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
2015

* *For identification purpose only*

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

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

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

Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

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)*

Non-executive Director
Mr. Leung Shun Sang, Tony

Independent Non-executive Directors
Mr. Kwong Che Keung, Gordon
Prof. Japhet Sebastian Law
Mr. Lam Yiu Kin
(appointed on 27 July 2015)
Mr. Chan Chung Chun
(passed away on 8 May 2015)

EXECUTIVE COMMITTEE

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

AUDIT COMMITTEE

Mr. Kwong Che Keung, Gordon *(Chairman)*
Prof. Japhet Sebastian Law
Mr. Lam Yiu Kin
(appointed on 27 July 2015)
Mr. Chan Chung Chun
(passed away on 8 May 2015)

NOMINATION COMMITTEE

Mr. Li Shaofeng *(Chairman)*
Mr. Leung Shun Sang, Tony *(Vice Chairman)*
Mr. Kwong Che Keung, Gordon
Prof. Japhet Sebastian Law
Mr. Lam Yiu Kin
(appointed on 27 July 2015)
Mr. Chan Chung Chun
(passed away on 8 May 2015)

REMUNERATION COMMITTEE

Prof. Japhet Sebastian Law *(Chairman)*
Mr. Li Shaofeng *(Vice Chairman)*
Mr. Leung Shun Sang, Tony
Mr. Kwong Che Keung, Gordon
Mr. Lam Yiu Kin
(appointed on 27 July 2015)
Mr. Chan Chung Chun
(passed away on 8 May 2015)

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

STOCK CODE

8271

WEBSITE

www.gdc-world.com

BIOGRAPHICAL DETAILS OF DIRECTORS

EXECUTIVE DIRECTORS

Mr. Li Shaofeng, aged 49, 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") and the executive director of Beijing West Industries International 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, non-executive director and chairman of HNA International Investment Holdings Limited (Formerly known as "Shougang Concord Technology Holdings Limited") and a non-executive director of China Dynamics (Holdings) Limited (Formerly known as "Sinocop Resources (Holdings) Limited"). Mr. Li has extensive experience in management and investment of listed companies, sino-foreign joint ventures and steel industry.

Mr. Chen Zheng, aged 56, 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 had 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 57, 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 was a member of the Shenzhen Committee of the Chinese People's Political Consultative Conference.

BIOGRAPHICAL DETAILS OF DIRECTORS

Ms. Cheng Xiaoyu, aged 49. 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 73. 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 Century, Shougang Res and HNA International Investment Holdings Limited (Formerly known as "Shougang Concord Technology Holdings Limited"). 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

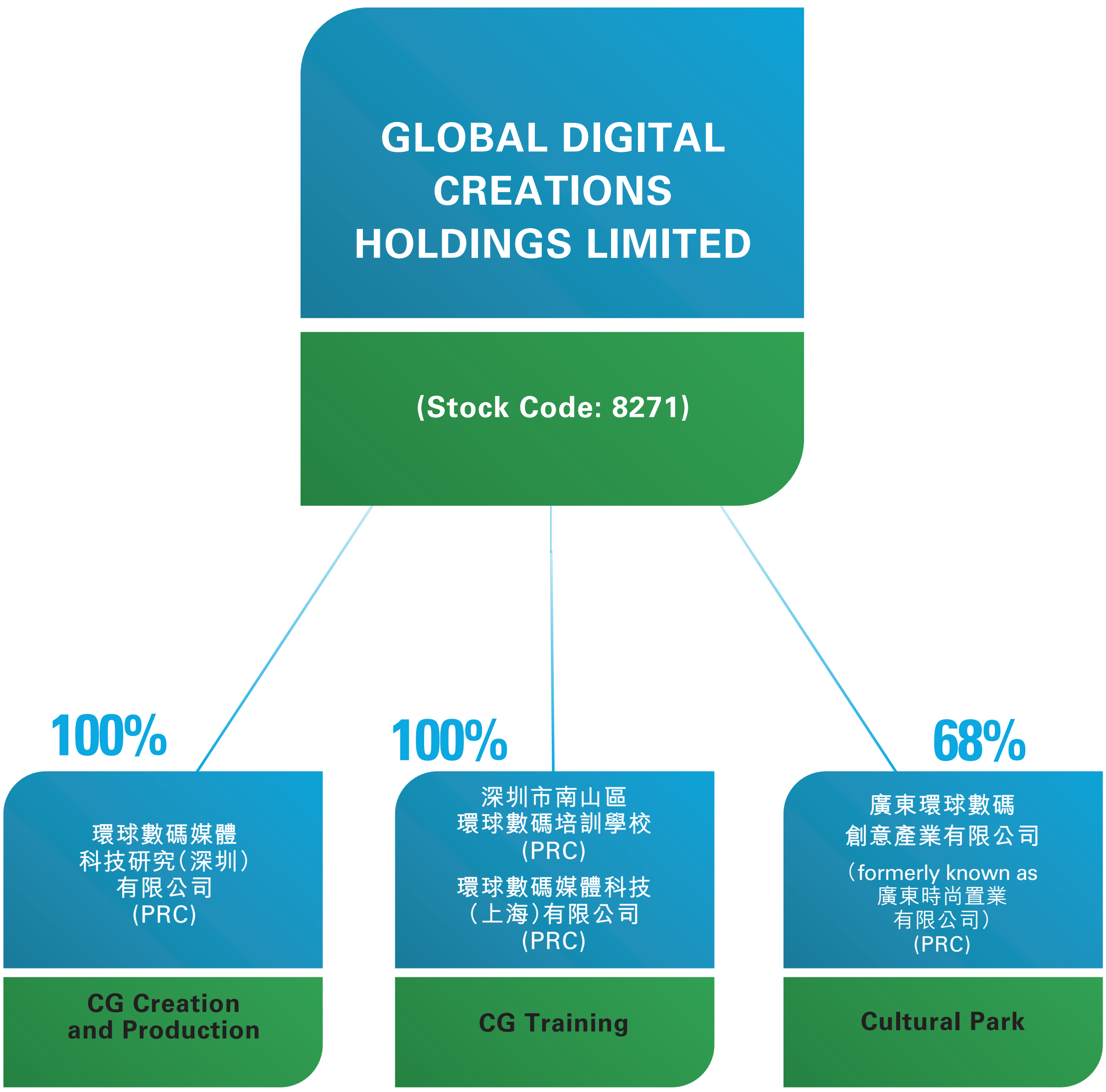
Mr. Kwong Che Keung, Gordon, aged 66. Mr. Kwong was appointed as an Independent Non-executive Director of the Company in April 2003. He is also the Chairman of the Audit Committee, a member of each of the Remuneration Committee and the Nomination Committee of the Company. Mr. Kwong also serves as an 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, Chow Tai Fook Jewellery Group Limited and FSE Engineering Holdings 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 64. 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 China Finance Investment Holdings Limited (Formerly Known as "Cypress Jade Agricultural Holdings Limited") and First China Financial Network Holdings Limited (Formerly known as "First China Financial Holdings Limited").

Mr. Lam Yiu Kin, aged 61. Mr. Lam was appointed as an independent non-executive Director of the Company in July 2015. He is also a member of each of Audit Committee, Remuneration Committee and Nomination Committee of the Company. Mr. Lam is a fellow member of the Association of Chartered Certified Accountants, the Institute of Chartered Accountants in England & Wales, the Institute of Chartered Accountants in Australia, and Hong Kong Institute of Certified Public Accountants ("HKICPA"), a honorary fellow of The Hong Kong Polytechnic University. Mr. Lam is presently an Adjunct Professor in the School of Accounting and Finance of The Hong Kong Polytechnic University, and a member of the Finance Committee of the Hong Kong Management Association. Mr. Lam has extensive experience in accounting, auditing and business consulting. Mr. Lam was a member of the Listing Committee and the Financial Reporting Advisory Panel of the Stock Exchange of Hong Kong Limited from 1997 to 2003, a committee member of HKICPA from 1994 to 2009, and a partner with PricewaterhouseCoopers Hong Kong from 1993 to 2013. Mr. Lam graduated from The Hong Kong Polytechnic University with a higher diploma in June 1975. Mr. Lam currently serves as an independent non-executive director of Shougang Century, Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Company Limited, Spring Real Estate Investment Trust,Vital Mobile Holdings Limited, COSCO Pacific Limited, Mason Financial Holdings Limited and Nine Dragons Paper (Holdings) Limited. He was an independent non-executive director of Kate China Holdings Limited.

MAIN OPERATIONAL STRUCTURE



CHAIRMAN'S STATEMENT

On behalf of the Board of Directors of Global Digital Creations Holdings Limited (the "Company"), I herewith present to you the annual results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2015. For the financial year ended 31 December 2015, the Group recorded HK$181,664,000 of total revenue and HK$72,864,000 of gross profit, representing a decrease of 11% and 6% respectively as compared to HK$204,404,000 and HK$77,615,000, respectively, for the previous year. Consolidated profits decreased by 38% as compared to the previous year, to HK$20,185,000.

In 2015, the changes in external economic environment posed considerable challenges to the Group. With respect to the People's Republic of China (the "PRC"), the GDP growth rate has dropped below 7% under the continuous slowdown in domestic economic growth and slackening domestic consumption. In addition, the international market is still weak with unstable Euro exchange rate, deterioration of U.S. economy upon the withdrawal of quantitative easing, significant drop in stock markets and oil prices directly affecting the development of the Group's international processing business and increasing the currency risk of the Group. Nevertheless, the Group continued to focus on computer graphic ("CG") production, original animated films and CG production training as well as property investment. The Group's animation production company in Shenzhen is among the few animation companies in the PRC which integrates the creation, production and distribution of 3D animated films; the long-term training in international processing has made the animation production company well versed in the control of production processes. In view of this, the animation production company has continued to maintain close cooperation with overseas clients besides endeavoring to develop the original works business. During the year, the animation production company was granted two honorable titles in recognition of our contribution in promoting the export of the PRC's cultural products, which include "Key Enterprise in Export of National Culture"(「國家文化出口重點企業」) and "Top 100 Enterprises in Shenzhen's Innovative Cultural Industry"(「深圳市文化創意產業百強企業」) issued by, among other governmental departments of the PRC.

During the past few years, the box office sales of the PRC's domestic films have recorded exponential growth. The number of young readers and audiences of animation and comics has exceeded 350 million. The market of animation and comic movies possesses enormous potential with the estimated total box office sales of domestic original animated films in 2015 over RMB1.1 billion mark. The Group has ventured into the business of original animated films since 2008 and one of its movie series, namely "Happy Little Submarines", has achieved repeated successes as proven by the number of recognition and awards received. With the growth in box office sales, the market potential of related spin-off products shall not be overlooked; during the year, the Group grasped the opportunity to develop the licence business of spin-off products. Before the Group's educational animated television dramas on military theme were launched, the Group had already secured the animated image licence of over a hundred products, which demonstrated preliminary success and laid down solid foundation. The Group strongly believes that by leveraging on its success in original animated films over the years, the licence business of spin-off products is certain to deliver considerable rewards to the Group.

CHAIRMAN'S STATEMENT

Despite the good reputation and recognition of the Group's CG training business within the industry, such sector recorded losses for two consecutive years due to huge pressure from rising lecturers' wages and rental costs as well as limited demand and low market entry threshold. As a result, the Group finalized the decision to reorganize the CG training business at the end of 2015. The businesses in Shanghai and Guangzhou will be integrated with that of Shenzhen, focusing on complementing the animation production business in Shenzhen. In the future, the Group will adhere to its long-held principle, which is to ensure first-class teaching quality by a team of outstanding lecturers, focus on passing on production experience and advanced technology to students and continue to bring talents to the Group's CG production team and the industry.

The rental and building management service fee income generated by the Group's properties are stable. The further increase in revenue and profit during the year also contributed to the stable cash flow of the Group. Through providing quality management services and maintaining long-term relations with tenants, the Group will continue to improve the quality of property and further enhance our competitiveness. The construction period of Phase II of Guangzhou Cultural Park has expired. Currently, the Group is still closely liaising with 珠江電影製片有限公司 ("Pearl River Film Production") for the future cooperation plan.

It is expected that in 2016, the PRC's economy will continue to face downward pressure. However, the Group believes that the PRC is still the fastest-growing economy in the world. Spurred by the continuously improving standard of living, China's cultural industry is currently in the golden era of development during which the scale of the brand licensing market is growing rapidly along with the size of image licensing market, which mainly focuses on animation, surpassing the milestone of RMB20 billion. We believe that domestic original animated films possess huge development potential and is favorable to the Group's development of core businesses. The Group will also continue to identify new investment opportunities and broaden income source in order to deliver better rewards to the shareholders.

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.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

CG creation and production

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK *(continued)*

CG creation and production *(continued)*

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

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

CG Training

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK *(continued)*

Cultural Park

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

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

FINANCIAL REVIEW

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

Revenue and gross profit

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW *(continued)*

Other income

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

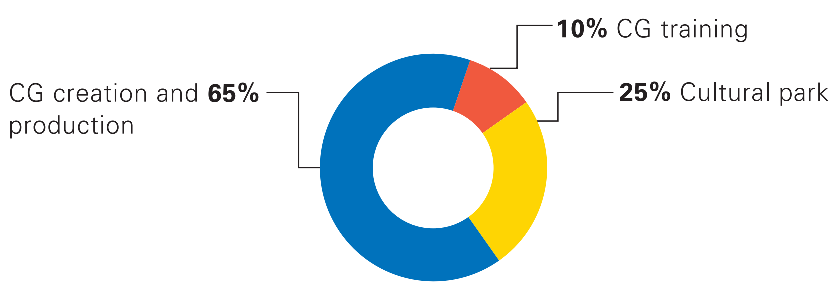
Distribution costs and selling expenses

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

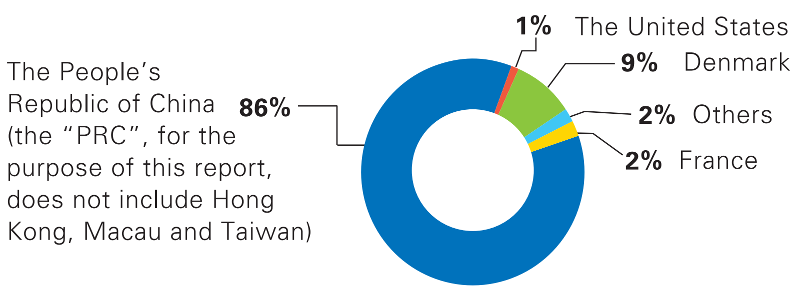
Administrative expenses

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

REVENUE BY PRINCIPAL ACTIVITY FOR THE YEAR 2015



REVENUE BY GEOGRAPHICAL LOCATION FOR THE YEAR 2015



MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW *(continued)*

Finance costs

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

Other gains and losses

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

Change in fair value of investment properties

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

LIQUIDITY AND FINANCIAL RESOURCES

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

CAPITAL STRUCTURE

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

MATERIAL ACQUISITIONS, DISPOSALS AND SIGNIFICANT INVESTMENT

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

CHARGE ON ASSETS

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

FOREIGN EXCHANGE EXPOSURE

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

CONTINGENT LIABILITIES

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

EMPLOYEES

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

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

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

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

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

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

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

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 2015.

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS

Composition

As at 31 December 2015, 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. Lam Yiu Kin. 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.

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 annual 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.

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS *(Continued)*

Board meetings and attendance *(Continued)*

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.

The Board held five Board meetings during the year ended 31 December 2015. 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 2015 are set out below:

	Attended/ Eligible to attend	
	Board meeting	**General meeting**
Executive Directors		
Mr. Li Shaofeng *(Chairman)*	5/5	1/1
Mr. Chen Zheng	5/5	1/1
Mr. Jin Guo Ping	5/5	0/1
Ms. Cheng Xiaoyu	5/5	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. Lam Yiu Kin *(appointed on 27 July 2015)*	3/3	0/0
Mr. Chan Chung Chun *(passed away on 8 May 2015)*	1/2	0/0

The meetings above was not attended by any alternate Director.

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS *(Continued)*

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. All Directors are provided with monthly updates on the Company's performance and financial position to enable the Board as a whole and each Director to discharge their duties. Where any Director requires more information than is supplied by the management, they have the right of separate and independent access to the Group's management to make further enquiries if necessary.

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 2015 to 31 December 2015.

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

Directors	Attending or participating in seminars/workshops/ reading materials and updates relating to the latest development of the GEM Listing Rules and other applicable regulatory requirements
Executive Directors	
Mr. Li Shaofeng *(Chairman)*	✓
Mr. Chen Zheng	✓
Mr. Jin Guo Ping	✓
Ms. Cheng Xiaoyu	✓
Non-executive Director	
Mr. Leung Shun Sang, Tony	✓
Independent Non-executive Directors	
Mr. Kwong Che Keung, Gordon	✓
Prof. Japhet Sebastian Law	✓
Mr. Lam Yiu Kin *(appointed on 27 July 2015)*	✓

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. Lam Yiu Kin 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 2015 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" of this annual report.

DELEGATION BY THE BOARD

Board Committees

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

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 2015, 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. Lam Yiu Kin. 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 2015 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 2014;
- the quarterly results of the Group for the three months ended 31 March 2015;
- the interim results of the Group for the six months ended 30 June 2015; and
- the quarterly results of the Group for the nine months ended 30 September 2015.

For the year ended 31 December 2015, 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 2015 are set out below:

	Attended/ Eligible to attend
Mr. Kwong Che Keung, Gordon *(Chairman)*	4/4
Prof. Japhet Sebastian Law	4/4
Mr. Lam Yiu Kin *(appointed on 27 July 2015)*	2/2
Mr. Chan Chung Chun *(passed away on 8 May 2015)*	1/2

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. Lam Yiu Kin. It is chaired by Mr. Li Shaofeng. The Independent Non-executive Directors constitute the majority of the committee.

For the year ended 31 December 2015, 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 2015 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. Lam Yiu Kin *(appointed on 27 July 2015)*	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. Lam Yiu Kin. 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 2015, 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 2015 and the salaries of the Executive Directors of the Company for the year 2016; and
- making recommendations to the Board on fees for the Non-executive Director and Independent Non-executive Directors for the year 2016.

The attendance record of the Remuneration Committee meeting held in the year 2015 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. Lam Yiu Kin *(appointed on 27 July 2015)*	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 42 to 43 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.

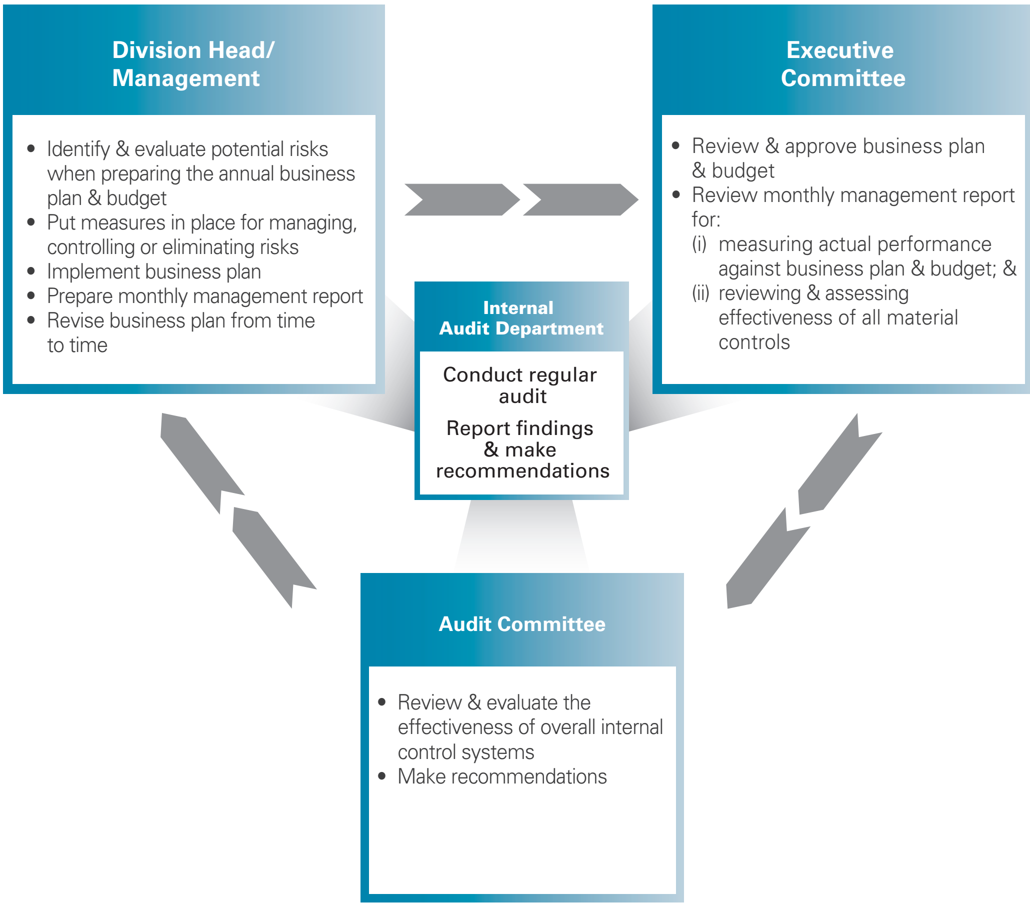
The Board considers that it is an ongoing and continuous process for the Group to review and improve its internal control systems in order to ensure that they remain effective in the dynamic and ever-changing business environment. During the year ended 31 December 2015, the Board has been, through the 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 2015. 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 2015.

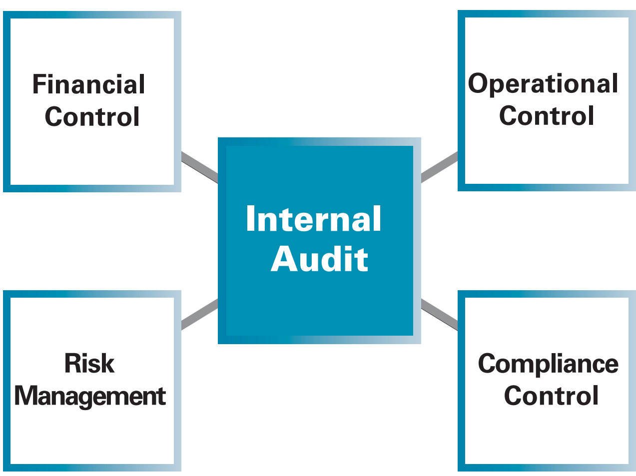
CORPORATE GOVERNANCE REPORT

INTERNAL CONTROL *(Continued)*

Internal control system



Internal audit functions



CORPORATE GOVERNANCE REPORT

AUDITOR'S REMUNERATION

For the year ended 31 December 2015, 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	1,030
Non-statutory audit services:	
Review on interim financial report	255
	1,285

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 2015. A copy of the latest consolidated version of the Bye-laws has been published 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 2015.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its principal subsidiaries are set out in note 43 to the consolidated financial statements, respectively.

RESULTS

The results of the Group for the year ended 31 December 2015 and the state of affairs of the Group at that date are set out in the consolidated financial statements on pages 44 to 114 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 2015 (2014: Nil).

BUSINESS REVIEW

The business review of the Group for the year ended 31 December 2015 are set out in the "CHAIRMAN'S STATEMENT" and "MANAGEMENT DISCUSSION AND ANALYSIS" on pages 9 to 10, and pages 11 to 17 respectively of this annual report. The discussion forms part of this director's report.

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 115 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 93 to 94 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 94 to 96 of this annual report.

SHARE CAPITAL

Details of movements in the Company's share capital during the year are set out in note 36 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 47 to 48 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
Mr. Leung Shun Sang, Tony#
Mr. Kwong Che Keung, Gordon*
Prof. Japhet Sebastian Law*
Mr. Lam Yiu Kin* *(appointed on 27 July 2015)*
Mr. Chan Chung Chun* *(passed away on 8 May 2015)*

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

In accordance with clause 86(2) of the bye-laws of the Company, Mr. Lam Yiu Kin shall retire from office at the forthcoming annual general meeting of the Company and, being eligible, offer himself for re-election.

In accordance with clause 87(2) of the bye-laws of the Company, Mr. Li Shaofeng, Mr. Leung Shun Sang, Tony and Prof. Japhet Sebastian Law 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" on pages 5 to 7 of this annual report.

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 2016 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 and Prof. Japhet Sebastian Law has entered into an engagement letter with the Company for a term of three years commencing from 1 January 2014, Mr. Lam Yiu Kin has entered into an engagement letter with the Company from 27 July 2015 to 31 December 2017, 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 scheme as an incentive to the Directors and eligible employees, details of which scheme are set out in the section headed "Share Option Scheme" section and note 38 to the consolidated financial statements.

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

As at 31 December 2015, 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	Interests under equity derivatives	Total interests	Approximate percentage of issued share capital of the Company
Mr. Chen Zheng	Beneficial owner	185,988,200	–	185,988,200	12.25%
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%

Save as disclosed above, as at 31 December 2015, 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' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

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

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

During the year ended 31 December 2015, none of the Directors had an interest in a business (other than those businesses where the Director was appointed as a Director to represent the interests of the Company and/or any member of the Group) which is considered to compete or is likely to compete, either directly or indirectly, with businesses of the Group.

EQUITY-LINKED AGREEMENTS

Save for the "Share Option Scheme" described below, no equity-linked agreements were entered into by the Group, or existed during the year ended 31 December 2015.

PERMITTED INDEMNITY PROVISION

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

There is appropriate director's and officer's liability insurance coverage for the directors and officers of the Group.

REPORT OF THE DIRECTORS

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2015, 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.

Save as disclosed above, as at 31 December 2015, 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.

REPORT OF THE DIRECTORS

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% and 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 and the date of this annual report, respectively. 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.

Note:

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

No share option was granted since its adoption according to the Share Option Scheme. As at the date of this annual report, the remaining life of the Share Option Scheme is approximately 7 years and 3 months.

REPORT OF THE DIRECTORS

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 2015.

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 2015, the Company's reserves available for distribution amounted to approximately HK$850,397,000.

THE GROUP'S PRINCIPAL RISKS AND UNCERTAINTIES

Financial risk

As the Group mainly operates in the PRC, the Group would be subject to the adverse impact on its financial position caused by the instability of RMB exchange rate and the weak economy in the PRC. In addition, as a result of the sharp fall of the exchange rate of Euro due to the terrorist attack in Europe and Greek's sovereign debt crisis during the year, the Group recorded an exchange loss arising from some European clients of the CG creation and production division.

Intellectual Property Risk

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

COMPLIANCE WITH LAWS AND REGULATIONS

Save as disclosed in the "CORPORATE GOVERNANCE REPORT" of this annual report, the Group has complied with the relevant laws and regulations that have a significant impact on the operations of the Group during the year ended 31 December 2015.

REPORT OF THE DIRECTORS

ENVIRONMENTAL PROTECTION

The Group strives to conduct business in an environmentally responsible manner. The Group has internal guidelines on energy conservation and emission reduction so as to minimize the impact on the environment and natural resources during its operation. Such measures included printing on both sides of paper, reusing paper and recycling waste paper so as to reduce using paper. The Group has also implemented measures in its offices and areas under its property management on energy conservation, which included giving priority in choosing and using energy-efficient lighting facilities and electronic appliances, requiring its staff to turn off electronic appliances and lighting facilities of the offices after office hours and shutting down some of the elevators in the areas under its property management during non-peak hours, in order to reduce the emission of greenhouse gases.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for approximately 28% of the revenue for the year and the largest customer included therein amounted to approximately 9%. Purchases from the Group's five largest suppliers accounted for approximately 7% 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.

RELATION WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

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

Employees

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

Customers

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

REPORT OF THE DIRECTORS

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

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

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

IMPORTANT EVENTS SINCE THE YEAR END

No important event occurred for the Group since the year ended 31 December 2015.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or existed during the year ended 31 December 2015.

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, 22 March 2016

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 44 to 114, which comprise the consolidated statement of financial position as at 31 December 2015, 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 financial position of the Group as at 31 December 2015, and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

EMPHASIS OF MATTER

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

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
22 March 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For The Year Ended 31 December 2015

	NOTES	2015 HK$'000	2014 HK$'000
Revenue	7	**181,664**	204,404
Cost of sales		**(108,800)**	(126,789)
Gross profit		**72,864**	77,615
Other income	10	**9,908**	50,859
Distribution costs and selling expenses		**(15,329)**	(19,104)
Administrative expenses		**(57,589)**	(66,539)
Decrease in fair value of investment properties	18	**(4,069)**	–
Finance costs	11	**(2,559)**	(6,761)
Other gains and losses	12	**21,945**	2,156
Profit before tax		**25,171**	38,226
Income tax expense	13	**(4,986)**	(5,607)
Profit for the year	14	**20,185**	32,619
Other comprehensive (expenses) income:			
Item that will not be reclassified to profit or loss:			
Exchange differences on translation of financial statements from functional currency to presentation currency		**(42,259)**	(20,991)
Items that may be reclassified subsequently to profit or loss:			
Increase in fair value of available-for-sale investment	20	**368**	25,986
Cumulative gain reclassified to profit or loss on sale of available-for-sale investment	20	**(20,789)**	–
		(20,421)	25.986
Other comprehensive (expenses) income for the year		**(62,680)**	4,995
Total comprehensive (expenses) income for the year		**(42,495)**	37,614
Profit for the year attributable to:			
Owners of the Company		**10,994**	31,862
Non-controlling interests		**9,191**	757
		20,185	32,619
Total comprehensive (expenses) income for the year attributable to:			
Owners of the Company		**(49,275)**	38,228
Non-controlling interests		**6,780**	(614)
		(42,495)	37,614
		HK cents	*HK cents*
Earnings per share	16		
Basic		**0.72**	2.10

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2015

	NOTES	2015 HK$'000	2014 HK$'000
Non-current assets			
Property, plant and equipment	17	**233,148**	263,729
Investment properties	18	**524,073**	542,350
Prepaid lease payments	19	**5,303**	5,692
Available-for-sale investments	20	**23,040**	22,701
Other receivables and deposits	21	**23,866**	25,000
		809,430	859,472
Current assets			
Productions work in progress	22	**4,988**	3,548
Amounts due from customers for contract work	23	**6,654**	5,489
Trade receivables	24	**32,147**	40,016
Other receivables and deposits	21	**9,085**	13,392
Loan receivable	25	**–**	25,000
Prepaid lease payments	19	**131**	138
Available-for-sale investment	20	**–**	88,303
Held-for-trading investments	26	**–**	15,717
Structured deposits	27	**147,618**	130,788
Bank balances and cash	28	**137,317**	98,043
		337,940	420,434
Current liabilities			
Advances from customers	29	**6,872**	7,301
Amounts due to customers for contract work	23	**507**	4,498
Trade payables	30	**2,393**	4,134
Other payables and accruals	31	**63,035**	84,548
Tax liabilities		**10,063**	10,331
Deferred income	33	**8,516**	5,535
Secured bank borrowings – due within one year	32	**–**	45,000
		91,386	161,347
Net current assets		**246,554**	259,087
Total assets less current liabilities		**1,055,984**	1,118,559
Non-current liabilities			
Deferred income	33	**466**	2,927
Deferred tax liabilities	34	**41,595**	40,892
Secured bank borrowings – due after one year	32	**–**	35,000
Derivative financial instrument	35	**16,678**	–
		58,739	78,819
Net assets		**997,245**	1,039,740

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2015

	NOTES	2015 HK$'000	2014 HK$'000
Capital and reserves			
Share capital	36	**15,183**	15,183
Reserves		**928,651**	977,926
Equity attributable to owners of the Company		**943,834**	993,109
Non-controlling interests	37	**53,411**	46,631
Total equity		**997,245**	1,039,740

The consolidated financial statements on pages 44 to 114 were approved and authorised for issue by the Board of Directors on 22 March 2016 and are signed on its behalf by:

Li Shaofeng	**Chen Zheng**
DIRECTOR	*DIRECTOR*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For The Year Ended 31 December 2015

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For The Year Ended 31 December 2015

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 2015

	NOTES	2015 HK$'000	2014 HK$'000
OPERATING ACTIVITIES			
Profit before tax		**25,171**	38,226
Adjustments for:			
Depreciation of property, plant and equipment		**21,203**	19,802
Finance costs		**2,559**	6,761
Changes in fair value of held-for-trading investments		**(6,265)**	(1,045)
Allowance for (recovery of) doubtful debts		**136**	(300)
Gain on disposal of available-for-sale investment	20	**(20,789)**	–
Loss (gain) on disposal of property, plant and equipment		**111**	(23)
Amortisation of prepaid lease payments		**136**	138
Changes in fair value of structured deposits		**(992)**	(788)
Decrease in fair value of investment properties		**4,069**	–
Write-off of construction cost payables		**(10,824)**	–
Dividend income from available-for-sale investment		**–**	(21,234)
Interest income		**(4,709)**	(6,135)
Government grants related to computer equipment and specific projects		**(3,549)**	(9,669)
Loss on fair value changes of derivative financial instrument	35	**16,678**	–
Operating cashflow before movements in working capital		**22,935**	25,733
(Increase) decrease in productions work in progress		**(991)**	3,148
Decrease in amounts due from customers for contract work		**252**	1,150
Decrease (increase) in trade receivables		**5,918**	(22,900)
Decrease (increase) in other receivables and deposits		**3,700**	(729)
Decrease in held-for-trading investments		**21,982**	22,161
Decrease in advances from customers		**(97)**	(2,870)
(Decrease) increase in amounts due to customers for contract work		**(2,843)**	1,900
(Decrease) increase in trade payables		**(1,554)**	1,616
(Decrease) increase in other payables and accruals		**(540)**	4,104
Cash generated from operations		**48,762**	33,313
Income tax paid		**(2,189)**	(6,031)
NET CASH FROM OPERATING ACTIVITIES		**46,573**	27,282

CONSOLIDATED STATEMENT OF CASH FLOWS

For The Year Ended 31 December 2015

	NOTE	2015 HK$'000	2014 HK$'000
INVESTING ACTIVITIES			
Purchases of structured deposits		**(1,451,193)**	(1,322,500)
Additions in investment properties		**(10,254)**	(11,630)
Settlement of construction cost payables		**(6,318)**	(15,930)
Purchases of property, plant and equipment		**(5,134)**	(6,694)
Redemption of structured deposits		**1,429,331**	1,373,034
Proceeds from disposal of available-for-sale investment		**88,303**	–
Repayment from (loan to) a third party		**25,000**	(25,000)
Interest received		**4,709**	6,135
Government grants received related to assets	33	**4,483**	2,188
Proceeds from disposal of property, plant and equipment		**25**	23
Dividend income received		**–**	21,234
NET CASH FROM INVESTING ACTIVITIES		**78,952**	20,860
FINANCING ACTIVITIES			
Repayment of bank loans		**(80,000)**	(35,000)
Interest paid		**(2,559)**	(6,761)
Dividend paid to a non-controlling shareholder		**–**	(115)
CASH USED IN FINANCING ACTIVITIES		**(82,559)**	(41,876)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**42,966**	6,266
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**98,043**	93,351
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		**(3,692)**	(1,574)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, COMPRISING BANK BALANCES AND CASH		**137,317**	98,043

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 December 2015

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 (the "GEM") 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 2015 are set out in note 43.

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")

Application of new and revised HKFRSs

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 December 2015

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

New and revised HKFRSs in issue but not yet effective

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

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

1 Effective for annual periods beginning on or after 1 January 2018

2 Effective for annual periods beginning on or after 1 January 2016

3 Effective for annual periods beginning on or after a date to be determined

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 December 2015

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

Key requirements of HKFRS 9:

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 December 2015

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

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

HKFRS 15 *Revenue from Contracts with Customers*

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

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

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 December 2015

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 (the "Listing Rules") and by the Hong Kong Companies Ordinance ("CO").

The provisions of the new Hong Kong Companies Ordinance (Cap. 622) regarding preparation of accounts and directors' reports and audits became effective for the Company for the financial year ended 31 December 2015. Further, the disclosure requirements set out in the Listing Rules regarding annual accounts have been amended with reference to the new CO and to streamline with HKFRSs. Accordingly the presentation and disclosure of information in the consolidated financial statements for the financial year ended 31 December 2015 have been changed to comply with these new requirements. Comparative information in respect of the financial year ended 31 December 2014 are presented or disclosed in the consolidated financial statements based on the new requirements. Information previously required to be disclosed under the predecessor CO or Listing Rules but not under the new CO or amended Listing Rules are not disclosed in these consolidated financial statements.

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 and services.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

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.

When 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 assets and liabilities, equity, income, expenses and cashflows relating to transactions between members of the Group are eliminated in full on consolidation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation *(Continued)*

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).

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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. All of the Group's property interests held under operating leases to earn interests or for capital appreciation purposes are classified and accounted for as investment property and measured 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 and any directly attributable expenditure 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 property (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 property is derecognised.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leasing *(Continued)*

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.

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).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 before tax" as reported in the consolidated statement of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years, and 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 deferred tax 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.

The carrying amount of deferred tax assets is reviewed at the end of each 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 which the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively 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).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

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 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.

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 instrument 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 debt instrument, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

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.

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 and cash) are measured at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

***Financial assets** (Continued)*

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 investment that does not have a quoted market price in an active market and whose fair value cannot be reliably measured, it is 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 investment that is measured at fair value once fair value is determined reliably, changes in the carrying amount of available-for-sale monetary financial asset relating to interest income calculated using the effective interest method and dividend on available-for-sale equity investment is recognised in profit or loss. Other changes in the carrying amount of available-for-sale financial asset is 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 investment revaluation reserve is reclassified to profit or loss (see the accounting policy in respect of impairment loss of financial assets below).

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

Impairment loss 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

***Financial assets** (Continued)*

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

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

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.

Derivative financial instrument

Derivative is initially recognised at fair value at the date when derivative contract is entered into and is subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 December 2015

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 December 2015

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.

Classification of building

As at 31 December 2015 and 2014, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 December 2015

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

Key sources of estimation uncertainty *(Continued)*

Fair value measurement and valuation process

Some of the Group's assets and liability 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 or a liability, 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, 27 and 35 provide detailed information about the valuation techniques, inputs and key assumptions used in the determination of the fair value of various assets and a liability.

The Group's completed investment properties as at 31 December 2015 are stated at fair value based on the valuation performed by independent professional valuer. 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 珠江電影製片有限公司 ("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 2015 is HK$437,590,000 (2014: HK$462,500,000).

One of the available-for-sale investment and its related derivative financial instrument as at 31 December 2015 are stated at fair value based on the valuation performed by independent professional valuer. In determining the fair value of this available-for-sale investment, the valuer adopted the market approach by comparison of valuation multiples of similar companies as available in the relevant markets. The fair value of the derivative financial instrument is determined with reference to the future income flows which are estimated based on the underlying projected financial performance of GDC Technology Limited ("GDC Tech") and the price adjustment formula set out in the sale and purchase agreement. Should there be changes in the assumptions due to market conditions, the fair value of this available-for-sale investment and the derivative financial instrument will change in the future. The carrying amounts of this available-for-sale investment and derivative financial instrument as at 31 December 2015 are HK$22,444,000 and HK$16,678,000, respectively (2014: HK$110,379,000 and HK$ Nil, respectively).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 December 2015

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 2015, the carrying amount of the Group's productions work in progress is HK$4,988,000 (2014: HK$3,548,000). 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 2015, the carrying amount of property, plant and equipment is HK$233,148,000 (2014: HK$263,729,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 December 2015

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 2015 and 2014 were as follows:

	2015	2014
Total debt[1] *(HK$'000)*	–	80,000
Equity[2] *(HK$'000)*	**943,834**	993,109
Total debt to equity percentage	**0%**	8%

The Directors consider that the Group maintains a healthy capital ratio as at 31 December 2015 and 2014 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 2015

6. FINANCIAL INSTRUMENTS

6a. Categories of financial instruments

	2015	2014
	HK$'000	*HK$'000*
Financial assets		
Available-for-sale investments	**23,040**	111,004
Financial assets at FVTPL		
Held-for-trading investments	**–**	15,717
Structured deposits designated as at FVTPL	**147,618**	130,788
Loans and receivables (including cash and cash equivalents)	**172,773**	168,731
Financial liabilities		
Derivative financial instrument at fair value	**16,678**	–
Amortised cost	**47,872**	144,904

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, derivative financial instrument 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 2015 and 2014, 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 2015

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 changes on structured deposits and bank balances 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 (2014: 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 (2014: 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 an amount of HK$Nil (2014: HK$600,000).

(iii) Other price risk

The Group is exposed to equity price risk through its investments in listed equity securities. 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% (2014: 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% (2014: 5%) higher/lower, post-tax profit for the year ended 31 December 2015 would increase/decrease by an amount of HK$Nil (2014: HK$656,000) 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 2015

6. FINANCIAL INSTRUMENTS *(Continued)*

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

Credit risk

As at 31 December 2015 and 2014, 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 monitored credit limits, credit approvals and has established 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 PRC (2014: PRC and France) in 2015, which accounted for approximately 99% (2014: 83% and 6%) of the total trade receivables.

The Group has concentration of credit risk by counterparty as approximately 47% (2014: 38%) and approximately 71% (2014: 57%) 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 mainly leading film distributor, technology companies and multinational animation producer with various 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 2015

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$'000	Total undiscounted cash flows as at 31.12.2015 HK$'000	Carrying amount as at 31.12.2015 HK$'000
2015						
Non-derivative financial liabilities						
Trade payables	–	–	2,393	–	2,393	2,393
Other payables	–	431	45,048	–	45,479	45,479
		431	47,441	–	47,872	47,872

	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

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 2015

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 and financial liability.

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

Some of the Group's financial assets and financial liability 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 and financial liability 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/ financial liability	Fair value as at 31 December 2015	Fair value as at 31 December 2014	Fair value hierarchy	Valuation technique and key inputs	Relationship of unobservable inputs to fair value
Held-for-trading investments	N/A	Listed equity securities – in Hong Kong: HK$15,717,000	Level 1	Quoted bid prices in an active market	N/A
Available-for-sale investment	Unlisted equity security – in Hong Kong: HK$22,444,000	Unlisted equity security – in Hong Kong: HK$110,379,000	Level 2	31 December 2015: Market approach Valuation multiples of similar companies	The higher the valuation multiples, the higher the fair value
				31 December 2014: Quoted bid price from purchaser upon disposal	N/A
Derivative financial instrument	Derivative financial instrument: HK$16,678,000	N/A	Level 2	Future income flows which are estimated based on financial performance of GDC Tech and the price adjustment formula in the sale and purchase agreement	The more the future income flows, the higher the fair value
Structured deposits	Bank deposits in the PRC with non-closely related embedded derivative: HK$147,618,000	Bank deposits in the PRC with non-closely related embedded derivative: HK$130,788,000	Level 2	Discounted cash flows	The higher the expected yield, the higher the fair value
				Future cash flows which 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 December 2015

6. FINANCIAL INSTRUMENTS *(Continued)*

6c. Fair value measurements of financial instruments *(Continued)*

Fair value of the Group's financial assets and financial liability that are measured at fair value on a recurring basis (Continued)

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.

7. REVENUE

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

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

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

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 2015

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 2015

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

For the year ended 31 December 2014

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

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 2015

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 2015

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 December 2015

8. SEGMENT INFORMATION *(Continued)*

Segment assets and liabilities *(Continued)*

At 31 December 2014

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 December 2015

8. SEGMENT INFORMATION *(Continued)*

Other segment information

For the year ended 31 December 2015

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

For the year ended 31 December 2014

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 December 2015

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

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

Information about major customers

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

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

[1] Revenue from CG creation and production business.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 December 2015

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

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

The Directors' and chief executive's remuneration for the year ended 31 December 2015 amount to HK$7,431,000 (2014: HK$6,788,000), disclosed pursuant to the applicable Listing Rules and CO, details are as follows:

For the year ended 31 December 2015

	Mr. Li Shaofeng *HK$'000*	Mr. Chen Zheng *HK$'000*	Mr. Jin Guo Ping *HK$'000*	Ms. Cheng Xiaoyu *HK$'000*	Total *HK$'000*
EXECUTIVE DIRECTORS:					
Fees	–	–	–	–	–
Salaries and other benefits	–	3,600	1,200	1,500	6,300
Retirement benefits scheme contribution	–	180	18	75	273
	–	3,780	1,218	1,575	6,573

The executive directors' emoluments shown above were mainly for their services in connection with the affairs of the Company and the Group.

	Mr. Leung Shun Sang, Tony *HK$'000*
NON-EXECUTIVE DIRECTOR:	
Fee	190

The non-executive director's emolument shown above was mainly for his services as director of the Company.

	Mr. Kwong Che Keung, Gordon *HK$'000*	Prof. Japhet Sebastian Law *HK$'000*	Mr. Lam Yiu Kin (appointed on 27 July 2015) *HK$'000*	Mr. Chan Chung Chun (passed away on 8 May 2015) *HK$'000*	Total *HK$'000*
INDEPENDENT NON-EXECUTIVE DIRECTORS:					
Fees	240	240	103	85	668

The independent non-executive directors' emoluments shown above were mainly for their services as directors of the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 December 2015

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 2014

	Mr. Li Shaofeng *HK$'000*	Mr. Chen Zheng *HK$'000*	Mr. Jin Guo Ping *HK$'000*	Ms. Cheng Xiaoyu *HK$'000*	Total *HK$'000*
EXECUTIVE DIRECTORS:					
Fees	–	–	–	–	–
Salaries and other benefits	–	3,600	1,200	125	4,925
Performance related bonus *(note)*	–	600	150	–	750
Retirement benefits scheme contribution	–	180	17	6	203
	–	4,380	1,367	131	5,878

The executive directors' emoluments shown above were mainly for their services in connection with the affairs of the Company and the Group.

	Mr. Leung Shun Sang, Tony *HK$'000*
NON-EXECUTIVE DIRECTOR:	
Fee	190

The non-executive director's emolument shown above was mainly for his services as director of the Company.

	Mr. Kwong Che Keung, Gordon *HK$'000*	Prof. Japhet Sebastian Law *HK$'000*	Mr. Chan Chung Chun *HK$'000*	Total *HK$'000*
INDEPENDENT NON-EXECUTIVE DIRECTORS:				
Fees	240	240	240	720

The independent non-executive directors' emoluments shown above were mainly for their services as directors of the Company.

Note: The performance related bonus for the year ended 31 December 2014 were determined based on performance of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 December 2015

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

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

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 2015 and 2014, Mr. Li Shaofeng waived his emoluments.

(b) Employees' emoluments

Of the five individuals with the highest emoluments in the Group, three (2014: two) are the directors whose emoluments are included in the disclosures above. The emoluments of the remaining two (2014: three) individuals are as follows:

	2015 ***HK$'000***	2014 *HK$'000*
Salaries and other benefits	**2,017**	3,176
Retirement benefits schemes contributions	**36**	32
	2,053	3,208

The emoluments of the above two (2014: three) individuals are within the following bands:

	2015 **Number of employees**	2014 Number of employees
HK$1,000,000 or below	**1**	1
HK$1,000,001 – HK$1,500,000	**1**	2
	2	3

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 December 2015

10. OTHER INCOME

	2015	2014
	HK$'000	*HK$'000*
Dividend income from available-for-sale investment	**–**	21,234
Government grants *(note 1)*	**4,927**	20,643
Interest income	**4,709**	6,135
Insurance claims received *(note 2)*	**–**	2,243
Others	**272**	604
	9,908	50,859

Note 1: During the year ended 31 December 2015, government grants mainly represent subsidies and awards of HK$1,378,000 (2014: HK$10,974,000) received from the relevant PRC authorities in PRC which 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$3,549,000 (2014: HK$9,669,000) 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: Insurance claims received represents the compensations on a legal proceeding previously settled in 2012.

11. FINANCE COSTS

	2015	2014
	HK$'000	*HK$'000*
Interest on bank borrowings wholly repayable within five years	**2,559**	6,761

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 December 2015

12. OTHER GAINS AND LOSSES

	2015	2014
	HK$'000	*HK$'000*
Write-off of construction cost payables	**10,824**	–
Gain on disposal of available-for-sale investment	**20,789**	–
Loss on fair value changes of derivative financial instrument	**(16,678)**	–
Changes in fair value of structured deposits	**992**	788
Changes in fair value of held-for-trading investments *(note)*	**6,265**	1,045
(Allowance for) recovery of doubtful debt	**(136)**	300
(Loss) gain on disposal of property, plant and equipment	**(111)**	23
	21,945	2,156

Note: During the year ended 31 December 2015, the changes in fair value of held-for-trading investments include an amount of approximately HK$6,265,000 (2014: HK$11,052,000) attributable to the realised gain on fair value changes of held-for-trading investments.

13. INCOME TAX EXPENSE

	2015	2014
	HK$'000	*HK$'000*
The income tax expense comprises:		
PRC Enterprise Income Tax ("EIT")		
Current tax	**4,287**	5,886
Overprovision in prior years	**(1,944)**	(279)
	2,343	5,607
Deferred tax *(note 34)*	**2,643**	–
	4,986	5,607

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 December 2015

13. INCOME TAX EXPENSE *(Continued)*

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

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

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:

	2015	2014
	HK$'000	*HK$'000*
Profit before tax	**25,171**	38,226
Tax calculated at PRC EIT rate of 25% (2014: 25%)	**6,293**	9,557
Tax effect of income not taxable for tax purpose	**(7,274)**	(3,504)
Tax effect of expenses not deductible for tax purpose	**5,513**	145
Overprovision in respect of prior years	**(1,944)**	(279)
Tax effect of tax losses not recognised	**5,148**	4,673
Utilisation of tax losses previously not recognised	**(3,389)**	(4,167)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**1,100**	(818)
Others	**(461)**	–
Income tax expense for the year	**4,986**	5,607

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:

	2015	2014
	HK$'000	*HK$'000*
Estimated tax losses that may be carried forward	**41,945**	29,593

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$96,883,000 as at 31 December 2015 (2014: HK$82,125,000) 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 2015

14. PROFIT FOR THE YEAR

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 December 2015

15. DIVIDENDS

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

16. EARNINGS PER SHARE

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 December 2015

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 2014	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
Exchange realignment	(9,295)	(1,420)	(3,390)	(508)	(2,680)	(125)	(17,418)
Additions	–	2,037	–	1,955	1,142	–	5,134
Disposals	–	(650)	–	(4,679)	(750)	(320)	(6,399)
At 31 December 2015	195,684	31,959	71,362	8,721	59,246	4,863	371,835
DEPRECIATION AND AMORTISATION							
At 1 January 2014	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
Exchange realignment	(937)	(734)	(1,709)	(402)	(2,401)	(79)	(6,262)
Provided for the year	4,188	4,153	7,636	1,891	5,807	748	24,423
Eliminated on disposals	–	(589)	–	(4,606)	(748)	(320)	(6,263)
At 31 December 2015	20,939	16,793	38,180	5,115	53,919	3,741	138,687
CARRYING VALUES							
At 31 December 2015	174,745	15,166	33,182	3,606	5,327	1,122	233,148
At 31 December 2014	187,291	18,029	42,499	3,721	10,273	1,916	263,729

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 December 2015

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	Over the shorter of the lease term or 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 2015 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 2015 and 2014.

As at 31 December 2014, all of the Group's building and plant and machinery have been pledged to secure banking facilities granted to the Group (see note 32). All the bank borrowings have been early repaid in July 2015 and all the corresponding pledged assets have been released.

18. INVESTMENT PROPERTIES

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

The investment properties represent the Group's interest held under an operating lease on a property project based on a framework agreement on 28 March 2007 (as supplemented on 3 April 2008) (the "Framework Agreement") entered into by 廣東環球數碼創意產業有限公司 ("Guangdong Cultural Park"), a subsidiary of the Company and 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 2015

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 purpose. As at 31 December 2015, Phase I of the Pearl River Film Cultural Park was completed and included as completed properties as further described below.

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 December 2015

18. INVESTMENT PROPERTIES *(Continued)*

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

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

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

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

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:

	2015	2014
	HK$'000	*HK$'000*
Current	**131**	138
Non-current	**5,303**	5,692
	5,434	5,830

As at 31 December 2014, all of the Group's prepaid lease payments have been pledged to secure banking facilities granted to the Group (see note 32). The pledges have been released upon the early repayment of all the bank borrowings in July 2015.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 December 2015

20. AVAILABLE-FOR-SALE INVESTMENTS

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

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

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

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

As at 31 December 2015, the fair value of this available-for-sale investment has been arrived at on the basis of a valuation carried out by Asset Appraisal. The fair value is determined based on market approach by comparison of valuation multiples of similar companies as available in the relevant markets and a fair value gain of approximately HK$368,000 is recognised under investment revaluation reserve. Approximately HK$22,444,000 is classified as non-current asset and the related derivative financial instrument, which initially recognised at fair value on 26 February 2015 when derivative contract is entered into, is subsequently remeasured to their fair value at the end of the subsequent reporting period with details set out in note 35.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 December 2015

21. OTHER RECEIVABLES AND DEPOSITS

	2015 **HK$'000**	2014 *HK$'000*
Deposits	**25,004**	26,035
Other receivables and prepayments	**7,947**	12,357
	32,951	38,392
Analysed for reporting purposes as:		
Current	**9,085**	13,392
Non-current *(note)*	**23,866**	25,000
	32,951	38,392

Note: The non-current deposit was paid by Guangdong Cultural Park to Pearl River Film Production of RMB20,000,000 (equivalent to HK$23,866,000) (2014: RMB20,000,000 equivalent to HK$25,000,000) 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

	2015 **HK$'000**	2014 *HK$'000*
Television series, net of allowance of HK$Nil (2014: HK$2,457,000)	**–**	–
Movies, net of allowance of HK$Nil (2014: HK$3,266,000)	**4,988**	3,548

At the end of the reporting period, allowance of approximately HK$Nil (2014: HK$5,723,000) 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.

Allowance of HK$5,463,000 has been written off as uncollectible during the year ended 31 December 2015.

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:

	2015 **HK$'000**	2014 *HK$'000*
Contract costs incurred plus recognised profits less recognised losses	**34,066**	80,875
Less: progress billings	**(27,919)**	(79,884)
	6,147	991
Analysed for reporting purposes as:		
Amounts due from customers for contract work	**6,654**	5,489
Amounts due to customers for contract work	**(507)**	(4,498)
	6,147	991

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 December 2015

24. TRADE RECEIVABLES

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

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

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 December 2015

24. TRADE RECEIVABLES *(Continued)*

Movements in the allowance for doubtful debts

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

25. LOAN RECEIVABLE

	2015	2014
	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

All held-for-trading investments were disposed during the year ended 31 December 2015.

Held-for-trading investments as at 31 December 2014 represented 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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 December 2015

27. STRUCTURED DEPOSITS *(Continued)*

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

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

28. BANK BALANCES AND CASH

As at 31 December 2015, bank balances (including fixed deposits) carried interest at market rates which range from 0.01% to 1.35% per annum (2014: 0.01% to 4.1% per annum).

29. ADVANCES FROM CUSTOMERS

	2015	2014
	HK$'000	*HK$'000*
Receipt in advance from students	**1,490**	3,808
Deposits and advances from customers	**5,382**	3,493
	6,872	7,301

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:

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 December 2015

31. OTHER PAYABLES AND ACCRUALS

	2015	2014
	HK$'000	*HK$'000*
Construction cost payables	**15,973**	34,672
Accruals	**15,859**	21,211
Other tax payables	**1,697**	2,567
Rental deposits from tenants	**15,172**	13,995
Others	**14,334**	12,103
	63,035	84,548

32. SECURED BANK BORROWINGS

	2015	2014
	HK$'000	*HK$'000*
Secured variable-rate bank borrowings	**–**	80,000
Carrying amount repayable:		
Within one year	**–**	45,000
More than one year, but not exceeding two years	**–**	35,000
	–	80,000
Less: Amounts due within one year shown under current liabilities	**–**	(45,000)
Amounts due after one year	**–**	35,000

All bank borrowings have been early repaid in July 2015.

As at 31 December 2014, 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% per annum. Interest is repriced every year.

As at 31 December 2015 and 2014, the Group did not have unutilised banking facility.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 December 2015

33. DEFERRED INCOME

	2015 *HK$'000*	2014 *HK$'000*
Deferred income related to government grants:		
Current portion	**8,516**	5,535
Non-current portion	**466**	2,927
	8,982	8,462

In 2015, the Group received government subsidies and awards of HK$4,483,000 (2014: HK$2,188,000) 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 years or over the useful lives of the relevant assets, which is 1 to 5 years. A credit to income of HK$3,549,000 (2014: HK$9,669,000) is resulted in the current year. As at 31 December 2015, an amount of HK$8,982,000 (2014: HK$8,462,000) remains to be amortised. The current portion of HK$8,516,000 (2014: HK$5,535,000) represents the grants to be amortised to profit or loss next year.

34. DEFERRED TAXATION

The following are the major deferred taxation recognised and movements thereon during the current and prior years:

	Fair value change on investment properties *HK$'000*	**Others** *HK$'000*	**Total** *HK$'000*
At 1 January 2014	41,940	–	41,940
Exchange realignment	(1,048)	–	(1,048)
At 31 December 2014	40,892	–	40,892
(Credit) charge to profit or loss for the year	(1,017)	3,660	2,643
Exchange realignment	(1,822)	(118)	(1,940)
At 31 December 2015	38,053	3,542	41,595

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 December 2015

35. DERIVATIVE FINANCIAL INSTRUMENT

On 26 February 2015, all the conditions precedent had been fulfilled and pursuant to the sale and purchase agreement, 23,823,822 GDC Tech shares were disposed of to Huayi Brothers at US$0.4778 per share, 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 sale and purchase agreement and the related derivative financial instrument, which initially recognised at fair value on 26 February 2015 when derivative contract is entered into, is subsequently remeasured to its fair value at the end of the subsequent reporting period. The management of the Group considers that the fair value of such derivative financial instrument at initial recognition was not significant.

The fair value of the derivative financial instrument as at 31 December 2015 has been arrived at on the basis of a valuation carried out by Asset Appraisal. The fair value is determined with reference to the future income flows which are estimated based on the underlying projected financial performance of GDC Tech and the price adjustment formula set out in the sale and purchase agreement. At the end of the reporting period, the derivative financial instrument was stated at fair value of HK$16,678,000.

The derivative financial instrument is classified as non-current liability based on the terms of the sale and purchase agreement that the remaining 5,955,955 GDC Tech shares shall be sold and transferred to Huayi Brothers in 2017.

The details of fair value measurement of the derivative financial instrument is disclosed in note 6.

36. SHARE CAPITAL

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 December 2015

37. NON-CONTROLLING INTERESTS

	Share of other net assets of subsidiaries *HK$'000*
At 1 January 2014	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
Share of profit for the year	9,191
Share of exchange differences on translation of financial statements from functional currency to presentation currency	(2,411)
At 31 December 2015	53,411

38. SHARE OPTION SCHEME

Share option scheme of the Company

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

An option may be exercised at any time during the period to be determined and notified by the directors to the grantee but may not be exercised after the expiry of ten years from the date of offer of that 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 2015 and 2014.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 December 2015

39. 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:

	2015	2014
	HK$'000	HK$'000
Within one year	18,412	20,963
In the second to fifth year inclusive	59,997	64,005
After fifth year	357,995	390,000
	436,404	474,968

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 three 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 12 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:

	2015	2014
	HK$'000	HK$'000
Within one year	67,257	62,395
In the second to fifth year inclusive	144,764	146,933
After fifth years	38,768	38,250
	250,789	247,578

40. CAPITAL COMMITMENTS

	2015	2014
	HK$'000	HK$'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of investment properties	8,342	11,019

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 December 2015

41. 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$58,000 (2014: HK$28,000) payable to the Retirement Schemes as at 31 December 2015 are included in other payables and accruals. There was no forfeited contribution in both years.

42. RELATED PARTY TRANSACTIONS

Compensation of key management personnel

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

	2015	2014
	HK$'000	*HK$'000*
Short-term benefits	**9,940**	10,175
Post-employment benefits	**360**	266
	10,300	10,441

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 2015

43. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Details of the principal subsidiaries at 31 December 2015 and 2014 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				Principal activities
				directly		indirectly		
				2015 %	2014 %	2015 %	2014 %	
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
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	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 2015

43. 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 2015 %	directly 2014 %	indirectly 2015 %	indirectly 2014 %	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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 December 2015

43. 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 2015 %	directly 2014 %	indirectly 2015 %	indirectly 2014 %	Principal activities
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
廣東環球數碼動畫製作有限公司	Established	PRC	RMB10,000,000	–	–	100	100	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 the 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 2015 %	2014 %	Profit (loss) allocated to non-controlling interests 2015 *HK$'000*	2014 *HK$'000*	Accumulated non-controlling interests 2015 *HK$'000*	2014 *HK$'000*
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	9,490	1,078	52,744	45,628
Individually immaterial subsidiaries with non-controlling interests							667	1,003
							53,411	46,631

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 2015

43. 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 a 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	**2015**	2014
	HK$'000	*HK$'000*
Current assets	**22,024**	14,309
Non-current assets	**550,517**	570,429
Current liabilities	**(366,204)**	(401,261)
Non-current liabilities	**(41,516)**	(40,892)
Equity attributable to owners of the Company	**112,077**	96,957
Non-controlling interests	**52,744**	45,628
Revenue	**46,123**	40,550
Decrease in fair value of investment property	**(4,069)**	–
Expenses	**(12,399)**	(37,182)
Profit for the year	**29,655**	3,368
Profit attributable to owners of the Company	**20,165**	2,290
Profit attributable to the non-controlling interests	**9,490**	1,078
Profit for the year	**29,655**	3,368

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 December 2015

43. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

Guangdong Cultural Park	**2015**	2014
	HK$'000	*HK$'000*
Other comprehensive expenses income attributable to owners of the Company	**(5,045)**	(2,827)
Other comprehensive expenses attributable to the non-controlling interests	**(2,374)**	(1,331)
Other comprehensive expenses for the year	**(7,419)**	(4,158)
Total comprehensive income (expenses) attributable to owners of the Company	**15,121**	(537)
Total comprehensive income (expenses) attributable to the non-controlling interests	**7,115**	(253)
Total comprehensive income (expenses) for the year	**22,236**	(790)
Net cash inflow from operating activities	**33,701**	12,685
Net cash outflow from investing activities	**(15,435)**	(22,127)
Net cash (outflow) inflow from financing activities	**(15,888)**	8,825
Net cash inflow (outflow)	**2,378**	(617)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 December 2015

44. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2015	2014
	HK$'000	*HK$'000*
Non-current asset		
Investment in a subsidiary	**–**	–
Current assets		
Prepayment, deposits and other receivables	**317**	244
Bank balances and cash	**482**	806
	799	1,050
Current liability		
Other payables and accruals	**653**	2,152
Net current assets (liabilities)	**146**	(1,102)
Net assets (liabilities)	**146**	(1,102)
Capital and deficit		
Share capital	**15,183**	15,183
Deficit	**(15,037)**	(16,285)
Total equity (deficiency)	**146**	(1,102)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 December 2015

44. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY *(Continued)*

Movement in the Company's reserves

	Share premium reserve *HK$'000*	Contributed surplus reserve *HK$'000*	Deficit *HK$'000*	Total *HK$'000*
At 1 January 2014	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)
Profit and total comprehensive income for the year	–	–	1,248	1,248
At 31 December 2015	75,856	215,102	(305,995)	(15,037)

FIVE YEARS FINANCIAL SUMMARY

CONSOLIDATED RESULTS

	For the year ended 31 December				
	2011	2012	2013	2014	**2015**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
Continuing operations					
Revenue	94,677	111,022	160,720	204,404	**181,664**
Continuing operations					
(Loss) profit from operations	(26,604)	141,441	42,091	44,987	**27,730**
Finance costs	(10,363)	(11,353)	(8,993)	(6,761)	**(2,559)**
Share of loss of an associate	(188)	–	–	–	**–**
(Loss) profit before tax	(37,155)	130,088	33,098	38,226	**25,171**
Income tax expense	–	(41,057)	(9,813)	(5,607)	**(4,986)**
(Loss) profit for the year from continuing operations	(37,155)	89,031	23,285	32,619	**20,185**
Discontinued operations					
Profit for the year from discontinued operations	387,146	–	–	–	**–**
Profit for the year	349,991	89,031	23,285	32,619	**20,185**

CONSOLIDATED ASSETS AND LIABILITIES

	At 31 December				
	2011	2012	2013	2014	**2015**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
Total assets	1,102,018	1,290,539	1,305,721	1,279,906	**1,147,370**
Total liabilities	243,565	331,047	303,480	240,166	**150,125**
Net assets	858,453	959,492	1,002,241	1,039,740	**997,245**

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%