNANCE REPORT

AUDITOR'S REMUNERATION

For the year ended 31 December 2014, the remuneration paid to the Company's auditor, Messrs. Deloitte Touche Tohmatsu, is set out as follows:

Services rendered	Fee paid/payable *HK$'000*
Statutory audit services	990
Non-statutory audit services:	
Review on interim financial report	248
Special Audit Service	800
	2,038

COMMUNICATION WITH SHAREHOLDERS

To foster effective communication with the shareholders, the Company provides extensive information in its annual, interim and quarterly reports, announcements and circulars. All shareholders' communications are also available on the Company's website at www.gdc-world.com.

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

SHAREHOLDERS RIGHTS

Voting at general meetings of the Company is conducted by way of poll in accordance with the GEM Listing Rules and the Bye-laws. The poll results will be published on the Stock Exchange's website (www.hkexnews.hk) and the Company's website.

The detailed procedures for demanding and conducting a poll will be explained by the chairman at general meetings.

All notices of general meetings despatched by the Company to its shareholders for meetings were sent in the case of annual general meetings at least 20 clear business days before the meeting and at least 10 clear business days in the case of all other general meetings, and all resolutions put to the vote of a general meeting were by way of a poll.

CORPORATE GOVERNANCE REPORT

SHAREHOLDERS RIGHTS *(Continued)*

Convening Extraordinary General Meeting and putting Forward Proposals at General Meeting

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

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

Procedures for proposing a person for election as a Director

When proposing a person for election as a Director, Shareholders are requested to follow the requirements and procedures as set out in the Corporate Governance Section of the Company's website.

Constitutional documents

There was no change to the Bye-laws during the financial year ended 31 December 2014. A copy of the latest consolidated version of the Bye-laws is posted on the websites of the Company and the Stock Exchange.

REPORT OF THE DIRECTORS

The directors of the Company (the "Directors" and each the "Director") herein present their report and the audited consolidated financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 December 2014.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its principal subsidiaries are set out in note 42 to the consolidated financial statements, respectively.

RESULTS

The results of the Group for the year ended 31 December 2014 and the state of affairs of the Group at that date are set out in the consolidated financial statements on pages 43 to 110 of this annual report.

The board of Directors of the Company (the "Board") does not recommend the payment of any dividend for the year ended 31 December 2014 (2013: Nil).

FIVE YEARS FINANCIAL SUMMARY

A summary of the published consolidated results and assets and liabilities of the Group for the last five financial years is set out on page 111 of this annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 17 to the consolidated financial statements.

Particulars of the building of the Group as at the end of the reporting period are set out on pages 90 to 91 of this annual report.

INVESTMENT PROPERTIES

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

Particulars of the investment properties of the Group as at the end of the reporting period are set out on pages 91 to 93 of this annual report.

SHARE CAPITAL

Details of movements in the Company's share capital during the year are set out in note 35 to the consolidated financial statements.

RESERVES

Details of movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity on pages 46 to 47 of this annual report.

REPORT OF THE DIRECTORS

DIRECTORS

The Directors during the year were as follows:

Mr. Li Shaofeng
Mr. Chen Zheng
Mr. Jin Guo Ping
Ms. Cheng Xiaoyu (appointed on 18 December 2014)
Mr. Leung Shun Sang, Tony#
Mr. Kwong Che Keung, Gordon*
Prof. Japhet Sebastian Law*
Mr. Chan Chung Chun*

Non-executive Director
* *Independent Non-executive Director*

In accordance with clause 86(2) of the bye-laws of the Company, Ms. Cheng Xiaoyu shall retire from office at the forthcoming annual general meeting of the Company and, being eligible, offer herself for re-election.

In accordance with clause 87(2) of the bye-laws of the Company, Mr. Chen Zheng, Mr. Jin Guo Ping and Mr. Chan Chung Chun shall retire from office by rotation at the forthcoming annual general meeting of the Company and, being eligible, offer themselves for re-election.

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

BIOGRAPHICAL DETAILS OF DIRECTORS

Biographical details of the Directors are set out in the "Biographical Details of Directors" section on pages 5 to 7.

DIRECTORS' SERVICE CONTRACTS

Mr. Li Shaofeng has entered into a service contract with a wholly-owned subsidiary of the Company for a term of three years commencing on 1 January 2013 unless terminated by at least three months' notice in writing served by either party prior to the expiry of the term. Each of Mr. Chen Zheng and Mr. Jin Guo Ping has entered into a service contract with a wholly-owned subsidiary of the Company for a term of three years commencing on 1 January 2014. Ms. Cheng Xiaoyu has entered into a service contract with a wholly-owned subsidiary of the Company from 18 December 2014 to 31 December 2016, unless terminated by at least one month's notice in writing served by either party prior to the expiry of the term.

Each of Mr. Leung Shun Sang, Tony, Mr. Kwong Che Keung, Gordon, Prof. Japhet Sebastian Law and Mr. Chan Chung Chun has entered into an engagement letter with the Company for a term of three years commencing from 1 January 2014 unless terminated by at least one month's notice in writing served by either party prior to the expiry of the term.

REPORT OF THE DIRECTORS

DIRECTORS' SERVICE CONTRACTS *(Continued)*

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

EMOLUMENT POLICY

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

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

The Group has adopted share option schemes as an incentive to the Directors and eligible employees, details of which schemes are set out in the "Share Option Schemes" section and note 37 to the consolidated financial statements.

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

As at 31 December 2014, the interests and short positions of the Directors and chief executive of the Company or any of their respective associates in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules were as follows:

Long positions in the shares and underlying shares of the Company

		Numbers of shares/underlying shares held in the Company		
Name of Director	**Capacity in which interests are held**	**Interests in shares**	**Total interests**	**Approximate percentage of issued share capital of the Company**
Mr. Chen Zheng	Beneficial owner	208,728,200	208,728,200	13.75%
Mr. Leung Shun Sang, Tony	Beneficial owner	30,008,200	30,008,200	1.98%
Mr. Kwong Che Keung, Gordon	Beneficial owner	10,800,820	10,800,820	0.71%
Prof. Japhet Sebastian Law	Beneficial owner	3,000,000	3,000,000	0.20%

Save as disclosed above, as at 31 December 2014, none of the Directors, chief executives of the Company or their respective associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise, notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

REPORT OF THE DIRECTORS

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the section headed "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures" above, at no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the Directors or their respective spouse or children under 18 years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contracts of significance to which the Company or any of its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

During the year ended 31 December 2014, none of the Directors had an interest in a business (other than those businesses where the Director was appointed as a Director to represent the interests of the Company and/or any member of the Group) which is considered to compete or is likely to compete, either directly or indirectly, with businesses of the Group.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2014, the following persons or corporations, other than the Directors or chief executive of the Company as disclosed above, had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of SFO:

Long Position in the Shares of the Company

Name of shareholder	Capacity in which interests are held	Number of shares held in the Company	Approximate percentage of total issued share capital of the Company
Shougang Holding (Hong Kong) Limited ("Shougang Holding")	Interests of controlled corporations	619,168,023 *(Note)*	40.78%
Wheeling Holdings Limited ("Wheeling")	Interests of controlled corporations	619,168,023 *(Note)*	40.78%
Shougang Concord Grand (Group) Limited ("Shougang Grand")	Interests of controlled corporations	619,168,023 *(Note)*	40.78%
Upper Nice Assets Ltd. ("Upper Nice")	Beneficial owner	619,168,023 *(Note)*	40.78%

Note: Upper Nice is an indirect wholly-owned subsidiary of Shougang Grand. Shougang Grand was held as to approximately 37.36% by Wheeling, a wholly-owned subsidiary of Shougang Holding. Accordingly, all these corporations are deemed to be interested in the shares capital of the Company which Upper Nice is interested under the SFO.

REPORT OF THE DIRECTORS

SUBSTANTIAL SHAREHOLDERS *(Continued)*

Save as disclosed above, as at 31 December 2014, the Company has not been notified of any other person or corporations (other than the Directors and chief executive(s) of the Company) who had an interest or short position in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO.

PUBLIC FLOAT

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

SHARE OPTION SCHEME

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

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

The total number of shares available for issue under the 2013 Share Option Scheme is 151,825,554, representing approximately 10% of the Company's issued share capital as at 18 June 2013, being the date of adoption of the 2013 Share Option Scheme by the shareholders of the Company. Unless approved by shareholders of the Company, the total number of shares to be issued upon exercise of the share options granted to each Eligible Persons (including exercised, cancelled and outstanding options) in any 12-month period must not exceed 1% of the share capital of the Company in issue.

A grant of an option can be made at any time as specified by the Board, so long as such grant is made within 10 years from the effective date of 2013 Share Option Scheme, being 18 June 2013. Once an offer of the grant of an option is made, a period of no more than 28 days will be given to accept such offer. On or before acceptance of the offer, HK$1.00 is to be paid as consideration to the Company.

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

REPORT OF THE DIRECTORS

SHARE OPTION SCHEMES *(Continued)*

Note:

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

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities (whether on the Stock Exchange or otherwise) during the year ended 31 December 2014.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's bye-laws or the laws of Bermuda which would oblige the Company to offer new shares on a pro-rata basis to its existing shareholders.

DISTRIBUTABLE RESERVES

As at 31 December 2014, the Company's reserves available for distribution amounted to approximately HK$900,518,000.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for approximately 38% of the revenue for the year and the largest customer included therein amounted to approximately 14%. Purchases from the Group's five largest suppliers accounted for approximately 8% of the cost of sales for the year and the largest supplier included therein amounted to approximately 2%. Save as disclosed above, none of the Directors or any of their associates or any shareholders (which, to the best of the knowledge of the Directors, own more than 5% of the Company's share capital) had any beneficial interest in the Group's five largest customers and suppliers.

AUDITOR

The accounts have been audited by Messrs. Deloitte Touche Tohmatsu who will retire, and, being eligible, offer themselves for re-appointment.

By Order of the Board
Li Shaofeng
Chairman

Hong Kong, 25 March 2015

INDEPENDENT AUDITOR'S REPORT

Deloitte.
德勤

TO THE SHAREHOLDERS OF
GLOBAL DIGITAL CREATIONS HOLDINGS LIMITED
環球數碼創意控股有限公司
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Global Digital Creations Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 43 to 110, which comprise the consolidated statement of financial position as at 31 December 2014, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

INDEPENDENT AUDITOR'S REPORT

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2014, and of its profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
25 March 2015

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For The Year Ended 31 December 2014

	NOTES	2014 HK$'000	2013 HK$'000
Revenue	7	**204,404**	160,720
Cost of sales		**(126,789)**	(96,461)
Gross profit		**77,615**	64,259
Other income	10	**50,859**	47,029
Distribution costs and selling expenses		**(19,104)**	(19,972)
Administrative expenses		**(66,539)**	(67,261)
Increase in fair value of investment properties	18	**–**	13,418
Finance costs	11	**(6,761)**	(8,993)
Other gains	12	**2,156**	4,618
Profit before tax		**38,226**	33,098
Income tax expense	13	**(5,607)**	(9,813)
Profit for the year	14	**32,619**	23,285
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		**(20,991)**	19,536
Item that may be reclassified subsequently to profit or loss:			
Increase in fair value of available-for-sale investments	20	**25,986**	–
Other comprehensive income for the year		**4,995**	19,536
Total comprehensive income for the year		**37,614**	42,821
Profit (loss) for the year attributable to:			
Owners of the Company		**31,862**	33,833
Non-controlling interests		**757**	(10,548)
		32,619	23,285
Total comprehensive income (expenses) for the year attributable to:			
Owners of the Company		**38,228**	51,608
Non-controlling interests		**(614)**	(8,787)
		37,614	42,821
		HK cents	*HK cents*
Earnings per share	16		
Basic and diluted		**2.10**	2.23

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2014

	NOTES	2014 HK$'000	2013 HK$'000
Non-current assets			
Property, plant and equipment	17	**263,729**	287,135
Investment properties	18	**542,350**	544,327
Prepaid lease payments	19	**5,692**	5,979
Available-for-sale investments	20	**22,701**	85,034
Other receivables and deposits	21	**25,000**	25,641
		859,472	948,116
Current assets			
Productions work in progress	22	**3,548**	6,541
Amounts due from customers for contract work	23	**5,489**	5,521
Trade receivables	24	**40,016**	17,066
Other receivables and deposits	21	**13,392**	12,988
Loan receivable	25	**25,000**	–
Prepaid lease payments	19	**138**	141
Available-for-sale investments	20	**88,303**	–
Held-for-trading investments	26	**15,717**	36,833
Structured deposits	27	**130,788**	185,164
Bank balances and cash	28	**98,043**	93,351
		420,434	357,605
Current liabilities			
Advances from customers	29	**7,301**	10,433
Amounts due to customers for contract work	23	**4,498**	4,361
Trade payables	30	**4,134**	2,583
Other payables and accruals	31	**84,548**	98,842
Tax liabilities		**10,331**	11,021
Deferred income	33	**5,535**	12,100
Secured bank borrowings – due within one year	32	**45,000**	35,897
		161,347	175,237
Net current assets		**259,087**	182,368
Total assets less current liabilities		**1,118,559**	1,130,484
Non-current liabilities			
Deferred income	33	**2,927**	4,252
Deferred tax liabilities	34	**40,892**	41,940
Secured bank borrowings – due after one year	32	**35,000**	82,051
		78,819	128,243
Net assets		**1,039,740**	1,002,241

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2014

	NOTES	**2014** **HK$'000**	2013 HK$'000
Capital and reserves			
Share capital	35	**15,183**	15,183
Reserves		**977,926**	940,946
Equity attributable to owners of the Company		**993,109**	956,129
Non-controlling interests	36	**46,631**	46,112
Total equity		**1,039,740**	1,002,241

The consolidated financial statements on pages 43 to 110 were approved and authorised for issue by the Board of Directors on 25 March 2015 and are signed on its behalf by:

Li Shaofeng
DIRECTOR

Chen Zheng
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For The Year Ended 31 December 2014

	Attributable to owners of the Company												
	Share capital HK$'000	Share premium reserve HK$'000	Capital contribution reserve HK$'000 *(Note a)*	Contributed surplus reserve HK$'000 *(Note b)*	Statutory reserve HK$'000 *(Note c)*	Investment revaluation reserve HK$'000	Share options reserve HK$'000	Exchange reserve HK$'000	Special reserve HK$'000 *(Note d)*	Retained earnings HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2013	15,183	75,856	445	245,881	680	–	16,895	55,489	39	494,053	904,521	54,971	959,492
Profit (loss) for the year	–	–	–	–	–	–	–	–	–	33,833	33,833	(10,548)	23,285
Exchange differences on translation of financial statements from functional currency to presentation currency	–	–	–	–	–	–	–	17,775	–	–	17,775	1,761	19,536
Total comprehensive income (expenses) for the year	–	–	–	–	–	–	–	17,775	–	33,833	51,608	(8,787)	42,821
Sub-total	15,183	75,856	445	245,881	680	–	16,895	73,264	39	527,886	956,129	46,184	1,002,313
Lapse of share options granted	–	–	–	–	–	–	(16,895)	–	–	16,895	–	–	–
Transfer to statutory reserve	–	–	–	–	190	–	–	–	–	(190)	–	–	–
Dividend paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	(72)	(72)
At 31 December 2013	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 investments	**–**	**–**	**–**	**–**	**–**	**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**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For The Year Ended 31 December 2014

Notes:

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

(b) Contributed surplus reserve represents (1) the difference between the nominal value of share capital of the Company and the aggregate amount of nominal value of share capital of subsidiaries acquired by the Company through an exchange of shares pursuant to a group reorganisation, which was completed on 31 December 2002, amounting to approximately HK$40,271,000 and; (2) the transfer of the share premium reserve of approximately HK$589,670,000 as at 31 December 2007 to contributed surplus reserve which was applied to eliminate the deficit of the Company of approximately HK$384,060,000 as at 31 December 2007, in accordance to a special resolution passed by shareholders of the Company at the special general meeting of the Company held on 6 June 2008.

(c) As stipulated by the rules and regulations in the People's Republic of China (the "PRC", for the purpose of these consolidated financial statements, does not include Hong Kong, Macau and Taiwan), the subsidiaries of the Company established in the PRC are required to appropriate 10% of their after-tax profit (after offsetting prior years' losses) to a general reserve fund until the balance of the fund reaches 50% of their registered capital thereafter any further appropriation is optional and is determinable by the companies' boards of directors.

(d) The special reserve represents (1) the difference between the proceed and the carrying amount of the net assets attributable to the disposal of partial interest in a PRC subsidiary during the year ended 31 December 2012 amounting to approximately HK$39,000 and; (2) the difference between the proceed and the carrying amount of the net liabilities attributable to the additional interest in a PRC subsidiary being acquired from a non-controlling shareholder during the year ended 31 December 2014 amounting to approximately HK$1,248,000.

CONSOLIDATED STATEMENT OF CASH FLOWS

For The Year Ended 31 December 2014

	2014 HK$'000	2013 HK$'000
OPERATING ACTIVITIES		
Profit before tax	**38,226**	33,098
Adjustments for:		
Depreciation of property, plant and equipment	**19,802**	19,495
Finance costs	**6,761**	8,993
Changes in fair value of held-for-trading investments	**(1,045)**	(4,077)
(Recovery of) allowance for doubtful debts	**(300)**	360
Gain on disposal of property, plant and equipment	**(23)**	–
Amortisation of prepaid lease payments	**138**	139
Increase in fair value of structured deposits	**(788)**	(541)
Increase in fair value of investment properties	**–**	(13,418)
Dividend income from available-for-sale investments	**(21,234)**	(13,823)
Interest income	**(6,135)**	(10,143)
Government grants related to computer equipment and specific projects	**(9,669)**	(2,709)
Operating cashflow before movements in working capital	**25,733**	17,374
Decrease in programmes	**–**	330
Decrease (increase) in productions work in progress	**3,148**	(3,284)
Decrease in amounts due from customers for contract work	**1,150**	2,495
Increase in trade receivables	**(22,900)**	(2,183)
Increase in other receivables and deposits	**(729)**	(997)
Decrease in held-for-trading investments	**22,161**	–
Decrease in advances from customers	**(2,870)**	(346)
Increase in amounts due to customers for contract work	**1,900**	3,007
Increase in trade payables	**1,616**	344
Increase in other payables and accruals	**4,104**	12,591
Cash generated from operations	**33,313**	29,331
Income tax paid	**(6,031)**	(546)
NET CASH FROM OPERATING ACTIVITIES	**27,282**	28,785

CONSOLIDATED STATEMENT OF CASH FLOWS

For The Year Ended 31 December 2014

	2014 HK$'000	2013 HK$'000
INVESTING ACTIVITIES		
Purchases of structured deposits	**(1,322,500)**	(1,876,282)
Loan to a third party	**(25,000)**	–
Additions in investment properties	**(11,630)**	(12,958)
Settlement of construction cost payables	**(15,930)**	(38,155)
Purchases of property, plant and equipment	**(6,694)**	(9,645)
Redemption of structured deposits	**1,373,034**	1,691,667
Dividend income received	**21,234**	13,823
Interest received	**6,135**	10,143
Government grants received related to assets	**2,188**	9,025
Proceeds from disposal of property, plant and equipment	**23**	1,318
NET CASH FROM (USED IN) INVESTING ACTIVITIES	**20,860**	(211,064)
FINANCING ACTIVITIES		
Repayment of bank loans	**(35,000)**	(30,769)
Interest paid	**(6,761)**	(8,993)
Dividend paid to non-controlling shareholder	**(115)**	(72)
CASH USED IN FINANCING ACTIVITIES	**(41,876)**	(39,834)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**6,266**	(222,113)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**93,351**	309,178
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**(1,574)**	6,286
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, COMPRISING BANK BALANCES AND CASH	**98,043**	93,351

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 December 2014

1. GENERAL

The Company is a public listed company incorporated in Bermuda as an exempted company with limited liability under The Companies Act 1981 of Bermuda (as amended) and its shares are listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Company and its subsidiaries (the "Group") is an associate of Shougang Concord Grand (Group) Limited ("Shougang Grand"), a public listed company incorporated in Bermuda with its shares listed on the Stock Exchange. The addresses of the registered office and principal place of business of the Company are disclosed in the "Corporate Information" section to the annual report.

The Company is an investment holding company. The principal activities of the Group are computer graphic ("CG") creation and production, films and television programme production, CG training courses and property development. The principal activities and other particulars of its principal subsidiaries as at 31 December 2014 are set out in note 42.

The functional currency of the Company is Renminbi ("RMB") as the primary economic environment in which the Company's subsidiaries operate is the PRC. The consolidated financial statements are presented in Hong Kong dollars ("HKD") for the convenience of the readers for both years.

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

In the current year, the Group has applied the following amendments to HKFRSs and a new interpretation issued by the Hong Kong Institute of Certified Public Accountants:

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
HK(IFRIC) - Int 21	Levies

The application of the above amendments to HKFRSs and the new interpretation in the current year has had no material impact on the amounts reported and/or disclosures set out in the Group's consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 December 2014

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

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 14	Regulatory Deferral Accounts[2]
HKFRS 15	Revenue from Contracts with Customers[3]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[5]
Amendments to HKAS 1	Disclosure Initiative[5]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[5]
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions[4]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010 – 2012 Cycle[6]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011 – 2013 Cycle[4]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012 – 2014 Cycle[5]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants[5]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[5]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception[5]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for first annual HKFRS financial statements beginning on or after 1 January 2016
3 Effective for annual periods beginning on or after 1 January 2017
4 Effective for annual periods beginning on or after 1 July 2014
5 Effective for annual periods beginning on or after 1 January 2016
6 Effective for annual periods beginning on or after 1 July 2014, with limited exceptions

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 December 2014

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

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 further amended 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 are described below:

- All recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* are 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 of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are 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 of financial liabilities attributable to changes in the financial liabilities' 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 was 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 December 2014

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

HKFRS 9 *Financial Instruments (Continued)*

- The new general hedge accounting requirements retain the three types of hedge accounting. However, 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 effectiveness test has been overhauled and replaced with the principle of an "economic relationship". Retrospective assessment of hedge effectiveness is also no longer required. 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 affect amounts reported in respect of the Group's financial assets and financial liabilities. 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*

In July 2014, 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 affect 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 HKFRS, will have a material effect on the Group's consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities in the Growth Enterprise Market of the Stock Exchange and by the Hong Kong Companies Ordinance, which for this financial year and the comparative period continue to be those of the predecessor Hong Kong Companies Ordinance (Cap.32), with reference to the transitional and saving arrangements for Part 9 of the new Hong Kong Companies Ordinance (Cap. 622).

The consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved where the Company

- has power over the investee;
- is exposed, or has rights to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customers returns, rebates and other similar circumstances.

Deposits received from sale of goods or services to be provided prior to meeting the revenue recognition criteria are included in the consolidated statement of financial position under current liabilities.

Management service fee income is recognised when services are provided.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Training fee income is recognised over the period of the training course on a straight-line basis. Unearned training fee income received is recorded as advances from customers.

Rental income is recognised on a straight-line basis over the relevant lease terms.

Revenue from exhibition of television series or movies is recognised when they are exhibited.

Contracts for CG creation and production

Where the outcome of a contract for CG creation and production can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period, as measured by the proportion that contract costs incurred for work performed to date relative to the estimated total contract costs.

Where the outcome of a contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as amounts due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as amounts due to customers for contract work.

Amounts received before the related work is performed are included in the consolidated statement of financial position, as a liability, as advances from customers. Amounts billed for work performed but not yet paid by the customers are included in the consolidated statement of financial position under trade receivables.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment

Property, plant and equipment including buildings held for use in supply of goods and services, or for administrative purposes are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment less their estimated residual value over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation (including properties under construction for such purposes).

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values using the fair value model. Gain or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

Construction costs incurred for investment properties under construction are capitalised as part of the carrying amounts of the investment properties under construction. Investment properties under construction are measured at fair values at the end of the reporting period, provided that the fair values of the properties under construction can be estimated reliably. Any difference between the fair values of the investment properties under construction and their carrying amounts is recognised in profit or loss in the year in which it arises.

When the fair value of an investment property under construction is not reliably determinable, the investment property under construction is measured at cost until either its fair value becomes reliably determinable or the construction is completed, whichever is earlier.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the item is derecognised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's entities are translated into the presentation currency of the Company (i.e. Hong Kong dollars) using exchange rate prevailing at the end of the reporting period. Income and expenses item are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange reserve (attributable to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

On the disposal of a group entity that is not a foreign operation, the exchange differences accumulated in equity relating to the translation of assets and liabilities of that group entity into presentation currency of the Group are transferred to retained earnings.

In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Retirement benefits costs

Payments to the state-managed retirement benefit schemes and the Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered service entitling them to the contributions.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years, and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets generally are recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in when the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantially enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. For the purposes of measuring deferred tax liabilities or deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. If the presumption is rebutted, deferred tax liabilities and deferred tax assets for such investment properties are measured in accordance with the above general principles set out in HKAS 12 (i.e. based on the expected manner as to how the properties will be recovered).

Current and deferred tax are recognised in the profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity, respectively.

Programmes and productions work in progress

Programmes and productions work in progress are stated at the lower of cost and net realisable value. Costs include all direct costs associated with the productions of television series or movies. Net realisable value represents the estimated selling price for programmes and production work in progress less all estimated cost of completion and costs necessary to make the sale. Production costs are classified to television series or movies under programmes upon completion.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets

The Group's financial assets are classified into financial assets at FVTPL, loans and receivables and available-for-sale financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. The accounting policies adopted in respect of each category of financial assets are set out below.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instruments and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL, of which interest income is included in net gains or losses.

Financial assets at FVTPL

Financial asset at FVTPL represent held-for-trading investments and those designated as at FVTPL on initial recognition. A financial asset is classified as held-for-trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- on initial recognition, it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Financial assets at FVTPL (Continued)

Financial assets at FVTPL are stated at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade receivables, other receivables, loan receivable and bank balances) are measured at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or not classified as any of the categories of financial assets set out above.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, they are measured at cost less any identified impairment losses at the end of the reporting period (see accounting policy on impairment of financial assets below) until its fair value becomes reliably determinable.

For available-for-sale equity investments that are measured at fair value once fair value is determined reliably, changes in the carrying amount of available-for-sale monetary financial assets relating to interest income calculated using the effective interest method and dividends on available-for-sale equity investments are recognised in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognised in other comprehensive income and accumulated under the heading of investment revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss (see the accounting policy in respect of impairment loss on financial assets below).

Dividend on available-for-sale equity instruments are recognised in profit and loss when the Group's right to receive the dividends is established.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For an available-for sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For loans and receivables, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the credit period given and observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period in which the impairment takes place.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Impairment of financial assets (Continued)

Impairment losses on available-for-sale equity investments will not be reversed through profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity instruments in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Financial liabilities

Financial liabilities (including trade payables, other payables and secured bank borrowings) are subsequently measured at amortised cost, using the effective interest rate method.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Share-based payment transactions

Share options granted to the directors and employees of the Group

The fair value of services received determined by reference to the fair value of share options granted at the grant date is recognised as an expense in full at the grant date when the share options granted vest immediately, with a corresponding increase in equity (share options reserve).

When share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium reserve. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to retained earnings.

Impairment on tangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit ("CGU") to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGUs, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment on tangible assets *(Continued)*

If the recoverable amount of an asset (or a CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or a CGU) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a CGU) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the Directors are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgments in applying accounting policies

The following are the critical judgments, apart from those involving estimations (see below), that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Deferred tax on investment properties

For the purposes of measuring deferred tax liabilities arising from investment properties that are measured using the fair value model, the Directors have reviewed the Group's investment properties and concluded that the Group's investment properties are depreciable and are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, in measuring the Group's deferred taxation on investment properties, the Directors have determined that the presumption that the carrying amounts of investment properties are recovered entirely through sale is rebutted. As a result, the Group has recognised the deferred taxes on changes of fair value of investment properties, taking into account the PRC enterprise income tax effect.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 December 2014

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Critical judgments in applying accounting policies *(Continued)*

Classification of building

As at 31 December 2014 and 2013, the Group has leased part of its building for rental purpose, and the remaining part are held for office premises. The management of the Group considers the entire building cannot be sold separately and the self-occupied portion of the property is not an insignificant portion. Therefore, the Directors have determined the building is classified as property, plant and equipment and accounted for at cost less accumulated depreciation.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets within the next financial year.

Fair value measurement and valuation process

Some of the Group's assets are measured at fair value for financial reporting purposes. The management will determine the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value of an asset, the Group uses market-observable data to the extent it is available. Where level 1 inputs are not available, the management establishes appropriate valuation techniques and inputs for the fair value measurement.

The group uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of certain types of financial instruments and investment properties. Notes 6c, 18, 20, 26 and 27 provide detailed information about the valuation techniques, inputs and key assumptions used in the determination of the fair value of various assets.

The Group's completed investment properties as at 31 December 2014 are stated at fair value based on the valuation performed by independent professional valuers. In determining the fair value, the valuer adopted 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. Should there be changes in the assumptions due to market conditions, the fair value of the completed investment properties will change in the future. The carrying amount of investment properties whereby fair value can be measured reliably as at 31 December 2014 is HK$462,500,000 (2013: HK$474,359,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 December 2014

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Key sources of estimation uncertainty *(Continued)*

Estimation of allowance on productions work in progress

As at 31 December 2014, the carrying amount of the Group's productions work in progress is HK$3,548,000 (2013: HK$6,541,000). The management of the Group reviews the net realisable value of these productions work in progress on a project by project basis at the end of the reporting period and makes allowances for productions work in progress whenever estimated selling price less the estimated cost of completion and the estimated cost necessary to make the sale is lower than the cost. In case there are changes in the estimation of the selling price and estimated cost, additional allowances might be required.

Useful lives and impairment of property, plant and equipment

The Group's management determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. Management will increase the depreciation charge where useful lives are expected to be shorter than previously estimated, or it will write-off or write-down obsolete or non-strategic assets that have been abandoned or sold.

When there is an indication that the asset has suffered an impairment loss, the Group estimates the recoverable amount of the CGU in which these property, plant and equipment are allocated to. The recoverable amount is the higher of the fair value less cost to sale and the value in use. In determining the value in use, expected cash flows generated by the assets are discounted to their present value, which requires significant estimates relating to the amounts of revenue and operating costs. Changes in these estimates could have a significant impact on the value in use of the assets and could result in impairment loss in profit and loss. As at 31 December 2014, the carrying amount of property, plant and equipment is HK$263,729,000 (2013: HK$287,135,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 December 2014

5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders, to support the Group's stability and growth; and to strengthen the Group's financial management capability. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of debt, which includes secured bank borrowings disclosed in note 32, and total equity, comprising share capital and reserves.

The Directors review the capital structure regularly and manage its capital structure to ensure an optimal capital structure and shareholder returns, taking into consideration the future capital requirements of the Group, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities. The Directors monitor capital mainly using total debt to equity ratio. This percentage as at 31 December 2014 and 2013 were as follows:

	2014	2013
Total debt[1] *(HK$'000)*	**80,000**	117,948
Equity[2] *(HK$'000)*	**993,109**	956,129
Total debt to equity percentage	**8%**	12%

The Directors consider that the Group maintains a healthy capital ratio as at 31 December 2014 and 2013 as the Group has excess of current assets over current liabilities.

Notes:

(1) Total debt equals to secured bank borrowings.

(2) Equity includes all capital and reserves attributable to owners of the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 December 2014

6. FINANCIAL INSTRUMENTS

6a. Categories of financial instruments

	2014	2013
	HK$'000	*HK$'000*
Financial assets		
Available-for-sale investments	**111,004**	85,034
Financial assets at FVTPL		
Held-for-trading investments	**15,717**	36,833
Structured deposits designated as at FVTPL	**130,788**	185,164
Loans and receivables (including cash and cash equivalents)	**168,731**	116,774
Financial liabilities		
Amortised cost	**144,904**	200,042

6b. Financial risk management objectives and policies

The Group's major financial instruments include available-for-sale investments, trade receivables, other receivables, loan receivable, held-for-trading investments, structured deposits, bank balances and cash, trade payables, other payables and secured bank borrowings. Details of the financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) Currency risk

The Group earns revenue mainly in RMB, Euro dollars and US dollars ("USD") and incurs costs mainly in RMB and HKD which are primarily transacted using functional currencies of the respective group entities. The Directors believe that the Group does not have significant foreign exchange exposures. However, if necessary, the Group will consider using forward exchange contracts to hedge against foreign currency exposures. As at 31 December 2014 and 2013, the Group has no significant foreign currency exposure and therefore, no sensitivity analysis is presented.

(ii) Interest rate risk

The Group is exposed to cash flow interest rate risk primarily due to the fluctuation of the market interest rate on variable-rate secured bank borrowings as disclosed in note 32, which carry interest at the People's Bank of China Renminbi Lending Rate.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 December 2014

6. FINANCIAL INSTRUMENTS *(Continued)*

6b. Financial risk management objectives and policies *(Continued)*

Market risk (Continued)

(ii) Interest rate risk (Continued)

The directors believe that the Group's exposures to interest rates on structured deposits are not significant and therefore, no sensitivity analysis is presented in this regard.

Sensitivity analysis
The sensitivity analysis below has been determined based on the exposure to interest rates for variable-rate secured bank borrowings at the end of the reporting period. The analysis is prepared assuming the balances outstanding at the end of the reporting period were outstanding for the whole year. A 100 basis points (2013: 100 basis points) increase or decrease are used which represents management's assessment of the reasonably possible change in interest rate. If interest rates had been 100 basis points (2013: 100 basis points) higher/lower and all other variables were held constant, the Group's post-tax profit for the year would decrease/increase by approximately HK$600,000 (2013: HK$885,000).

(iii) Other price risk

The Group is exposed to equity price risk through its investments in listed equity securities, and unlisted available-for-sale investments. The Group currently does not use any derivative contracts to hedge its exposure to equity price risk. However, the management will consider hedging the risk exposure should the need arise.

Sensitivity analysis
The sensitivity analysis below has been determined based on the exposure to listed equity price risk at the end of the reporting period. A 5% (2013: 5%) higher/lower are used which represents management's assessment of the reasonably possible change in equity price.

If the prices of the respective listed equity instruments had been 5% (2013: 5%) higher/lower, post-tax profit for the year ended 31 December 2014 would increase/decrease by approximately HK$656,000 (2013: HK$1,538,000) as a result of the changes in fair value of investments in listed equity securities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 December 2014

6. FINANCIAL INSTRUMENTS *(Continued)*

6b. Financial risk management objectives and policies *(Continued)*

Credit risk

As at 31 December 2014 and 2013, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties arises from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the Directors consider that the Group's credit risk is significantly reduced.

The credit risk on structured deposits, and bank balances is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

The Group's concentration of credit risk for its trade receivables by geographical locations is mainly in France (2013: Denmark) and PRC (2013: PRC) in 2014, respectively, which accounted for approximately 6% (2013: 14%) and 83% (2013: 80%) of the total trade receivables.

The Group has concentration of credit risk by counterparty as approximately 38% (2013: 15%) and approximately 57% (2013: 36%) of the total trade receivables was due from the Group's largest customer and five largest customers, respectively, which are major companies in the CG creation and production segment. The customers are leading film distributor and multinational animation producers with many different animation projects in progress. They have good repayment history with no record of late payment.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings and ensure compliance with loan covenants.

The following table details the Group's contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted cash flows are estimated by using interest rate at the end of the reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 December 2014

6. FINANCIAL INSTRUMENTS *(Continued)*

6b. Financial risk management objectives and policies *(Continued)*

Liquidity risk (Continued)

Liquidity tables

	Weighted average effective interest rate *%*	Repayable on demand or less than 3 months *HK$'000*	3 months to 1 year *HK$'000*	1 – 5 years *HK$'000*	Total undiscounted cash flows as at 31.12.2014 *HK$'000*	Carrying amount as at 31.12.2014 *HK$'000*
2014						
Non-derivative financial liabilities						
Trade payables	–	–	4,134	–	4,134	4,134
Other payables	–	443	60,327	–	60,770	60,770
Secured bank borrowings						
– variable rate	6.55	11,434	35,438	38,541	85,413	80,000
		11,877	99,899	38,541	150,317	144,904

	Weighted average effective interest rate *%*	Repayable on demand or less than 3 months *HK$'000*	3 months to 1 year *HK$'000*	1 – 5 years *HK$'000*	Total undiscounted cash flows as at 31.12.2013 *HK$'000*	Carrying amount as at 31.12.2013 *HK$'000*
2013						
Non-derivative financial liabilities						
Trade payables	–	1,627	–	956	2,583	2,583
Other payables	–	568	78,943	–	79,511	79,511
Secured bank borrowings						
– variable rate	6.55	9,121	28,270	93,484	130,875	117,948
		11,316	107,213	94,440	212,969	200,042

The amounts included above for variable interest rate instruments for non-derivative financial liabilities is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 December 2014

6. FINANCIAL INSTRUMENTS *(Continued)*

6c. Fair value measurements of financial instruments

This note provides information about how the Group determines fair values of various financial assets.

Fair value of the Group's financial assets that are measured at fair value on a recurring basis

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

Financial assets	**Fair value as at 31 December 2014**	**Fair value as at 31 December 2013**	**Fair value hierarchy**	**Valuation technique and key inputs**	**Relationship of unobservable inputs to fair value**
Held-for-trading investments	Listed equity securities: – in Hong Kong: HK$15,717,000	Listed equity securities: – in Hong Kong: HK$36,833,000	Level 1	Quoted bid prices in an active market	N/A
Available-for-sale investments	Unlisted equity securities: – in Hong Kong: HK$111,004,000	N/A	Level 2	Quoted bid price from purchaser upon disposal *(note 20)*	N/A
Structured deposits	Bank deposits in the PRC with non-closely related embedded derivative: HK$130,788,000	Bank deposits in the PRC with non-closely related embedded derivative: HK$185,164,000	Level 2	Discounted cash flows	The higher the expected yield, the higher the fair value
				Future cash flows are estimated based on observable bank interest rates and a discount rate that reflects the credit risk of the banks *(Note)*	The higher the discount rate, the lower the fair value

Note: The Directors consider that the impact of the fluctuation in expected yields of the money market instruments and debt instruments to the fair value of the structured deposits was insignificant as the deposits have short maturities, and therefore no sensitivity analysis is presented.

There were no transfers between level 1 and 2 in the current and prior years.

Fair value of the Group's financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures required)

The Directors consider that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 December 2014

7. REVENUE

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

	2014	2013
	HK$'000	*HK$'000*
Revenue from contracts for CG creation and production *(Note)*	**107,938**	87,532
Rental and building management service fee income	**79,627**	57,448
CG training fee	**16,839**	15,740
	204,404	160,720

Note: During the year, an amount of approximately HK$22,679,000 (2013: HK$26,880,000) was attributable to revenue from the release of two (2013: one) animated films based on an agreed sharing percentage of the box office receipts.

8. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 December 2014

8. SEGMENT INFORMATION *(Continued)*

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 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**

For the year ended 31 December 2013

	CG creation and production *HK$'000*	CG training *HK$'000*	Cultural park *HK$'000*	Consolidated *HK$'000*
Revenue	121,970	15,740	23,010	160,720
Segment result	24,829	1,663	5,005	31,497
Unallocated income				14,132
Unallocated expenses				(12,531)
Profit before tax				33,098

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 December 2014

8. SEGMENT INFORMATION *(Continued)*

Segment assets and liabilities

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

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**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 December 2014

8. SEGMENT INFORMATION *(Continued)*

Segment assets and liabilities *(Continued)*

At 31 December 2013

	CG creation and production *HK$'000*	CG training *HK$'000*	Cultural park *HK$'000*	Consolidated *HK$'000*
Assets				
Segment assets	538,737	15,841	588,964	1,143,542
Unallocated assets				
– Available-for-sale investments				85,034
– Held-for-trading investments				36,833
– Bank balances and cash				38,235
– Others				2,077
Consolidated total assets				1,305,721
Liabilities				
Segment liabilities	196,845	9,252	94,059	300,156
Unallocated liabilities				3,324
Consolidated total liabilities				303,480

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 December 2014

8. SEGMENT INFORMATION *(Continued)*

Other segment information

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)**

For the year ended 31 December 2013

	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)*	10,995	654	13,095	24,744	11	24,755
Increase in fair value of investment properties	–	–	(13,418)	(13,418)	–	(13,418)
Depreciation of property, plant and equipment	17,423	1,083	383	18,889	606	19,495
Allowance for doubtful debts	360	–	–	360	–	360
Amortisation of prepaid lease payments	139	–	–	139	–	139
Interest income	(10,023)	(77)	(13)	(10,113)	(30)	(10,143)
Government grants	(17,978)	(90)	–	(18,068)	–	(18,068)

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 December 2014

8. SEGMENT INFORMATION *(Continued)*

Geographical information

The Group's operations are located mainly in the PRC.

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)*	
	2014	2013	**2014**	2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
PRC	**161,394**	130,083	**810,920**	836,025
Denmark	**28,643**	8,132	**–**	–
USA	**6,448**	3,879	**–**	–
Hong Kong	**–**	123	**851**	1,416
France	**7,472**	12,753	**–**	–
Italy	**53**	291	**–**	–
Australia	**–**	5,459	**–**	–
South Korea	**394**	–	**–**	–
	204,404	160,720	**811,771**	837,441

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:

	2014	2013
	HK$'000	*HK$'000*
Customer A[1]	**22,679**	26,880
Customer B[1]	**28,289**	N/A[2]

[1] Revenue from CG creation and production business.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 December 2014

9. DIRECTORS', CHIEF EXECUTIVE OFFICER'S AND EMPLOYEES' EMOLUMENTS

(a) Directors' and Chief Executive Officer's emoluments

The emoluments paid or payable to each of the 8 (2013: 7) Directors and the Chief Executive Officer are as follows:

For the year ended 31 December 2014

	Fees	Bonus	Salaries and other benefits	Retirement benefits schemes contributions	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive Directors:					
Mr. Li Shaofeng	–	–	–	–	–
Mr. Chen Zheng	–	600	3,600	180	4,380
Mr. Jin Guo Ping	–	150	1,200	17	1,367
Ms. Cheng Xiaoyu	–	–	125	6	131
	–	750	4,925	203	5,878
Non-executive Director:					
Mr. Leung Shun Sang, Tony	190	–	–	–	190
Independent non-executive Directors:					
Mr. Kwong Che Keung, Gordon	240	–	–	–	240
Prof. Japhet Sebastian Law	240	–	–	–	240
Mr. Chan Chung Chun	240	–	–	–	240
	720	–	–	–	720
	910	750	4,925	203	6,788

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 December 2014

9. DIRECTORS', CHIEF EXECUTIVE OFFICER'S AND EMPLOYEES' EMOLUMENTS *(Continued)*

(a) Directors' and Chief Executive Officer's emoluments *(Continued)*

For the year ended 31 December 2013

	Fees	Bonus	Salaries and other benefits	Retirement benefits schemes contributions	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive Directors:					
Mr. Li Shaofeng	–	–	–	–	–
Mr. Chen Zheng	–	600	3,600	15	4,215
Mr. Jin Guo Ping	–	150	1,200	15	1,365
	–	750	4,800	30	5,580
Non-executive Director:					
Mr. Leung Shun Sang, Tony	190	–	–	–	190
Independent non-executive Directors:					
Mr. Kwong Che Keung, Gordon	240	–	–	–	240
Prof. Japhet Sebastian Law	240	–	–	–	240
Mr. Chan Chung Chun	240	–	–	–	240
	720	–	–	–	720
	910	750	4,800	30	6,490

Note: The bonus was determined based on the business performance of the Group for the years ended 31 December 2014 and 2013.

Mr. Chen Zheng is also the Chief Executive Officer of the Company and his emoluments disclosed above include those for service rendered by him as Chief Executive Officer.

For the years ended 31 December 2014 and 2013, Mr. Li Shaofeng waived his emoluments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 December 2014

9. DIRECTORS', CHIEF EXECUTIVE OFFICER'S AND EMPLOYEES' EMOLUMENTS *(Continued)*

(b) Employees' emoluments

Of the five individuals with the highest emoluments in the Group, two (2013: two) are the directors whose emoluments are included in the disclosures above. The emoluments of the remaining three (2013: three) individuals are as follows:

	2014	2013
	HK$'000	*HK$'000*
Salaries and other benefits	**3,176**	4,372
Retirement benefits schemes contributions	**32**	22
	3,208	4,394

The emoluments of the above three (2013: three) individuals are within the following bands:

	2014	2013
	Number of employees	Number of employees
HK$1,000,000 or below	**1**	1
HK$1,000,001 – HK$1,500,000	**2**	1
HK$2,000,001 – HK$2,500,000	**–**	1
	3	3

10. OTHER INCOME

	2014	2013
	HK$'000	*HK$'000*
Dividend income from available-for-sale investments	**21,234**	13,823
Government grants *(Note 1)*	**20,643**	18,068
Interest income	**6,135**	10,143
Compensation income *(Note 2)*	**–**	4,810
Insurance claims received *(Note 3)*	**2,243**	–
Others	**604**	185
	50,859	47,029

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 December 2014

10. OTHER INCOME *(Continued)*

Note 1: During the year ended 31 December 2014, government grants mainly represent subsidies and awards of HK$10,974,000 (2013: HK$15,359,000) received from the relevant PRC authorities in PRC, of which an amount of HK$Nil (2013: HK$6,329,000) is received to compensate for loan interest expense incurred by the Group in CG production and exhibition of motion pictures and the remaining amount of HK$10,974,000 (2013: HK$9,030,000) is an incentive payment to the Group whereby no future related cost is required or expected to be made.

In addition, an amount of HK$9,669,000 (2013: HK$2,709,000) is related to government grants on computer equipment acquisition and specific projects which are amortised to profit or loss on a straight-line basis over the estimated useful life of the acquired assets or upon the completion of the relevant projects. Details are set out in note 33.

Note 2: From September 2011 to November 2012, the training online enrolment website of a wholly-owned PRC subsidiary of the Company was hacked. The case was passed to the relevant law enforcement authorities in April 2012, and all hackers were arrested in Shenzhen by November 2012. Investigations revealed that the hackers were appointed by the Group's competitor. To compensate for the economic loss suffered by the Group, the competitor made an offer of RMB3,800,000 (equivalent to HK$4,810,000) on 24 January 2013. The Group accepted the offer and reached the settlement agreement with the competitor on 25 January 2013. It was agreed that no further civil liability against the competitor on the above issue would be claimed. The compensation amounting to RMB3,800,000 (equivalent to HK$4,810,000) was recognised as other income in the year ended 31 December 2013.

Note 3: Insurance claims received represents the compensations on a legal proceeding previously settled in 2012.

11. FINANCE COSTS

	2014	2013
	HK$'000	*HK$'000*
Interest on bank borrowings wholly repayable within five years	**6,761**	8,993

12. OTHER GAINS

	2014	2013
	HK$'000	*HK$'000*
Increase in fair value of structured deposits	**788**	541
Increase in fair value of held-for-trading investments *(Note)*	**1,045**	4,077
Recovery of allowance for doubtful debt	**300**	–
Gain on disposal of property, plant and equipment	**23**	–
	2,156	4,618

Note: During the year ended 31 December 2014, an amount of approximately HK$11,052,000 (2013: Nil) was attributable to the realised gain on fair value change of held-for-trading investments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 December 2014

13. INCOME TAX EXPENSE

	2014	2013
	HK$'000	*HK$'000*
The income tax expense comprises:		
PRC Enterprise Income Tax ("EIT")		
Current tax	**5,886**	6,459
Overprovision in prior years	**(279)**	–
	5,607	6,459
Deferred tax *(Note 34)*	**–**	3,354
	5,607	9,813

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 those subsidiaries 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% in 2014 as it was qualified as animation enterprise. For the year ended 31 December 2014, the relevant tax rates for the Group's subsidiaries in the PRC was ranged from 12.5% to 25% (2013: 25%).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 December 2014

13. INCOME TAX EXPENSE *(Continued)*

The income tax expense for the year can be reconciled to the profit before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2014	2013
	HK$'000	*HK$'000*
Profit before tax	**38,226**	33,098
Tax calculated at PRC EIT rate of 25% (2013: 25%)	**9,557**	8,275
Tax effect of income not taxable for tax purposes	**(3,504)**	(2,831)
Tax effect of expenses not deductible for tax purpose	**145**	324
Overprovision in respect of prior years	**(279)**	–
Tax effect of tax losses not recognised	**4,673**	5,337
Utilisation of tax losses previously not recognised	**(4,167)**	(3,373)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(818)**	2,081
Income tax expense for the year	**5,607**	9,813

At the end of the reporting period, the Group has the following tax losses, of which no deferred tax assets are recognised due to the unpredictability of the future profit streams:

	2014	2013
	HK$'000	*HK$'000*
Estimated tax losses that may be carried forward	**29,593**	24,218

The estimated tax losses are available for offset against future profits subject to approval from the relevant tax authority.

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by the PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to retained earnings of the PRC subsidiaries amounting to approximately HK$82,125,000 as at 31 December 2014 (2013: HK$46,143,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 December 2014

14. PROFIT FOR THE YEAR

	2014	2013
	HK$'000	*HK$'000*
Profit for the year has been arrived at after charging (crediting):		
Staff costs, including directors' emoluments *(Note 9(a))*:		
– Salaries, wages and other benefits	**105,024**	108,729
– Retirement benefit scheme contributions	**6,987**	5,623
Total staff costs	**112,011**	114,352
Less: amounts included in contract costs	**(21,566)**	(24,921)
amounts included in productions work in progress	**(1,948)**	(3,184)
	88,497	86,247
(Recovery of) allowance for doubtful debts	**(300)**	360
Amortisation of prepaid lease payments	**138**	139
Auditor's remuneration	**2,038**	1,140
Contract costs recognised as an expense:		
Staff costs	**39,565**	35,847
Others	**39,908**	23,891
	79,473	59,738
Depreciation of property, plant and equipment	**22,957**	21,985
Less: amounts included in contract costs	**(2,908)**	(2,166)
amounts included in productions work in progress	**(247)**	(324)
	19,802	19,495
Exchange loss (gain), net	**3,665**	(292)
Gain on disposal of property, plant and equipment	**(23)**	–
Minimum lease payments under operating leases for land and buildings	**11,514**	12,036
Less: amounts included in contract costs	**(355)**	(509)
amounts included in productions work in progress	**–**	(25)
	11,159	11,502
Gross rental income from investment properties	**(26,945)**	(15,590)
Less: direct operating expenses incurred for investment properties that generated rental income during the year	**4,670**	4,276
	(22,275)	(11,314)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 December 2014

15. DIVIDENDS

No dividend is paid, declared or proposed during the years ended 31 December 2014 and 2013, and no dividend has been proposed since the end of the reporting period.

16. EARNINGS PER SHARE

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

	2014	2013
	HK$'000	*HK$'000*
Earnings		
Earnings for the purpose of basic and diluted earnings per share (Profit for the year attributable to owners of the Company)	**31,862**	33,833
	2014	2013
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	**1,518,256**	1,518,256

All the share options under the share option scheme adopted by the Company on 18 July 2003 (the "2003 Share Option Scheme") were lapsed in August 2013. The computation of diluted earnings per share for the year ended 31 December 2013 did not assume the exercise of the Company's share options as the exercise prices of the share options were higher than the average market price of the shares for the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 December 2014

17. PROPERTY, PLANT AND EQUIPMENT

	Building	Leasehold improvements	Plant and machinery	Equipment, furniture and fixtures	Computer equipment	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
COST							
At 1 January 2013	204,376	31,406	74,499	9,625	52,829	5,308	378,043
Exchange realignment	5,240	788	1,910	228	1,293	71	9,530
Additions	619	1,880	260	437	8,601	–	11,797
Disposals	–	(1,279)	–	–	(3,078)	–	(4,357)
At 31 December 2013	210,235	32,795	76,669	10,290	59,645	5,379	395,013
Exchange realignment	(5,256)	(803)	(1,917)	(238)	(1,431)	(71)	(9,716)
Additions	–	–	–	1,912	4,782	–	6,694
Disposals	–	–	–	(11)	(1,462)	–	(1,473)
At 31 December 2014	204,979	31,992	74,752	11,953	61,534	5,308	390,518
DEPRECIATION AND AMORTISATION							
At 1 January 2013	9,172	6,993	16,717	5,163	46,498	2,044	86,587
Exchange realignment	291	213	530	142	1,144	25	2,345
Provided for the year	4,325	3,609	7,894	1,593	3,878	686	21,985
Eliminated on disposals	–	–	–	–	(3,039)	–	(3,039)
At 31 December 2013	13,788	10,815	25,141	6,898	48,481	2,755	107,878
Exchange realignment	(345)	(257)	(629)	(159)	(1,153)	(30)	(2,573)
Provided for the year	4,245	3,405	7,741	1,504	5,395	667	22,957
Eliminated on disposals	–	–	–	(11)	(1,462)	–	(1,473)
At 31 December 2014	17,688	13,963	32,253	8,232	51,261	3,392	126,789
CARRYING VALUES							
At 31 December 2014	187,291	18,029	42,499	3,721	10,273	1,916	263,729
At 31 December 2013	196,447	21,980	51,528	3,392	11,164	2,624	287,135

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 December 2014

17. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Building	50 years
Leasehold improvements	2 to 10 years
Plant and machinery	10 years
Equipment, furniture and fixtures	5 years
Computer equipment	3 years
Motor vehicles	5 years

The building of the Group as at 31 December 2014 is situated on land in the PRC with a lease term of 50 years. The Group leased part of its building for rental purpose for the year ended 31 December 2014 and 2013.

As at 31 December 2014 and 2013, all of the Group's building and plant and machinery have been pledged to secure banking facilities granted to the Group (see note 32).

18. INVESTMENT PROPERTIES

	Completed properties *HK$'000*	**Properties interest under construction** *HK$'000*	**Total** *HK$'000*
At 1 January 2013	449,250	55,585	504,835
Additions	–	12,958	12,958
Exchange realignment	11,691	1,425	13,116
Increase in fair value recognised in profit or loss	13,418	–	13,418
At 31 December 2013	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

The investment properties represent the properties interest held under an operating lease on a property project which arose from 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").

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 December 2014

18. INVESTMENT PROPERTIES *(Continued)*

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 properties purpose.

The properties interests 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 are stated at cost as the fair value cannot be reliably measured in 2014 and 2013.

The completed properties represent Phase I of the Pearl River Film Cultural Park which is a shopping mall and are stated at the fair value as at 31 December 2014 and 2013. The fair value of the Group's investment properties as at 31 December 2014 and 31 December 2013 has been arrived at on the basis of a valuation carried out on the respective dates by Asset Appraisal Limited and Savills Valuation and Professional Services Limited, respectively, independent qualified professional valuers 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 6.0% to 6.5% (2013: 5.5% to 6%) or risk premium of 5% (2013: 5%) and market rental which ranges from RMB40 to RMB400 (2013: RMB40 to RMB428) per square metre per month or land yield rate of 7.75% (2013: 7.5%). 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 December 2014

18. INVESTMENT PROPERTIES *(Continued)*

Details of the Group's investment properties and information about the fair value hierarchy as at 31 December 2014 and 2013 are as follows:

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

	Level 3	**Fair value as at 31 December 2013**
	HK$'000	*HK$'000*
Cultural Park Phase I	474,359	474,359

There was no transfer between different levels during the year.

19. PREPAID LEASE PAYMENTS

The Group's prepaid lease payments comprise medium-term leasehold land in the PRC and analysed for reporting purposes as follows:

	2014	2013
	HK$'000	*HK$'000*
Current	**138**	141
Non-current	**5,692**	5,979
	5,830	6,120

As at 31 December 2014 and 2013, all of the Group's prepaid lease payments have been pledged to secure banking facilities granted to the Group (see note 32).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 December 2014

20. AVAILABLE-FOR-SALE INVESTMENTS

	2014	2013
	HK$'000	*HK$'000*
11.38% equity interest in GDC Technology Limited ("GDC Tech") (2013: 11.48%) *(Note)*	**110,379**	84,393
5% equity interest in a private entity established in the PRC	**625**	641
	111,004	85,034
Analysed for reporting purposes as:		
Current	**88,303**	–
Non-current	**22,701**	85,034
	111,004	85,034

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 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.

As at 31 December 2013, these available-for-sale investments are measured at cost less impairment of HK$84,393,000 because the range of reasonable fair value estimate is so significant that the Directors are of the opinion that the fair value cannot be measured reliably. As at 31 December 2014, these available-for-sales investments are 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 investments of HK$25,986,000 is recognised under investment revaluation reserve.

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 were 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. At the end of the reporting period, available-for-sale investments of approximately HK$88,303,000 is classified as current assets.

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. At the end of the reporting period, available-for-sale investments of approximately HK$22,701,000 is classified as non-current assets and the related derivative financial instrument is initially recognised at fair value on 26 February 2015 when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the subsequent reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 December 2014

21. OTHER RECEIVABLES AND DEPOSITS

	2014 HK$'000	2013 HK$'000
Deposits *(Note)*	**26,035**	26,586
Other receivables and prepayments	**12,357**	12,043
	38,392	38,629
Analysed for reporting purposes as:		
Current	**13,392**	12,988
Non-current	**25,000**	25,641
	38,392	38,629

Note: The non-current deposit was paid by Guangdong Cultural Park to Pearl River Film Production of RMB20,000,000 (equivalent to HK$25,000,000) (2013: RMB20,000,000 equivalent to HK$25,641,000) for the development of the Pearl River Film Cultural Park in 2010. The deposit is refundable upon the completion of the entire project.

22. PRODUCTIONS WORK IN PROGRESS

	2014 HK$'000	2013 HK$'000
Television series, net of allowance of approximately HK$2,457,000 (2013: HK$2,520,000)	**–**	–
Movies, net of allowance of approximately HK$3,266,000 (2013: HK$3,350,000)	**3,548**	6,541

At the end of the reporting period, allowance of approximately HK$5,723,000 (2013: HK$5,870,000) was made on productions work in progress as the management considers that the production costs incurred for the projects cannot be recoverable in the foreseeable future.

23. AMOUNTS DUE FROM (TO) CUSTOMERS FOR CONTRACT WORK

The following are details of contracts from CG production in progress which is expected to be realised within one year from the end of the reporting period:

	2014 HK$'000	2013 HK$'000
Contract costs incurred plus recognised profits less recognised losses	**80,875**	49,674
Less: progress billings	**(79,884)**	(48,514)
	991	1,160
Analysed for reporting purposes as:		
Amounts due from customers for contract work	**5,489**	5,521
Amounts due to customers for contract work	**(4,498)**	(4,361)
	991	1,160

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 December 2014

24. TRADE RECEIVABLES

	2014 HK$'000	2013 HK$'000
Trade receivables	40,016	17,369
Less: Allowance for doubtful debts	–	(303)
Total trade receivables	40,016	17,066

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:

	2014 HK$'000	2013 HK$'000
Within three months	39,065	16,975
Three to six months	517	–
Over six months	434	91
	40,016	17,066

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$353,000 (2013: HK$91,000) 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:

	2014 HK$'000	2013 HK$'000
Nine to twelve months	353	91

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 December 2014

24. TRADE RECEIVABLES *(Continued)*

Movements in the allowance for doubtful debts

	2014	2013
	HK$'000	*HK$'000*
1 January	**303**	–
Impairment losses recognised on receivables	**–**	360
Amount recovered during the year	**(300)**	–
Amounts written off as uncollectible	**–**	(57)
Exchange realignment	**(3)**	–
31 December	**–**	303

25. LOAN RECEIVABLE

	2014	2013
	HK$'000	*HK$'000*
Loan receivable from a third party	**25,000**	–

The Group provided a 3 months short-term loan during 2014 totalling RMB20,000,000 (equivalent to HK$25,000,000) to a third party at a fixed interest rate of 10% per annum. The loan was settled in full during March 2015.

26. HELD-FOR-TRADING INVESTMENTS

Held-for-trading investments as at 31 December 2014 and 2013 represent equity securities listed in Hong Kong. The fair values of the investments are determined based on the quoted market bid prices available on the Stock Exchange.

27. STRUCTURED DEPOSITS

	2014	2013
	HK$'000	*HK$'000*
Principal-protected financial products	**130,788**	185,164

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 December 2014

27. STRUCTURED DEPOSITS *(Continued)*

The structured deposits as at 31 December 2014 and 2013 are principal-protected deposits issued by banks in the PRC. The principal-protected deposits carry interest rates ranging from 3.3% to 5.0% (2013: 3.6% to 5.6%) 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 2014 and 2013, respectively, approximate to their carrying values at 31 December 2014 and 2013. 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$60,102,000 have been redeemed in January 2015. The change in fair value up to the date of redemption is not significant. The structured deposits of approximately HK$70,686,000 do not have specific redemption date and can be redeemed any time before expiry date in April 2015. The change in fair value up to the date of report is not significant.

28. BANK BALANCES AND CASH

As at 31 December 2014, bank balances (including fixed deposits) carry interest at market rates which range from 0.01% to 4.1% per annum (2013: 0.01% to 3% per annum).

29. ADVANCES FROM CUSTOMERS

	2014	2013
	HK$'000	*HK$'000*
Receipt in advance from students	**3,808**	7,108
Deposits and advances from customers	**3,493**	3,325
	7,301	10,433

30. 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:

	2014	2013
	HK$'000	*HK$'000*
Within three months	**3,056**	1,626
Three to twelve months	**195**	–
Over one year	**883**	957
	4,134	2,583

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 December 2014

31 OTHER PAYABLES AND ACCRUALS

	2014 HK$'000	2013 HK$'000
Construction cost payables	**34,672**	50,602
Accruals	**21,211**	18,354
Other tax payables	**2,567**	977
Rental deposits from tenants	**13,995**	12,366
Others	**12,103**	16,543
	84,548	98,842

32. SECURED BANK BORROWINGS

	2014 HK$'000	2013 HK$'000
Secured variable-rate bank borrowings	**80,000**	117,948
Carrying amount repayable:		
Within one year	**45,000**	35,897
More than one year, but not exceeding two years	**35,000**	46,154
More than two years, but not exceeding three years	**–**	35,897
	80,000	117,948
Less: Amounts due within one year shown under current liabilities	**(45,000)**	(35,897)
Amounts due after one year	**35,000**	82,051

As at 31 December 2014 and 2013, the variable-rate bank borrowings for financing the construction cost of the building in the PRC is denominated in RMB, secured by the Group's pledge of building and plant and machinery (see note 17) and prepaid lease payments (see note 19), and carries interest at the People's Bank of China Renminbi Lending Rate per annum. The interest rates (which are also equal to contracted interest rate) in the Group's bank borrowings are at 6.55% (2013: 6.55%) per annum. Interest is repriced every year.

As at 31 December 2014 and 2013, the Group did not have unutilised banking facility.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 December 2014

33. DEFERRED INCOME

	2014	2013
	HK$'000	*HK$'000*
Deferred income related to government grants:		
Current portion	**5,535**	12,100
Non-current portion	**2,927**	4,252
	8,462	16,352

In 2014, the Group received government subsidies and awards of HK$2,188,000 (2013: HK$9,025,000) to compensate for the acquisition of fixed assets, staff cost and specific projects for CG production development in the PRC and for an incentive payment to the Group. The amount has been treated as deferred income when received and is transferred to income upon the completion of the relevant projects in the coming year or over the useful lives of the relevant assets, which is 1 to 5 years. A credit to income of HK$9,669,000 (2013: HK$2,709,000) is resulted in the current year. As at 31 December 2014, an amount of HK$8,462,000 (2013: HK$16,352,000) remains to be amortised. The current portion of HK$5,535,000 (2013: HK$12,100,000) represents the grants to be amortised to profit or loss next year.

34. DEFERRED TAX LIABILITIES

At the end of the reporting period, the deferred tax liabilities recognised and movements thereon during the current year:

	Fair value gain on investment properties
	HK$'000
At 1 January 2013	37,579
Charge to the consolidated statement of profit or loss and other comprehensive income for the year	3,354
Exchange realignment	1,007
At 31 December 2013	41,940
Exchange realignment	(1,048)
At 31 December 2014	40,892

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 December 2014

35. SHARE CAPITAL

	Number of shares	Share capital *HK$*
Ordinary shares of HK$0.01 each		
Authorised:		
At 1 January 2013, 31 December 2013 and 2014	2,400,000,000	24,000,000
Issued and fully paid		
At 1 January 2013, 31 December 2013 and 2014	1,518,255,540	15,182,555

36. NON-CONTROLLING INTERESTS

	Share of other net assets of subsidiaries *HK$'000*
At 1 January 2013	54,971
Share of profit for the year	(10,548)
Share of exchange differences on translation of financial statements from functional currency to presentation currency	1,761
Payment of dividend	(72)
At 31 December 2013	46,112
Share of profit for the year	757
Acquisition of additional interest in a subsidiary	1,248
Share of exchange differences on translation of financial statements from functional currency to presentation currency	(1,371)
Payment of dividend	(115)
At 31 December 2014	46,631

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 December 2014

37. SHARE OPTION SCHEME

Share option scheme of the Company

The 2003 Share Option Scheme was terminated at the annual general meeting of the Company on 18 June 2013. There were no outstanding options under the 2003 Share Option Scheme as at 31 December 2013.

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

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

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

No share option was granted or exercised during the years ended 31 December 2013 and 2014.

The following table sets out the movements in the Company's share options during the year ended 31 December 2013:

				Number of share options			
Category of grantees	**Date of grant**	**Exercise period**	**Exercise price per share**	**Balance as at 1.1.2013**	**Transfer** *(Note)*	**Lapsed during the year**	**Balance as at 31.12.2013**
Directors	**14.12.2010**	**14.12.2010 – 03.08.2013**	**HK$0.87**	**31,060,000**	**–**	**(31,060,000)**	**–**
Employees	**14.12.2010**	**14.12.2010 – 03.08.2013**	**HK$0.87**	**14,550,000**	**(7,300,000)**	**(7,250,000)**	**–**
Other participants	**14.12.2010**	**14.12.2010 – 03.08.2013**	**HK$0.87**	**6,850,000**	**7,300,000**	**(14,150,000)**	**–**
Totals				**52,460,000**	**–**	**(52,460,000)**	**–**

Note: The Directors and employees that have resigned from their positions are regarded as other participants of the Company and the outstanding share options entitled to them will be transferred to other category.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 December 2014

38. OPERATING LEASES

The Group as lessee

At the end of the reporting period, the Group has commitments for future minimum lease payments which fall due as follows:

	2014	2013
	HK$'000	*HK$'000*
Within one year	**20,963**	21,505
In the second to fifth year inclusive	**64,005**	66,060
After fifth year	**390,000**	410,127
	474,968	497,692

Operating lease payment represents rentals payable by the Group for certain of its office premises, production studios, training centers, warehouse, staff quarters and occupying the land in Guangzhou for Pearl River Film Cultural Park project (note 18). Except for the operating lease arrangement with Pearl River Film Production for a term up to 31 December 2045, leases for properties are in general, negotiated for a term ranging from one to six years.

The Group as lessor

The Group leased part of its building and the investment properties under operating lease arrangements. Leases are negotiated for terms ranging from 2 to 15 years.

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments which fall due as follows:

	2014	2013
	HK$'000	*HK$'000*
Within one year	**62,395**	63,627
In the second to fifth year inclusive	**146,933**	157,075
After fifth years	**38,250**	43,642
	247,578	264,344

39. CAPITAL COMMITMENTS

	2014	2013
	HK$'000	*HK$'000*
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of investment properties	**11,019**	12,736

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 December 2014

40. RETIREMENT BENEFITS SCHEME

The Group contributes to defined contribution retirement schemes which are available to all employees in Hong Kong. The assets of the schemes are held separately from those of the Group in independently administered funds.

Pursuant to the relevant regulations of the government in the PRC, the subsidiaries in the PRC participate in the municipal government contribution scheme whereby the subsidiaries are required to contribute to the scheme for the retirement benefit of eligible employees. The municipal government of the PRC is responsible for the entire benefit obligations payable to the retired employees. The only obligation of the Group with respect to the scheme is to pay the ongoing contributions required by the scheme.

The retirement benefit costs represent gross contributions paid and payable by the Group to the schemes operated in Hong Kong and the PRC (collectively the "Retirement Schemes"). Contributions totalling approximately HK$28,000 (2013: HK$399,000) payable to the Retirement Schemes as at 31 December 2014 are included in other payables and accruals. There was no forfeited contribution in both years.

41. RELATED PARTY TRANSACTIONS

Compensation of key management personnel

The remuneration of the directors and other key management personnel during the year is as follows:

	2014	2013
	HK$'000	*HK$'000*
Short-term benefits	**10,175**	11,564
Post-employment benefits	**266**	82
	10,441	11,646

The remuneration of the directors and senior management is determined by the remuneration committee having regard to the performance of individuals and market trends.

Details of balances with related parties as at the end of the reporting period are set out in the consolidated statement of financial position.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 December 2014

42. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Details of the principal subsidiaries at 31 December 2014 and 2013 are as follows:

Name of subsidiary	Form of business structure	Place of incorporation/ establishment	Particulars of issued capital/ paid up capital	Attributable equity interest of the Group directly 2014 %	directly 2013 %	indirectly 2014 %	indirectly 2013 %	Principal activities
GDC Holdings Limited	Incorporated	BVI	521,418,075 ordinary shares of US$0.01 each	100	100	–	–	Investment holding
GDC Asset Management Limited	Incorporated	BVI	1 ordinary share of US$1	–	–	100	100	Animation investment
GDC China Limited	Incorporated	Hong Kong	2 ordinary shares	–	–	100	100	Investment holding in Hong Kong
GDC International Limited	Incorporated	Samoa	1 ordinary share of US$1	–	–	100	100	Provision of CG animation creation and production services
GDC Management Services Limited	Incorporated	Hong Kong	2 ordinary shares	–	–	100	100	Provision of administration and management service
Shougang GDC Media Holding Limited	Incorporated	Hong Kong	1 ordinary share	–	–	100	100	Investment holding
GDC International Limited	Incorporated	Hong Kong	1 ordinary share	–	–	100	–	Provision of CG animation creation and production services
廣東環球數碼創意產業有限公司	Established	PRC	RMB10,000,000	–	–	68	68	Provision of culture, entertainment and related commercial property investment

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 December 2014

42. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

Name of subsidiary	Form of business structure	Place of incorporation/ establishment	Particulars of issued capital/ paid up capital	Attributable equity interest of the Group directly 2014 %	directly 2013 %	indirectly 2014 %	indirectly 2013 %	Principal activities
環球數碼媒體科技(上海)有限公司	Established	PRC	US$1,300,000	–	–	100	100	Provision of CG and animation training in the PRC
環球數碼媒體科技研究(深圳)有限公司	Established	PRC	US$36,633,896	–	–	100	100	Provision of CG and animation creation and production services, development of multimedia software and hardware, provision of related technical consultancy services and property holding in the PRC
深圳市環球數碼影視文化有限公司	Established	PRC	RMB3,000,000	–	–	100	100	Animation Investment
無錫環球數碼動畫有限公司	Established	PRC	RMB500,000	–	–	100	100	Provision of CG and animation training in the PRC
上海環球數碼職業技能培訓學校	School	PRC	RMB200,000	–	–	100	100	Provision of CG and animation training in the PRC
深圳市南山區環球數碼培訓學校	School	PRC	RMB200,000	–	–	100	100	Provision of CG and animation training in the PRC
廣州高尚商業經營管理有限公司	Established	PRC	RMB1,000,000	–	–	68	68	Provision of building management service in the PRC
北京風雲環球數碼傳媒技術有限公司	Established	PRC	RMB15,000,000	–	–	100	100	Provision of graphic animation creation

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 December 2014

42. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

Name of subsidiary	Form of business structure	Place of incorporation/ establishment	Particulars of issued capital/ paid up capital	Attributable equity interest of the Group directly 2014 %	directly 2013 %	indirectly 2014 %	indirectly 2013 %	Principal activities
廣東環球數碼動畫製作有限公司	Established	PRC	RMB10,000,000	–	–	100	80	Provision of graphic animation creation
深圳市環球數碼創意科技有限公司	Established	PRC	RMB2,000,000	–	–	70	70	Provision of graphic animation creation
深圳市環球物業管理有限公司	Established	PRC	RMB1,000,000	–	–	100	100	Provision of building management service in PRC

None of the subsidiaries had issued any debt securities during the year and at the end of the year.

Details of non-wholly owned subsidiaries that have material non-controlling interests

The table below shows details of non-wholly-owned subsidiaries of the Group that have material non controlling interests:

Name of subsidiary	Place of establishment	Principal activities	Proportion of ownership interests and voting rights held by non-controlling interests 2014	2013	Profit (loss) allocated to non-controlling interests 2014	2013	Accumulated non-controlling interests 2014	2013
廣東環球數碼創意產業有限公司	PRC	Provision of culture, entertainment and related commercial property investment	32	32	1,078	(10,618)	45,628	45,881
Individually immaterial subsidiaries with non-controlling interests							1,003	231
							46,631	46,112

廣東環球數碼創意產業有限公司 ("Guangdong Cultural Park") is a private company established in the PRC, which was acquired in 2010 in order to provide the Group an opportunity to participate in the culture, entertainment and related commercial property investment business in the PRC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 December 2014

42. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

Details of non-wholly owned subsidiaries that have material non-controlling interests *(Continued)*

The Group has indirect ownership interest of 68% in Guangdong Cultural Park, which is held by Shougang GDC Media Holding Limited, a wholly owned subsidiary of the Group. The remaining 32% non-controlling interest in Guangdong Cultural Park is held by an individual. The directors concluded that the Group has a sufficiently dominant voting interest to direct the relevant activities of Guangdong Cultural Park on the basis of the Group's absolute size of shareholding and the relative size of the shareholdings owned by the other shareholder.

Summarised financial information in respect of the Group's subsidiary that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

Guangdong Cultural Park	**2014** ***HK$'000***	2013 *HK$'000*
Current assets	**14,309**	16,389
Non-current assets	**570,429**	573,509
Current liabilities	**(401,261)**	(404,583)
Non-current liabilities	**(40,892)**	(41,940)
Equity attributable to owners of the Company	**96,957**	97,494
Non-controlling interests	**45,628**	45,881
Revenue	**40,550**	23,023
Increase in fair value of investment property	**–**	13,418
Expenses	**(37,182)**	(69,624)
Profit (loss) for the year	**3,368**	(33,183)
Profit (loss) attributable to owners of the Company	**2,290**	(22,565)
Profit (loss) attributable to the non-controlling interests	**1,078**	(10,618)
Profit (loss) for the year	**3,368**	(33,183)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 December 2014

42. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

Guangdong Cultural Park	**2014** ***HK$'000***	2013 *HK$'000*
Other comprehensive (expenses) income attributable to owners of the Company	**(2,827)**	3,730
Other comprehensive (expenses) income attributable to the non-controlling interests	**(1,331)**	1,757
Other comprehensive (expenses) income for the year	**(4,158)**	5,487
Total comprehensive expenses attributable to owners of the Company	**(537)**	(18,835)
Total comprehensive expenses attributable to the non-controlling interests	**(253)**	(8,861)
Total comprehensive expenses for the year	**(790)**	(27,696)
Net cash inflow (outflow) from operating activities	**12,685**	(47,948)
Net cash outflow from investing activities	**(22,127)**	(10,415)
Net cash inflow from financing activities	**8,825**	61,309
Net cash (outflow) inflow	**(617)**	2,946

43. LITIGATION

On 5 August 2013, a writ of summons (the "Writ of Summons") was issued at the High Court of Hong Kong against GDC Holdings Limited (the "Defendant"), a wholly-owned subsidiary of the Company, for specific performance or damages in lieu in relation to an agreement entered into between the plaintiff, the Defendant and the Company on 6 September 2011 (the "Agreement"). The plaintiff alleged that one of the clauses in the Agreement required the Defendant to acquire certain amount of shares of GDC Technology Limited from the plaintiff subject to the occurrence of certain events. The Defendant filed a defence ("Defence") on 22 November 2013 denying the plaintiff's allegations and asserting various affirmative defences. The amount involved in the claim is USD790,900.

The Defendant has reached an agreement with the plaintiff to settle the dispute out of court without compensation and the agreement to resolve the dispute was signed by both parties on 4 July 2014. On 11 July 2014, the High Court granted a consent order to dismiss the whole of the plaintiff's claim in this action.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 December 2014

44. SUMMARY FINANCIAL INFORMATION OF THE COMPANY

	2014 *HK$'000*	2013 *HK$'000*
Non-current asset		
Investment in a subsidiary	–	–
Current assets		
Prepayment, deposits and other receivables	**244**	321
Bank balances and cash	**806**	609
	1,050	930
Current liability		
Other payables and accruals	**2,152**	1,627
Net current liabilities	**(1,102)**	(697)
Net liabilities	**(1,102)**	(697)
Capital and deficit		
Share capital	**15,183**	15,183
Deficit	**(16,285)**	(15,880)
Deficiency of total equity	**(1,102)**	(697)

Reserve movement of the Company

	Share premium reserve *HK$'000*	**Contributed surplus reserve** *HK$'000*	**Share options reserve** *HK$'000*	**Deficit** *HK$'000*	**Total** *HK$'000*
At 1 January 2013	75,856	215,102	16,895	(322,495)	(14,642)
Loss and total comprehensive expenses for the year	–	–	–	(1,238)	(1,238)
Lapse of share options granted	–	–	(16,895)	16,895	–
At 31 December 2013	75,856	215,102	–	(306,838)	(15,880)
Loss and total comprehensive expenses for the year	–	–	–	(405)	(405)
At 31 December 2014	75,856	215,102	–	(307,243)	(16,285)

FIVE YEARS FINANCIAL SUMMARY

CONSOLIDATED RESULTS

	For the year ended 31 December				
	2010	2011	2012	2013	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
	(Restated)				
Continuing operations					
Revenue	35,920	94,677	111,022	160,720	**204,404**
Continuing operations					
Profit (loss) from operations	(53,056)	(26,604)	141,441	42,091	**44,987**
Finance costs	(1,503)	(10,363)	(11,353)	(8,993)	**(6,761)**
Share of loss of an associate	(106)	(188)	–	–	**–**
Profit (loss) before tax	(54,665)	(37,155)	130,088	33,098	**38,226**
Income tax expense	(168)	–	(41,057)	(9,813)	**(5,607)**
Profit (loss) for the year from continuing operations	(54,833)	(37,155)	89,031	23,285	**32,619**
Discontinued operations					
Profit for the year from discontinued operations	144,559	387,146	–	–	**–**
Profit for the year	89,726	349,991	89,031	23,285	**32,619**

CONSOLIDATED ASSETS AND LIABILITIES

	At 31 December				
	2010	2011	2012	2013	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
Total assets	1,032,845	1,102,018	1,290,539	1,305,721	**1,279,906**
Total liabilities	462,455	243,565	331,047	303,480	**240,166**
Net assets	570,390	858,453	959,492	1,002,241	**1,039,740**

PARTICULARS OF PROPERTIES

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

Location	Existing use	Lease term	Attributable interest of the Group
Investment properties			
No. 352 and 354, Xin Gang Zhong Road Guangzhou the People's Republic of China	Commercial	Medium	68%
Building			
No. 9, Gaoxin Central Avenue 3rd Nanshan District, Shenzhen the People's Republic of China	Commercial	Medium	100%