



GLOBAL DIGITAL CREATIONS HOLDINGS LIMITED

環球數碼創意控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 8271)

FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2011

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

* For identification purpose only

FINAL RESULTS

The board of Directors of the Company (the “Board”) is pleased to announce the audited financial results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2011 with comparative figures for the year ended 31 December 2010.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2011

	NOTES	2011 HK\$'000	2010 HK\$'000 (Restated)
Continuing operations			
Revenue	3	94,677	35,920
Cost of sales		<u>(69,390)</u>	<u>(32,824)</u>
Gross profit		25,287	3,096
Other income and gains	5	14,735	6,524
Gain on dissolution of an associate		2,172	–
Distribution costs and selling expenses		(6,716)	(5,485)
Administrative expenses			
– Other administrative expenses		(58,573)	(31,112)
– Share-based payment expense		–	(18,560)
Finance costs	6	(10,363)	(1,503)
Other expenses and losses	7	(3,509)	(7,519)
Share of loss of an associate		<u>(188)</u>	<u>(106)</u>
Loss before tax		(37,155)	(54,665)
Income tax expense	8	<u>–</u>	<u>(168)</u>
Loss for the year from continuing operations	9	(37,155)	(54,833)
Discontinued operations			
Profit for the year from discontinued operations	10	<u>387,146</u>	<u>144,559</u>
Profit for the year		<u>349,991</u>	<u>89,726</u>
Other comprehensive income:			
Exchange differences arising on translation of foreign operations		23,951	11,733
Release of exchange reserve upon disposal of subsidiaries		(5,420)	–
Release of exchange reserve upon dissolution of an associate		(2,992)	–
Release of special reserve upon disposal of subsidiaries		<u>36,568</u>	<u>–</u>
		<u>52,107</u>	<u>11,733</u>
Total comprehensive income for the year		<u><u>402,098</u></u>	<u><u>101,459</u></u>

	<i>NOTE</i>	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i> (Restated)
Profit for the year attributable to:			
Owners of the Company			
– Loss for the year from continuing operations		(34,635)	(53,412)
– Profit for the year from discontinued operations		<u>340,815</u>	<u>84,809</u>
		<u>306,180</u>	<u>31,397</u>
Non-controlling interests			
– Loss for the year from continuing operations		(2,520)	(1,421)
– Profit for the year from discontinued operations		<u>46,331</u>	<u>59,750</u>
		<u>43,811</u>	<u>58,329</u>
		<u>349,991</u>	<u>89,726</u>
Total comprehensive income for the year attributable to:			
Owners of the Company		355,657	41,491
Non-controlling interests		<u>46,441</u>	<u>59,968</u>
		<u>402,098</u>	<u>101,459</u>
		<i>HK cents</i>	<i>HK cents</i>
Earnings (loss) per share	<i>11</i>		
<i>From continuing and discontinued operations</i>			
Basic		<u>22.69</u>	<u>2.42</u>
Diluted		<u>22.68</u>	<u>2.42</u>
<i>From continuing operations</i>			
Basic and diluted		<u>(2.57)</u>	<u>(4.12)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2011

	NOTES	2011 HK\$'000	2010 HK\$'000
Non-current assets			
Property, plant and equipment	12	306,878	312,578
Investment properties	13	170,605	95,395
Prepaid lease payments	14	6,029	5,875
Available-for-sale investments		85,010	588
Interest in an associate		–	22,196
Other receivables and deposits	15	24,691	42,024
		<u>593,213</u>	<u>478,656</u>
Current assets			
Inventories	16	8,922	58,870
Productions work in progress	17	1,860	13,241
Amounts due from customers for contract work	18	4,898	–
Trade receivables	19	8,735	101,490
Other receivables, prepayments and deposits	15	10,894	54,828
Prepaid lease payments	14	136	129
Held-for-trading investments		27,396	2,566
Structured deposits	20	988	41,169
Pledged bank deposits		–	46,243
Bank balances and cash		444,976	235,653
		<u>508,805</u>	<u>554,189</u>
Current liabilities			
Advances from customers		6,709	49,042
Amounts due to customers for contract work	18	1,423	165
Trade payables	21	1,276	45,563
Other payables and accruals	22	64,980	122,775
Amount due to an associate		–	21,611
Tax liabilities		1,276	17,957
Secured bank borrowings – due within one year	23	24,691	45,342
		<u>100,355</u>	<u>302,455</u>
Net current assets		<u>408,450</u>	<u>251,734</u>
Total assets less current liabilities		<u>1,001,663</u>	<u>730,390</u>
Capital and reserves			
Share capital	24	15,183	12,953
Reserves		817,915	380,825
Equity attributable to owners of the Company		833,098	393,778
Non-controlling interests	25	25,355	176,612
Total equity		858,453	570,390
Non-current liability			
Secured bank borrowing – due after one year	23	143,210	160,000
		<u>1,001,663</u>	<u>730,390</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2011

	Share capital	Share premium reserve	Capital contribution reserve	Contributed surplus reserve	Statutory reserve	Share options reserve	Exchange reserve	Special reserve	Retained earnings	Attributable to owners of the Company	Non-controlling interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2010	12,952	-	445	245,881	6,362	27,345	21,565	(46,366)	61,289	329,473	80,432	409,905
Profit for the year	-	-	-	-	-	-	-	-	31,397	31,397	58,329	89,726
Exchange differences arising on translation of foreign operations	-	-	-	-	-	-	10,094	-	-	10,094	1,639	11,733
Total comprehensive income for the year	-	-	-	-	-	-	10,094	-	31,397	41,491	59,968	101,459
Sub-total	12,952	-	445	245,881	6,362	27,345	31,659	(46,366)	92,686	370,964	140,400	511,364
Exercise of share options	1	36	-	-	-	(9)	-	-	-	28	-	28
Exercise of share options of a subsidiary	-	-	-	-	-	-	-	4,226	-	4,226	2,374	6,600
Lapse of share options granted	-	-	-	-	-	(4,792)	-	-	4,792	-	-	-
Non-controlling interests arising on acquisition of a subsidiary	-	-	-	-	-	-	-	-	-	-	27,927	27,927
Recognition of equity-settled share-based payments	-	-	-	-	-	18,560	-	-	-	18,560	5,911	24,471
At 31 December 2010	12,953	36	445	245,881	6,362	41,104	31,659	(42,140)	97,478	393,778	176,612	570,390
Profit for the year	-	-	-	-	-	-	-	-	306,180	306,180	43,811	349,991
Exchange differences arising on translation of foreign operations	-	-	-	-	-	-	21,321	-	-	21,321	2,630	23,951
Release upon disposal of subsidiaries	-	-	-	-	-	-	(5,420)	36,568	-	31,148	-	31,148
Release upon dissolution of an associate	-	-	-	-	-	-	(2,992)	-	-	(2,992)	-	(2,992)
Total comprehensive income for the year	-	-	-	-	-	-	12,909	36,568	306,180	355,657	46,441	402,098
Sub-total	12,953	36	445	245,881	6,362	41,104	44,568	(5,572)	403,658	749,435	223,053	972,488
Shares issued	2,230	75,820	-	-	-	-	-	-	-	78,050	-	78,050
Exercise of share options of a subsidiary	-	-	-	-	-	-	-	5,572	-	5,572	20,620	26,192
Lapse of share options granted	-	-	-	-	-	(214)	-	-	214	-	-	-
Lapse of share options granted by a subsidiary	-	-	-	-	-	-	-	-	41	41	(41)	-
Payment of dividends to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(138,583)	(138,583)
Release upon disposal of subsidiaries	-	-	-	-	(5,682)	-	-	-	5,682	-	(79,694)	(79,694)
At 31 December 2011	15,183	75,856	445	245,881	680	40,890	44,568	-	409,595	833,098	25,355	858,453

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2011

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i> (Restated)
OPERATING ACTIVITIES		
(Loss) profit before tax		
– continuing operations	(37,155)	(54,665)
– discontinued operations	410,508	159,792
Adjustments for:		
Depreciation of property, plant and equipment	20,453	11,512
Finance costs	10,675	2,306
Allowance for productions work in progress	4,556	–
Changes in fair value of held-for-trading investments	3,509	(168)
Written off of bad debts	1,732	–
Allowance for inventories	1,264	6,406
Loss on disposal of property, plant and equipment	486	1,291
Share of loss of an associate	188	106
Amortisation of prepaid lease payments	132	126
Share-based payment expense	–	24,471
Impairment of convertible loan receivable	–	7,519
Gain on disposal of subsidiaries	(277,329)	–
Dividend income	(8,039)	–
Gain on dissolution of an associate	(2,172)	–
Interest income	(1,974)	(4,072)
Operating cashflow before movements in working capital	126,834	154,624
Increase in inventories	(28,909)	(29,777)
Decrease (increase) in productions work in progress	7,430	(11,578)
(Increase) decrease in amounts due from customers for contract work	(1,906)	6,000
Increase in trade receivables	(33,757)	(59,071)
Increase in other receivables, prepayments and deposits	(5,933)	(36,278)
Increase in held-for-trading investments	(28,339)	–
(Decrease) increase in advances from customers	(6,360)	12,405
Increase (decrease) in amounts due to customers for contract work	4,243	(89)
(Decrease) increase in trade payables	(116)	13,782
Increase in other payables and accruals	1,520	23,569
Decrease in amounts due to fellow subsidiaries	–	(1,194)
Cash from operations	34,707	72,393
Income tax paid	(12,394)	(3,846)
NET CASH FROM OPERATING ACTIVITIES	22,313	68,547

	<i>NOTE</i>	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i> (Restated)
INVESTING ACTIVITIES			
Proceeds from disposal of subsidiaries constituting discontinued operations	<i>10</i>	275,831	–
Redemption of structured deposits		43,202	–
Proceeds from dissolution of an associate		22,242	–
Withdrawal (deposit) of pledged bank deposits		10,024	(44,218)
Dividend received		8,039	–
Interest received		1,974	2,426
Acquisition of a subsidiary		–	(63,149)
Additions in investment properties		(70,499)	(8,934)
Purchase of property, plant and equipment		(31,729)	(157,992)
Purchase of structured deposits		(988)	(41,169)
Proceeds from redemption of a convertible loan receivable		–	113,382
NET CASH FROM (USED IN) INVESTING ACTIVITIES		<u>258,096</u>	<u>(199,654)</u>
FINANCING ACTIVITIES			
Dividend paid to non-controlling interests		(138,583)	–
Repayment of bank loans		(47,582)	–
Repayment of amount due to an associate		(22,678)	–
Interest paid		(10,675)	(6,244)
Proceeds from issue of the Company's shares		78,050	–
New bank loans raised		35,008	194,754
Proceeds from exercise of share options of a subsidiary		26,192	6,600
Proceeds from issue of the Company's shares upon exercise of its share options		–	28
NET CASH (USED IN) FROM FINANCING ACTIVITIES		<u>(80,268)</u>	<u>195,138</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS		200,141	64,031
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		235,653	166,604
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		<u>9,182</u>	<u>5,018</u>
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, COMPRISING BANK BALANCES AND CASH		<u><u>444,976</u></u>	<u><u>235,653</u></u>

NOTES:

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

New and revised HKFRSs applied in the current year

In the current year, the Group have applied, for the first time, a number of new or revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), which are effective for the financial year beginning on 1 January 2011. The application of these new and revised HKFRSs in the current year has had no material impact on the Group’s financial positions for the current and prior years performance and/or on the disclosures set out in these consolidated financial statements.

New and revised HKFRSs issued 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:

Amendments to HKFRS 7	Disclosures – Transfers of Financial Assets ¹
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities ²
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures ³
HKFRS 9	Financial Instruments ³
HKFRS 10	Consolidated Financial Statements ²
HKFRS 11	Joint Arrangements ²
HKFRS 12	Disclosure of Interests in Other Entities ²
HKFRS 13	Fair Value Measurement ²
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income ⁵
Amendments to HKAS 12	Deferred Tax – Recovery of Underlying Assets ⁴
HKAS 19 (Revised 2011)	Employee Benefits ²
HKAS 27 (Revised 2011)	Separate Financial Statements ²
HKAS 28 (Revised 2011)	Investments in Associates and Joint Ventures ²
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities ⁶
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine ²

¹ Effective for annual periods beginning on or after 1 July 2011.

² Effective for annual periods beginning on or after 1 January 2013.

³ Effective for annual periods beginning on or after 1 January 2015.

⁴ Effective for annual periods beginning on or after 1 January 2012.

⁵ Effective for annual periods beginning on or after 1 July 2012.

⁶ Effective for annual periods beginning on or after 1 January 2014.

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of HKFRS 9 are described as follows:

- HKFRS 9 requires all recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* 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. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting 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.
- The most significant effect of HKFRS 9 regarding the classification and measurement of financial liabilities relates to the presentation of changes in the fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, 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. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2015, with earlier application permitted.

The Directors anticipate that HKFRS 9 will be adopted in the Group's consolidated financial statements for the financial year ending 31 December 2015 and that the adoption of HKFRS 9 will affect the classification and measurement of the Group's available-for-sale investments and may affect the classification and measurement of the Group's other financial assets but not of the Group's financial liabilities. Regarding the Group's available-for-sale investments and other financial assets, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

New and revised Standards on consolidation, joint arrangements, associates and disclosures

In June 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (as revised in 2011) and HKAS 28 (as revised in 2011).

Key requirements of these five standards that are applicable to the Group are described below.

HKFRS 10 replaces the parts of HKAS 27 *Consolidated and Separate Financial Statements* that deal with consolidated financial statements and HK(SIC) – Int 12 *Consolidation – Special Purpose Entities*. HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios.

HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in HKFRS 12 are more extensive than those in the current standards.

These five standards are effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted provided that all of these five standards are applied early at the same time.

The Directors anticipate that these five standards will be adopted in the Group's consolidated financial statements for the financial year ending 31 December 2013. The application of these five standards may have significant impact on amounts reported in the consolidated financial statements. However, the Directors have not yet performed a detailed analysis of the impact of the application of these Standards and hence have not yet quantified the extent of the impact.

HKFRS 13 Fair Value Measurement

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The Standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 *Financial Instruments: Disclosures* will be extended by HKFRS 13 to cover all assets and liabilities within its scope.

HKFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The Directors anticipate that HKFRS 13 will be adopted in the Group's consolidated financial statements for the financial year ending 31 December 2013 and that the application of the new Standard may affect the amounts reported in the consolidated financial statements and result in more extensive disclosures in the consolidated financial statements.

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis.

The amendments to HKAS 1 are effective for annual periods beginning on or after 1 July 2012. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in the future accounting periods.

The Directors anticipate that the application of the other new and revised HKFRSs will have no material impact on the consolidated financial statements.

2. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, the Directors are required to make judgements, 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.

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.

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. As at 31 December 2011, the carrying amount of property, plant and equipment is HK\$306,878,000 (2010: HK\$312,578,000).

3. REVENUE

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

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Revenue from contracts for computer graphic ("CG") creation and production	53,517	12,997
Rental income	23,608	788
Training fee	17,552	22,135
	94,677	35,920

4. 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 production and exhibition of motion pictures and production of television series and movies as well as property rental income
- CG training courses – provision of CG and animation training
- Cultural park – media entertainment and related commercial property development

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

Upon disposal of GDC Technology Limited (“GDC Tech”) and its subsidiaries (“GDC Tech Group”) and GDC Digital Cinema Network Limited (“GDC DCN”) and its subsidiaries (“GDC DCN Group”) on 6 September 2011, two operating segments, namely digital content distribution and exhibitions and deployment of digital cinema network, were discontinued in the current year. The segment information reported below does not include any amounts for these discontinued operations, which are described in more details in Note 10.

Segment revenues and results

The following is an analysis of the Group’s revenues and results from continuing operations by operating segments:

For the year ended 31 December 2011

Continuing operations

	CG creation and production <i>HK\$’000</i>	CG training courses <i>HK\$’000</i>	Cultural park <i>HK\$’000</i>	Consolidated <i>HK\$’000</i>
Revenue	<u>76,252</u>	<u>17,552</u>	<u>873</u>	<u>94,677</u>
Segment result	<u>(14,234)</u>	<u>–</u>	<u>(5,152)</u>	(19,386)
Unallocated income				8,516
Unallocated expenses				(28,269)
Share of loss of an associate				(188)
Gain on dissolution of an associate				<u>2,172</u>
Loss before tax from continuing operations				<u>(37,155)</u>

For the year ended 31 December 2010

Continuing operations

	CG creation and production <i>HK\$'000</i>	CG training courses <i>HK\$'000</i>	Cultural park <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Revenue	<u>12,997</u>	<u>22,135</u>	<u>788</u>	<u>35,920</u>
Segment result	<u>(21,193)</u>	<u>4,915</u>	<u>(5,302)</u>	(21,580)
Unallocated income				1,815
Unallocated expenses				(16,234)
Share of loss of an associate				(106)
Share-based payment expense				<u>(18,560)</u>
Loss before tax from continuing operations				<u>(54,665)</u>

Segment assets and liabilities

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

At 31 December 2011

	CG creation and production <i>HK\$'000</i>	CG training courses <i>HK\$'000</i>	Cultural park <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Assets				
Segment assets	672,366	15,921	227,427	915,714
Unallocated assets				
– Available-for-sale investments				85,010
– Held-for-trading investments				27,396
– Bank balances and cash				71,402
– Others				<u>2,496</u>
Consolidated total assets				<u>1,102,018</u>
Liabilities				
Segment liabilities	219,343	8,277	1,059	228,679
Unallocated liabilities				<u>14,886</u>
Consolidated total liabilities				<u>243,565</u>

At 31 December 2010

	CG creation and production <i>HK\$'000</i>	CG training courses <i>HK\$'000</i>	Cultural park <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Assets				
Segment assets	375,628	24,592	133,660	533,880
Interest in an associate				22,196
Unallocated assets				
– Held-for-trading investments				2,566
– Bank balances and cash				1,667
– Others				2,243
Assets relating to discontinued operations				<u>470,293</u>
Consolidated total assets				<u><u>1,032,845</u></u>
Liabilities				
Segment liabilities	232,536	10,503	61	243,100
Amount due to an associate				21,611
Unallocated liabilities				2,714
Liabilities relating to discontinued operations				<u>195,030</u>
Consolidated total liabilities				<u><u>462,455</u></u>

Geographical information

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

The Group's revenue from continuing operations from external customers by geographical location of the customers is detailed below:

	Revenue from external customers	
	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
PRC	41,571	22,923
Denmark	29,512	–
United States	19,580	8,862
Italy	1,993	3,508
Other regions	<u>2,021</u>	<u>627</u>
	<u><u>94,677</u></u>	<u><u>35,920</u></u>

5. OTHER INCOME AND GAINS

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Continuing operations		
Dividend income from available-for-sale investment	8,039	–
Government grants (<i>Note</i>)	3,097	3,905
Interest income	1,974	2,328
Changes in fair value of held-for-trading investments	–	168
Others	1,625	123
	<u>14,735</u>	<u>6,524</u>

Note: The government grants are issued by the relevant PRC authorities to certain of the Group's subsidiaries to subsidise CG production, exhibition of motion pictures and CG training in the PRC. There are no specific conditions attached to the grants or the conditions attached are satisfied. The Group has recognised the grants upon receipt.

6. FINANCE COSTS

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Continuing operations		
Interest on:		
Bank borrowing		
– wholly repayable within five years	10,363	–
– not wholly repayable within five years	–	5,441
Less: amount capitalised in the cost of qualifying assets	–	(3,938)
	<u>10,363</u>	<u>1,503</u>

7. OTHER EXPENSES AND LOSSES

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Continuing operations		
Changes in fair value of held-for-trading investments	3,509	–
Impairment of convertible loan receivable	–	7,519
	<u>3,509</u>	<u>7,519</u>

8. INCOME TAX EXPENSE

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Continuing operations		
The income tax expense comprises:		
Current tax:		
PRC Enterprise Income Tax ("EIT")	<u> -</u>	<u> 168</u>

No provision for Hong Kong Profits Tax has been made in the consolidated statement of comprehensive income for both years as the Group had no assessable profit from continuing operations arising in Hong Kong.

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

According to the Circular of the State Council on the Implementation of Transitional Preferential Policies for Enterprise Income Tax (Guofa [2007] No. 39), those entities that previously enjoyed tax incentive rate of 15% would have their applicable tax rate progressively increased to 25% over a five-year transitional period. The tax concession for the foreign investment enterprises is still applicable until the end of the five-year transitional period under the EIT Law based on the revised income tax rate. For the year ended 31 December 2011, the relevant tax rates for the Group's subsidiaries in the PRC ranged from 24% to 25% (2010: 22% to 25%).

9. LOSS FOR THE YEAR FROM CONTINUING OPERATIONS

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Loss for the year from continuing operations has been arrived at after charging:		
Staff costs, including directors' emoluments		
– Salaries, wages and other benefits	82,323	47,416
– Retirement benefit scheme contributions	2,115	2,045
– Share-based payment expense	–	18,560
	<u>84,438</u>	<u>68,021</u>
Total staff costs	84,438	68,021
Less: amounts included in contract costs	(27,491)	(480)
amounts included in productions work in progress	(234)	(5,347)
	<u>56,713</u>	<u>62,194</u>
Allowance for inventories	1,264	6,318
Allowance for productions work in progress	4,556	–
Amortisation of prepaid lease payments	132	126
Auditor's remuneration	1,480	704
Contract costs recognised as an expense:		
Staff costs	25,367	19,467
Others	26,112	2,308
	<u>51,479</u>	<u>21,775</u>
Depreciation of property, plant and equipment	24,008	11,484
Less: amounts included in contract costs	(5,985)	(125)
amounts included in productions work in progress	(63)	(1,663)
	<u>17,960</u>	<u>9,696</u>
Exchange loss, net	2,195	261
Loss on disposal of property, plant and equipment	161	1,091
Minimum lease payments under operating leases for land and buildings	5,034	3,314
Less: amounts included in contract costs	(1,942)	(20)
amounts included in productions work in progress	(13)	(186)
	<u>3,079</u>	<u>3,108</u>

10. DISCONTINUED OPERATIONS

On 8 July 2011, the Company, GDC Holdings Limited (“GDC Holdings”), a wholly-owned subsidiary of the Company, and CAG Digital Investment Holdings Limited (the “Purchaser”), an affiliate of The Carlyle Group, entered into a disposal agreement, pursuant to which the Purchaser has conditionally agreed to purchase 80% of the issued share capital of GDC Tech and 100% of the issued share capital of GDC DCN, in which GDC Holdings is required to procure 80% of the issued share capital of GDC Tech to be sold (the “Disposal”).

The Disposal was completed on 6 September 2011. The Group received a consideration for the Disposal of HK\$347,547,000. The Group now holds approximately 11.93% of the issued share capital of GDC Tech and does not hold any interest in GDC DCN. Accordingly, the two operating segments, namely digital content distribution and exhibition and deployment of digital cinema network run by GDC Tech Group and GDC DCN Group, were considered as discontinued operations since 6 September 2011.

Details of the Disposal are set out in the announcements of the Company dated 11 July 2011 and 7 September 2011 and the circular of the Company dated 17 August 2011.

The profit for the year from the discontinued operations is analysed as follows:

	1.1.2011 to 6.9.2011 HK\$'000	1.1.2010 to 31.12.2010 HK\$'000
Profit from discontinued operations	109,817	144,559
Gain on disposal of discontinued operations	277,329	–
	<u>387,146</u>	<u>144,559</u>

The results of the discontinued operations for the period from 1 January 2011 to 6 September 2011, which has been included in the consolidated statement of comprehensive income, were as follows. No separate disclosure of the results of each of GDC Tech Group and GDC DCN Group has been made as the results attributable to GDC DCN Group are insignificant.

	1.1.2011 to 6.9.2011 HK\$'000	1.1.2010 to 31.12.2010 HK\$'000
Revenue	420,649	548,099
Cost of sales	(217,128)	(302,768)
Gross profit	203,521	245,331
Other income and gains	3,122	3,187
Distribution costs and selling expenses	(19,608)	(15,581)
Administrative expenses		
– Other administrative expenses	(46,320)	(57,174)
– Share-based payment expense	–	(5,911)
Finance costs	(312)	(803)
Research and development costs	(7,224)	(9,257)
Profit before tax	133,179	159,792
Income tax expense	(23,362)	(15,233)
Profit from discontinued operations	<u>109,817</u>	<u>144,559</u>

The profit from discontinued operations has been arrived at after charging (crediting) the following:

	1.1.2011	1.1.2010
	to	to
	6.9.2011	31.12.2010
	HK\$'000	HK\$'000
Staff costs, including directors' emoluments:		
– Salaries, wages and other benefits	31,489	40,223
– Retirement benefit scheme contributions	1,115	1,288
– Share-based payment expense	–	5,911
	<hr/>	<hr/>
Total staff costs	32,604	47,422
	<hr/>	<hr/>
Allowance for inventories	–	88
Written off of bad debts	1,732	–
Auditor's remuneration	299	447
Cost of inventories recognised as an expense	159,322	228,076
Depreciation of property, plant and equipment	2,493	1,816
Loss on disposal of property, plant and equipment	325	200
Minimum lease payments under operating leases for land and buildings	4,518	4,616
Exchange gain, net	(637)	(64)
	<hr/> <hr/>	<hr/> <hr/>

The combined net assets of GDC Tech Group and GDC DCN Group at the date of the Disposal were as follows. No separate disclosure of the net assets of each of GDC Tech Group and GDC DCN Group has been made as the net assets attributable to GDC DCN Group are insignificant.

	<i>HK\$'000</i>
Property, plant and equipment	24,834
Other receivables, prepayments and deposits	69,038
Inventories	78,360
Trade receivables	127,362
Pledged bank deposits	38,503
Bank balances and cash	59,350
Trade payables	(44,361)
Advances from customers	(38,048)
Other payables and accruals	(84,210)
Tax liabilities	(28,429)
Secured bank borrowings	(35,008)
	<hr/>
	167,391
	<hr/> <hr/>

The gain on disposal of discontinued operations is calculated as follows:

	<i>HK\$'000</i>
Gross proceeds from disposal	347,547
Fair value of the remaining 11.93% equity interest in GDC Tech on 6 September 2011 (<i>Note a</i>)	84,393
Less: Net assets attributable to GDC Tech Group and GDC DCN Group	(167,391)
Non-controlling interests	79,694
Release of exchange and special reserves to profit or loss	<u>(31,148)</u>
Gain on disposal before associated costs and transaction costs	313,095
Associated costs (<i>Note b</i>)	(23,400)
Transaction costs	<u>(12,366)</u>
Gain on disposal	<u><u>277,329</u></u>
Net cash inflow arising on disposal:	
Gross proceeds from disposal, net of transaction costs	335,181
Less: bank balances and cash disposed of	<u>(59,350)</u>
	<u><u>275,831</u></u>

Notes:

- (a) The fair value of the remaining 11.93% equity interest in GDC Tech is determined by using the share price sold to the Purchaser on 6 September 2011 (i.e. HK\$2.836 per share) multiplied by the remaining number of share that the Group held after the Disposal (i.e. 29,757,868 shares).
- (b) Associated costs represented compensation payable of HK\$23,400,000 (equivalent to US\$3,000,000) as set out in the agreement entered into by the Group with the management of GDC Tech Group pursuant to the Disposal in which HK\$15,600,000 (equivalent to US\$2,000,000) has not settled and included in other payable at 31 December 2011.

Cash flows from discontinued operations:

	2011	2010
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash from operating activities	61,609	67,388
Net cash from (used in) investing activities	125,522	(88,788)
Net cash (used in) from financing activities	(282,356)	76,630
Effect of foreign exchange rate changes	3,440	4,012
	<u>3,440</u>	<u>4,012</u>
Net cash flows	<u>(91,785)</u>	<u>59,242</u>

11. EARNINGS (LOSS) PER SHARE

From continuing and discontinued operations

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

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Earnings		
Earnings for the purpose of basic earnings per share (Profit for the year attributable to owners of the Company)	306,180	31,397
Effect of dilutive potential ordinary shares:		
Adjustment to share of profit of a subsidiary constituting discontinued operation based on dilution of its earnings per share	<u>(35)</u>	<u>—</u>
Earnings for the purpose of diluted earnings per share	<u>306,145</u>	<u>31,397</u>
	2011 <i>'000</i>	2010 <i>'000</i>
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	<u>1,349,631</u>	<u>1,295,365</u>

The effect of incremental shares from assumed exercise of share options have been excluded from calculation of the diluted earnings per share from continuing and discontinued operations for the years ended 31 December 2010 and 2011 because their assumed exercise would result in decrease in earnings per share from continuing and discontinued operations.

From continuing operations

The calculation of the basic and diluted loss per share from continuing operations attributable to owners of the Company is based in the following data:

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Loss		
Loss for the purposes of basic and diluted loss per share from continuing operations (Loss for the year from continuing operations attributable to the owners of the Company)	<u>(34,635)</u>	<u>(53,412)</u>
	2011 <i>'000</i>	2010 <i>'000</i>
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	<u>1,349,631</u>	<u>1,295,365</u>

The effect of incremental shares from assumed exercise of share options have been excluded from calculation of the diluted loss per share from continuing operations for the years ended 31 December 2010 and 2011 because their assumed exercise would result in decrease in loss per share from continuing operations.

From discontinued operations

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

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Earnings		
Earnings for the purposes of basic earnings per share from discontinued operations (Profit for the year from discontinued operations attributable to owners of the Company)	340,815	84,809
Effect of dilutive potential ordinary shares:		
Adjustment to share of profit of a subsidiary constituting discontinued operation based on dilution of its earnings per share	<u>(35)</u>	<u>—</u>
Earnings for the purposes of diluted earnings per share from discontinued operations	<u>340,780</u>	<u>84,809</u>

Basic and dilutive earnings per share for the discontinued operations are of HK25.25 cents and HK25.25 cents per share (2010: HK6.54 cents per share), based on the profit for the year from discontinued operations of HK\$340,815,000 and HK\$340,780,000, respectively (2010: HK\$84,809,000) and the denominators used are the same as those detailed above for both basic and diluted earnings per share from continuing and discontinued operations.

12. PROPERTY, PLANT AND EQUIPMENT

	Carrying values <i>HK\$'000</i>
At 1 January 2011	312,578
Exchange realignment	14,392
Additions	31,729
Depreciation for the year	(26,501)
Disposals	(486)
Disposal of subsidiaries	(24,834)
	<hr/>
At 31 December 2011	<u>306,878</u>

13. INVESTMENT PROPERTIES

	Properties interest under construction <i>HK\$'000</i>
COST	
At 1 January 2011	95,395
Exchange realignment	4,711
Additions	70,499
	<hr/>
At 31 December 2011	<u>170,605</u>

The investment properties represent the properties interest held under an operating lease on a property project under construction which arose from a framework agreement on 28 March 2007 (as supplemented on 3 April 2008) entered into by 廣東環球數碼創意產業有限公司 (Guangdong GDC Cultural Park Limited*) (formerly known as 廣東時尚置業有限公司 Guangdong Shishang Zhiye Investment Co., Ltd.)* (“Guangdong Cultural Park”) and 珠江電影製片有限公司 (Pearl River Film Production Company Limited*) (“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”).

The investment properties are stated at cost as the fair value of the properties under construction cannot be reliably measured.

* *English name for identification only*

14. PREPAID LEASE PAYMENTS

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

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Current	136	129
Non-current	<u>6,029</u>	<u>5,875</u>
	<u><u>6,165</u></u>	<u><u>6,004</u></u>

15. OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Deposit (<i>Note a</i>)	25,430	40,995
Other receivables related to the virtual print fee arrangement ("VPF Arrangement") (<i>Note b</i>)	–	48,322
Others	<u>10,155</u>	<u>7,535</u>
	<u><u>35,585</u></u>	<u><u>96,852</u></u>
Analyses for reporting purposes :		
Current	10,894	54,828
Non-current	<u>24,691</u>	<u>42,024</u>
	<u><u>35,585</u></u>	<u><u>96,852</u></u>

Notes:

- (a) The deposit was paid by Guangdong Cultural Park to Pearl River Film Production of RMB20,000,000 (equivalent to HK\$25,430,000) for the development of the Pearl River Film Cultural Park in 2010. The deposit is refundable upon the completion of the entire project, which is expected to be completed in 2 to 3 years.
- (b) GDC DCN Group signed certain VPF Arrangement with distributors and exhibitors for digital content (collectively referred to as "Third Parties") in connection with the deployment of digital cinema equipment in cinemas in Asia. Under the VPF Arrangement, the Group provided (i) assembly and integration services in respect of digital cinema equipment and install the equipment in the exhibitors' cinemas as well as (ii) financing to the Third Parties for a portion of the agreed purchase price of this digital cinema equipment. These receivables, which were to be settled based on the usage of the digital cinema equipment within 10 years from the date of installation, bear interest at the cost of funds incurred by that subsidiary arising from the VPF Arrangement at a fixed-rate of 10% per annum for the year ended 31 December 2010. During the year ended 31 December 2011, the Group installed 24 (2010: 39) units of digital cinema equipment under the VPF Arrangement.

The Directors expected that approximately HK\$6,298,000 would be settled within one year after the year ended 31 December 2010 and this amount was therefore classified as a current asset in 2010.

On 6 September 2011, the Group disposed 100% equity interest in GDC DCN Group and hence the Group did not have any receivables related to the VPF Arrangement after the Disposal as set out in Note 10.

16. INVENTORIES

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Raw materials, net of allowance of Nil (2010: HK\$2,502,000)	–	28,604
Finished goods, net of allowance of HK\$1,295,000 (2010: HK\$8,152,000)	<u>8,922</u>	<u>30,266</u>
	<u>8,922</u>	<u>58,870</u>

17. PRODUCTIONS WORK IN PROGRESS

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Television series, net of allowance of HK\$1,442,000 (2010: Nil)	468	9,223
Movies, net of allowance of HK\$3,226,000 (2010: Nil)	<u>1,392</u>	<u>4,018</u>
	<u>1,860</u>	<u>13,241</u>

During the year, the Group transferred HK\$10,124,000 (2010: Nil) of productions work in progress to inventories when the projects were completed. Included in the productions work in progress, there was allowance of HK\$4,668,000 (2010: Nil) as the management consider that the production costs incurred for the projects cannot be recoverable in the foreseeable future.

18. 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:

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Contract costs incurred plus recognised profits		
less recognised losses	43,042	662
Less: progress billings	<u>(39,567)</u>	<u>(827)</u>
	<u>3,475</u>	<u>(165)</u>
Analysed for reporting purposes as:		
Amounts due from customers for contract work	4,898	–
Amounts due to customers for contract work	<u>(1,423)</u>	<u>(165)</u>
	<u>3,475</u>	<u>(165)</u>

19. TRADE RECEIVABLES

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:

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Within three months	8,580	62,270
Three to six months	99	29,382
Over six months	<u>56</u>	<u>9,838</u>
	<u>8,735</u>	<u>101,490</u>

The Group allows different credit period to its customers, ranging from 30 days to 120 days, depending on the types of products sold or services provided.

20. STRUCTURED DEPOSITS

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Financial products	988	23,522
Principal – protected financial products	<u>–</u>	<u>17,647</u>
	<u>988</u>	<u>41,169</u>

21. 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:

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Within three months	666	45,027
Three to twelve months	13	536
Over one year	597	–
	<u>1,276</u>	<u>45,563</u>

The average credit period on purchases of goods is 60 days.

22. OTHER PAYABLES AND ACCRUALS

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Construction payable	27,554	47,046
Accruals	9,690	45,328
Rental deposits from tenants	4,487	–
Other tax payables	170	12,101
Others	23,079	18,300
	<u>64,980</u>	<u>122,775</u>

23. SECURED BANK BORROWINGS

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Secured variable-rate bank borrowing	167,901	162,352
Secured fixed-rate bank borrowings	–	42,990
	<u>167,901</u>	<u>205,342</u>

Carrying amount repayable:

Within one year	24,691	45,342
More than one year, but not exceeding two years	29,630	23,529
More than two years, but not exceeding three years	34,568	28,235
More than three years, but not exceeding four years	44,444	32,941
More than four years, but not exceeding five years	34,568	42,353
Over five years	–	32,942
	<u>167,901</u>	205,342
Less: Amounts due within one year shown under current liabilities	<u>(24,691)</u>	<u>(45,342)</u>
Amounts due after one year	<u>143,210</u>	<u>160,000</u>

24. SHARE CAPITAL

	Number of shares	Share capital <i>HK\$</i>
Ordinary shares of HK\$0.01 each		
Authorised:		
At 1 January 2010, 31 December 2010 and 2011	<u>2,400,000,000</u>	<u>24,000,000</u>
Issued and fully paid		
At 1 January 2010	1,295,245,540	12,952,455
Exercise of share options	<u>10,000</u>	<u>100</u>
At 31 December 2010	1,295,255,540	12,952,555
Shares issued	<u>223,000,000</u>	<u>2,230,000</u>
At 31 December 2011	<u>1,518,255,540</u>	<u>15,182,555</u>

Pursuant to a subscription agreement entered on 12 July 2011, the Company allotted and issued 223,000,000 new shares of HK\$0.01 each at the subscription price HK\$0.35 per share on 4 October 2011 with the proceeds of HK\$78,050,000 to certain Directors. These shares rank pari passu in all respects with other shares in issue.

25. NON-CONTROLLING INTERESTS

	Share of share options reserve of a subsidiary <i>HK\$'000</i>	Share of other net assets of subsidiaries <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2011	8,936	167,676	176,612
Share of profit for the year	–	43,811	43,811
Share of exchange differences arising on translation of foreign operations	–	2,630	2,630
Exercise of share options of a subsidiary	(7,855)	28,475	20,620
Lapse of share options granted by a subsidiary	(41)	–	(41)
Payment of dividends	–	(138,583)	(138,583)
Release upon disposal of subsidiaries	<u>(1,040)</u>	<u>(78,654)</u>	<u>(79,694)</u>
At 31 December 2011	<u>–</u>	<u>25,355</u>	<u>25,355</u>

26. LITIGATION

The Company received an original complaint in April 2010, a first amended complaint in July 2010 and a second amended complaint in March 2011 for damages and injunctive relief, and demand for jury trial (the “Proceeding”) filed with the District Court, Central District of California Western Division of the United States (the “Court”) by X6D Limited, X6D USA Inc. and XpanD, Inc. (collectively, the “X6D”) against, among others, the Company and its subsidiaries namely GDC Tech, GDC Technology China Limited, GDC Technology (USA), LLC and GDC Technology of America LLC (collectively, the “Defendants”) for copyright infringement, trademark and trade dress infringement, patent infringement, misappropriation of trade secrets and statutory unfair competition in relation to the 3D glasses sold by the Defendants. Sale of 3D glasses is not a core business of the Group.

The Group filed its answer and counterclaims in November 2010 and amended answers and counterclaims in January 2011 and April 2011 denying X6D’s allegations, asserting various affirmative defenses and asserting eight counterclaims against X6D generally that, among others, X6D did not own any valid intellectual property rights that cover the Defendants’ 3D glasses and X6D wrongfully and intentionally interfered with the Defendants’ prospective business relations with their potential customers. In January 2011 and May 2011, X6D filed its answers to the counterclaims denying the Defendants’ allegations and asserting various affirmative defenses.

In May 2011, X6D filed with the United States Patent & Trademark Office re-issue request for all three of its design patents. In June 2011, the Defendants filed a motion to stay the litigation on the ground that the patent claims were in flux due to the re-issue applications, and that the same facts applied to the validity of all of X6D’s intellectual property and trade secrets claims, and all claims involved common products. X6D filed its opposition to the motion in July 2011. The Court issued its order granting the stay as to the patent claims but denying the motion as to all non-patent claims in August 2011.

During the mediation on 9 March 2012, X6D and the Group reached an agreement to settle the dispute out of the Court. Although the settlement agreement was not finalised prior to the date of the consolidated financial statements are authorised for issuance, once the agreement is signed, all claims between X6D and the Group will be resolved.

Based on the terms of the settlement agreement, no provision for any potential liability is required to be made by the Group in the consolidated financial statements.

27. CAPITAL COMMITMENTS

	2011 <i>HK\$’000</i>	2010 <i>HK\$’000</i>
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of investment properties	<u>104,093</u>	<u>64,182</u>

FINAL DIVIDEND

The Board does not recommend the payment of any dividend for the year ended 31 December 2011 (2010: Nil).

CHAIRMAN'S STATEMENT

The global economic environment for the year 2011 was clouded by uncertainties. The economy showed signs of growth following the economic stimulus packages implemented by governments of various countries in the beginning of the year. Nevertheless, a slowdown witnessed amidst a barrage of economic shocks from the surrounding environments, particularly the financial instability triggered by the Eurozone crisis that may drag down global economic growth. Worries caused by sovereign debt have spreaded from surrounding countries to core members of the Eurozone, and as far as other Advanced Economies. Real economies would also be affected as liquidity recedes. Emerging markets, which stayed unaffected by the negative impact of the global economic situation over the years, are now facing problems of capital fluctuation and diverse export conditions. Economists have started to make downward adjustment on the outlook forecast of these markets.

In the face of such a complex global economic crisis, no industry could be immune from this difficult time. We must continue to rely on our professional capabilities and dedications to achieve better synergy, seize potential opportunities and meet upcoming challenges.

In ploughing through 2010, which had been a difficult year for the industry, the Group worked on more CG production projects during the year as a result of the continuous recovery of the international animation production industry. Revenue from contracts for CG creation and production increased significantly when compared with that for the year 2010. The Group currently has a number of CG production projects in progress from overseas and there are several co-production projects and service projects under negotiation or in their testing stages, two of which are in Europe and are about to commence production. This demonstrates the result of the Group's operational policies in delivering high quality products to customers and enhancing its financial control and production efficiency to improve its performance.

The Group's attempt in diversifying its intellectual property investment achieves further success. At present, one of the two 3D-animated films has been completed and has obtained a license for public release scheduled in the year 2012; one CG-animated television series has been completed and has obtained a license for distribution and the Group has appointed an international distribution agent while certain countries and regions have confirmed their purchases; and one traditional-animated television series has also been completed and is now being distributed both domestically and internationally. In addition, the Group will invest in and new CG-animated television series and production of trailer has been started. A number of foreign companies have shown their interest in cooperating with us. The Group has made achievements in introducing the domestic creation industry to the global market and eventually promoting Chinese culture worldwide.

3D film and television market worldwide experiences rapid growth and the animation industry in the PRC continues to expand as we have expected. In addition to the investments in its own intellectual property assets, the Group will also expand to related businesses. During the year, the Group had developed its local creation and production business in the PRC, among which a creative production project on a large theme park in Shenzhen has been completed and commenced operations with credits from customers. This further enhances the brand of the Group and promotes the Group's market image as a professional team on cultural creation, production and management.

Our CG training division is not as smooth as other divisions this year. Due to greater competition in the market, income from CG training division decreased. At present, the Group is upgrading the existing training courses with the latest CG technology and organises more training programmes in other areas in response to market demands from different aspects. The Group has also enhanced its marketing efforts. During the year, we commenced strategic brand cooperation with other pioneers in the industry, enhanced industrial linkages, integrated resources and improved the employment rate of graduates. The Group has diversified its product portfolio and established a training system with greater coverage on the basis of the existing training system, in order to build a new model to succeed in the animation training industry.

Moreover, our achievements in the CG business have gained recognition from the PRC government and the market, with the market influence of our corporate brand ever increasing. During the year, the Group has been repeatedly chosen to be the site-visit target of the senior officials of the central, provincial and municipal governments. It has also been selected for the first time as one of the venues of China (Shenzhen) International Cultural Industries Fair. Besides, the Group successfully organised the summit forum of the PRC animation industry and participated in the China International Cartoon and Animation Festival and the Hong Kong International Film and TV Market (FILMART). We also invited Anthony LaMolinara, who was awarded the Academy Award for Achievement in Visual Effects, to join the Group as its chief artistic director. As always, we endeavour to promote the PRC's creative technology and culture to the global market.

The acquisition of 68% interest in Guangdong Cultural Park in 2010 provided us an opportunity to participate in the media entertainment and property development business in the PRC. We appointed several renowned architects, consultants and building management companies to prepare and refine the redevelopment plan of the Pearl River Film Cultural Park, so as to take advantage of the prime location and the urban redevelopment policy in the PRC. We believe that the redeveloped cultural park will become an eye-catching scenic spot in Guangzhou and our growth engine in the future. It will be a sustainable and fast-growing source of revenue for the Group and will be an exemplar for the operation of similar projects of the Group. By means of these, we will be able to and improve our brand image in the cultural industry and maximise returns for our shareholders.

The year 2012 is expected to be a year of transition and development. In light of the continuous growth in the CG creation and production division, the potential recovery in the CG training division as well as the huge development potentials in the cultural park division, we reasonably believe that the Group will maintain continuous business development and become an internationally renowned digital and cultural industry group.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Overview

Revenue from continuing operations for the year ended 31 December 2011 was HK\$94,677,000, when comparing with that of HK\$35,920,000 for the year 2010, representing a significant increase of 164%. The increase was mainly attributable to increases in revenue from CG creation and production division by HK\$63,255,000, out of which HK\$22,735,000 is related to the increase in rental income in 2011. The Group worked on more CG production projects during the year as a result of the continuous recovery of the international animation production industry and received more rental income generated during the year from leasing of the Group's headquarters building in Shenzhen.

Cost of sales from continuing operations for the year ended 31 December 2011 amounted to HK\$69,390,000, when comparing with that of HK\$32,824,000 for the year 2010, representing an increase of 111%. The increase was mainly due to more CG production costs incurred.

The Group recorded a gross profit from continuing operations of HK\$25,287,000 for the year ended 31 December 2011, representing a gross profit margin of 27%. Comparing with the gross profit margin of 9% for the year 2010, the significant improvement was mainly attributable to the fact that the Group worked on more CG production projects with higher profit margins.

Other income from continuing operations for the year ended 31 December 2011 amounted to HK\$14,735,000 (2010: HK\$6,524,000), representing an increase of 126%. The increase was mainly due to a dividend income of HK\$8,039,000 received during the year.

Distribution costs and selling expenses from continuing operations for the year ended 31 December 2011 amounted to HK\$6,716,000 (2010: HK\$5,485,000), representing an increase of 22%. The increase was mainly due to more marketing expenses spent on the Pearl River Film Cultural Park.

Administrative expenses from continuing operations for the year ended 31 December 2011 amounted to HK\$58,573,000 (2010: HK\$49,672,000), representing an increase of 18%. There was HK\$18,560,000 share-based payment expense in 2010 while there is nil in 2011. The increase in other administrative expenses was mainly due to depreciation of property, plant and equipment for the year increased by HK\$3,764,000 to HK\$7,922,000 upon completion of the Group's construction of the headquarters building in Shenzhen in late 2010, and higher staff costs and office operating expenses incurred as a result of the growth in the scale of operations of the Group.

Finance costs from continuing operations for the year ended 31 December 2011 amounted to HK\$10,363,000 (2010: HK\$1,503,000), which represented interest on bank borrowing for the headquarters building in Shenzhen that was not eligible for capitalisation upon completion of the construction.

Following completion of the disposal of interests in GDC Tech and GDC DCN on 6 September 2011, operations of digital content distribution and exhibitions division and deployment of digital cinema network division were considered as discontinued. The profit for the year from the discontinued operations of HK\$387,146,000 for the year ended 31 December 2011 represented gain on disposal of discontinued operations of HK\$277,329,000 and profit from discontinued operations for the period from 1 January 2011 to 6 September 2011 of HK\$109,817,000.

Overall, the Group recorded a profit attributable to owners of the Company of HK\$306,180,000 for the year ended 31 December 2011, representing a significant increase of 875% when compared with that of HK\$31,397,000 for the year 2010. Excluding the profit for the year from discontinued operations, the Group recorded a loss attributable to owners of the Company from continuing operations of HK\$34,635,000 for the year ended 31 December 2011, representing an improvement of 35% when compared with that of HK\$53,412,000 for the year 2010.

Basic and diluted earnings per share from continuing and discontinued operations for the year ended 31 December 2011 amounted to HK22.69 cents (2010: HK2.42 cents) and HK22.68 cents (2010: HK2.42 cents), respectively, representing significant increases of 838% and 837% when compared with that for the year 2010. Excluding the profit for the year from discontinued operations, basic and diluted loss per share from continuing operations for the year ended 31 December 2011 amounted to HK2.57 cents (2010: HK4.12 cents), representing an improvement of 38% when compared with that for the year 2010.

Business Review and Outlook

CG creation and production

Revenue from CG creation and production division for the year 2011 increased significantly by 487% to HK\$76,252,000 when compared with that for the year 2010, out of which HK\$22,735,000 is related to the increase in rental income in 2011. The Group currently has five CG production projects in progress from customers in Australia, Europe and North America and there are several co-production projects and service projects under negotiation or in their testing stages, two of which in Europe are about to commence production. The Group will not only continue to deliver high quality products to customers, but also enhance its financial control and production efficiency to improve its performance.

The Group's diversification into intellectual property investment has achieved a preliminary success. At present, one of the two 3D-animated films has been completed and has obtained a license for public release scheduled in the year 2012; one CG-animated television series has been completed and has obtained a license for distribution and the Group has appointed an international distribution agent while certain countries and regions have confirmed their purchase; and one traditional-animated television series has also been completed and is now being distributed both domestically and internationally. In addition, the Group will invest in new CG-animated television series and production of trailer has been started. A number of foreign companies have shown their interest in cooperating with the Group.

In view of the growing 3D film and television market worldwide and the expanding animation industry in the PRC, the Group continues to invest in its own intellectual property assets and plans for expansion of related businesses. The Group will also continue to develop its local creation and production business in the PRC, in which a creative production project on a large theme park in Shenzhen has been completed and commenced operations with credits from customers.

CG training

For the year ended 31 December 2011, due to greater competition in the market, training fee from CG training division decreased by 21% to HK\$17,552,000 when comparing with that for the year 2010. In order to improve the performance of the division, the Group will not only upgrade the existing training courses with the latest CG technology, but also organise more training programmes in other areas in response to market demands. The Group will also enhance its marketing efforts to expand recruitment channels, strengthen the quality of training with a view to improve the employment rate of graduates. With an aim to expand the student base in the market, the Group has developed new module in addition to the existing intermediate to advance-level training programmes in order to diversify the product portfolio and establish a training system with elementary, intermediate and advance levels. In addition, the Group has introduced a new course on “traditional animation on hands”.

The Group also continues to co-operate with prominent colleges in the PRC to organise “Training on Campus” and “Skills and Qualifications” training programmes for their students in achieving “One Course, Multiple Certifications”, and to hone their practical skills to prepare for immediate employment after graduation. In the meantime, the Group tries to work on new production models using training resources in order to meet the domestic needs on intellectual property projects.

The Group’s training centres in Shanghai, Shenzhen, Wuxi, Chongqing and Guangzhou provide a comprehensive geographical coverage in the PRC, with a view to stimulate and promote its training business to those areas with developed animation industry and further expand its training network.

Cultural park

During the year, the construction work for the redevelopment of Phase I of the Pearl River Film Cultural Park has commenced with an aggregate construction fee of approximately HK\$92.0 million. The Group has prepared a detailed construction plan with several renowned architects, consultants and building management companies for the redevelopment of other phases of the Pearl River Film Cultural Park which has been submitted to the relevant PRC authorities for approval. The redeveloped Pearl River Film Cultural Park includes, subject to approval, a commercial complex comprising cinema, shops and restaurants, and a new multi-storey office tower.

Given the prime location of the Pearl River Film Cultural Park, the urban redevelopment policy in Guangzhou, the rapid economic growth and development of the retail and recreation market in the PRC, the Group is of the view that the whole redevelopment of the Pearl River Film Cultural Park will bring sustainable and steady income growth to the Group and improve its profitability. It provides a good opportunity for the Group to tap into the media entertainment and property development businesses in the PRC which has been growing rapidly.

Digital content distribution and exhibitions & Deployment of digital cinema network – discontinued operations

As a result of an increase in orders of digital cinema equipment from customers in the PRC and worldwide during the period from 1 January 2011 to 6 September 2011, revenue from digital content distribution and exhibitions division reached HK\$411,133,000.

Since more exhibitors participated in the VPF Arrangements and more digital cinema networks were deployed, segment revenue from deployment of digital cinema network division reached HK\$9,516,000 for the period from 1 January 2011 to 6 September 2011.

On 8 July 2011, the Group signed a disposal agreement to dispose most of its interest in digital content distribution and exhibitions division and its entire interest in deployment of digital cinema network division. The Disposal was completed on 6 September 2011 and the Group received a consideration for the Disposal of HK\$347.5 million. The Group now holds 11.93% of the issued share capital of GDC Tech and does not hold any interest in GDC DCN.

The Group considered that it was a good opportunity for the Group to realise part of its investment at the pinnacle of the industry's development, enabling the Group to further strengthen its current cash flows and liquidity positions and carry on business with sustainable and higher growth to finance the construction works of the redevelopment of various phases of the Pearl River Film Cultural Park once the detailed construction plan has been approved.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2011, the Group had bank balances and cash of HK\$445.0 million (2010: HK\$235.7 million) which were mainly denominated in Hong Kong dollars, Renminbi and United States dollars, no pledged bank deposits (2010: HK\$46.2 million) and structured deposits of HK\$1.0 million (2010: HK\$41.2 million). The increase was mainly attributable to the disposal of most of the Group's interest in digital content distribution and exhibitions division and its entire interest in deployment of digital cinema network division completed on 6 September 2011 and the Group received a consideration for the Disposal of HK\$347.5 million.

As at 31 December 2011, the Group's borrowings amounted to HK\$167.9 million, of which HK\$24.7 million were repayable within twelve months from 31 December 2011 and HK\$143.2 million were repayable after twelve months from 31 December 2011. The borrowings were mainly denominated in Renminbi and bore interest at market rates.

The Group's gearing ratio (calculated as borrowings divided by equity attributable to owners of the Company) as at 31 December 2011 was 20% (2010: 52%). As at 31 December 2011, the Group had a current ratio of 5.1 (2010: 1.8) based on current assets of HK\$508.8 million and current liabilities of HK\$100.4 million. The significant improvement in the gearing ratio was mainly attributable to the Group received a consideration for the Disposal of HK\$347.5 million during the year.

CAPITAL STRUCTURE

The equity attributable to owners of the Company amounted to HK\$833.1 million as at 31 December 2011 (2010: HK\$393.8 million). The increase was mainly attributable to profit for the year ended 31 December 2011 attributable to owners of the Company of HK\$306.2 million, proceeds from issue of shares of HK\$78.1 million, release of reserves upon disposal of subsidiaries of HK\$31.1 million and exchange differences arising on translation of foreign operations of HK\$21.3 million.

MATERIAL ACQUISITIONS, DISPOSALS AND SIGNIFICANT INVESTMENT

On 8 July 2011, the Company, GDC Holdings and the Purchaser entered into a disposal agreement, pursuant to which the Purchaser has conditionally agreed to purchase 80% of the issued share capital of GDC Tech, a non-wholly owned subsidiary of GDC Holdings, and 100% of the issued share capital of GDC DCN, a wholly-owned subsidiary of GDC Holdings, and GDC Holdings is required to procure 80% of the issued share capital of GDC Tech to be sold.

The Disposal was completed on 6 September 2011. The Group received a consideration for the Disposal of HK\$347.5 million. The Group now holds approximately 11.93% of the issued share capital of GDC Tech and does not hold any interest in GDC DCN. Accordingly, operations of digital content distribution and exhibitions division and deployment of digital cinema network division were considered as discontinued operations since 6 September 2011.

Details of the Disposal are set out in the announcements of the Company dated 11 July 2011 and 7 September 2011 and the circular of the Company dated 17 August 2011.

Save as disclosed above, the Group did not have any material acquisitions, disposals and significant investment during the year ended 31 December 2011.

CHARGE ON ASSETS

As at 31 December 2011, the Group's building, plant and machinery and prepaid lease payments with an aggregate carrying value of HK\$267.8 million were pledged to a bank to secure for a bank borrowing with an outstanding amount of HK\$167.9 million. As at 31 December 2011, the Group had no unutilised banking facility.

FOREIGN EXCHANGE EXPOSURE

Currently, the Group earns revenue mainly in Renminbi, Euro dollars and United States dollars and incurs costs mainly in Renminbi and Hong Kong dollars. The Directors believe that the Group does not have significant foreign exchange exposure, and thus 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 2011, the Group had no significant exposure under foreign exchange.

CONTINGENT LIABILITIES

Saved as disclosed in note 26 about litigation proceedings, the Group had no significant contingent liabilities as at 31 December 2011.

EMPLOYEES

As at 31 December 2011, the Group employed 459 (2010: 627) 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 2011, the Company and its subsidiaries have neither paid nor committed to pay any amount as an inducement to join or upon joining the Company and/or its subsidiaries to any individual.

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

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

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the code provisions of the Code on Corporate Governance Practices set out in Appendix 15 of the GEM Listing Rules throughout the year ended 31 December 2011.

COMPLIANCE WITH CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company adopted a code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiries with the Directors, all Directors confirmed that they have complied with such code of conduct and the required standard of dealings regarding securities transactions by the Directors throughout the year ended 31 December 2011.

AUDIT COMMITTEE AND REVIEW OF CONSOLIDATED FINANCIAL STATEMENT

The consolidated financial statements of the Group for the year ended 31 December 2011 have been audited by the Company's auditor, Messrs. Deloitte Touche Tohmatsu. A meeting of the Audit Committee of the Company was held with the auditor and the management of the Company for, amongst other things, reviewing the final results of the Group for the year ended 31 December 2011.

The figures in respect of the Group's consolidated statement of financial position as at 31 December 2011, and consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended 31 December 2011, and the related notes thereto as set out in the result announcement have been agreed by the Company's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year.

ANNUAL GENERAL MEETING

The annual general meeting of the Company (the "Annual General Meeting") will be held at Concord Room, 8/F., Renaissance Harbour View Hotel Hong Kong, 1 Harbour Road, Wanchai, Hong Kong on Friday, 25 May 2012 at 10:00 a.m.. The notice of the Annual General Meeting will be separately published in due course.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 23 May 2012 to Friday, 25 May 2012 both dates inclusive, during which period, no transfer of shares will be registered. In order to qualify for attend and vote at the Annual General Meeting, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with Hong Kong branch share registrar and transfer office of the Company, Tricor Standard Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Tuesday, 22 May 2012.

PUBLICATION OF FINAL RESULTS AND 2011 ANNUAL REPORT

The final results announcement of the Company is published on the Stock Exchange's website (www.hkexnews.hk) and the Company's website (www.gdc-world.com). The annual report of the Company for the year ended 31 December 2011 will be dispatched to the Shareholders and published on the Stock Exchange's website (www.hkexnews.hk) and the Company's website (www.gdc-world.com) in due course.

APPRECIATION

On behalf of the Board, I would like to extend our sincere thanks to our customers, suppliers and shareholders for their continuous support to the Group. I would also extend my gratitude and appreciation to all directors, management and staff for their hard work and dedication throughout the period.

By Order of the Board
Li Shaofeng
Chairman

Hong Kong, 22 March 2012

As at the date of this announcement, the Board comprises Mr. Li Shaofeng (Chairman and Executive Director), Mr. Chen Zheng (Managing Director and Executive Director), Mr. Jin Guo Ping (Deputy Managing Director and Executive Director), Mr. Leung Shun Sang, Tony (Non-executive Director), Mr. Kwong Che Keung, Gordon (Independent Non-executive Director), Mr. Hui Hung, Stephen (Independent Non-executive Director) and Prof. Japhet Sebastian Law (Independent Non-executive Director).

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