



環球數碼

GLOBAL DIGITAL CREATIONS HOLDINGS LIMITED

環球數碼創意控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 8271)

FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2014

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

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

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

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

* For identification purpose only

FINAL RESULTS

The board of Directors of the Company (the “Board”) is pleased to announce the audited financial results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2014 with comparative figures for the year ended 31 December 2013.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For The Year Ended 31 December 2014

	NOTES	2014 HK\$'000	2013 HK\$'000
Revenue	2	204,404	160,720
Cost of sales		(126,789)	(96,461)
Gross profit		77,615	64,259
Other income		50,859	47,029
Distribution costs and selling expenses		(19,104)	(19,972)
Administrative expenses		(66,539)	(67,261)
Increase in fair value of investment properties		–	13,418
Finance costs		(6,761)	(8,993)
Other gains		2,156	4,618
Profit before tax		38,226	33,098
Income tax expense	4	(5,607)	(9,813)
Profit for the year	5	32,619	23,285
Other comprehensive (expenses) income:			
<i>Item that will not be reclassified to profit or loss:</i>			
Exchange differences on translation of financial statements from functional currency to presentation currency		(20,991)	19,536
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Increase in fair value of available-for-sale investments	8	25,986	–
Other comprehensive income for the year		4,995	19,536
Total comprehensive income for the year		37,614	42,821
Profit (loss) for the year attributable to:			
Owners of the Company		31,862	33,833
Non-controlling interests		757	(10,548)
		32,619	23,285
Total comprehensive income (expenses) for the year attributable to:			
Owners of the Company		38,228	51,608
Non-controlling interests		(614)	(8,787)
		37,614	42,821
		HK cents	HK cents
Earnings per share	7		
Basic and diluted		2.10	2.23

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2014

	NOTES	2014 HK\$'000	2013 HK\$'000
Non-current assets			
Property, plant and equipment		263,729	287,135
Investment properties		542,350	544,327
Prepaid lease payments		5,692	5,979
Available-for-sale investments	8	22,701	85,034
Other receivables and deposits		25,000	25,641
		<u>859,472</u>	<u>948,116</u>
Current assets			
Productions work in progress		3,548	6,541
Amounts due from customers for contract work		5,489	5,521
Trade receivables	9	40,016	17,066
Other receivables and deposits		13,392	12,988
Loan receivable		25,000	–
Prepaid lease payments		138	141
Available-for-sale investments	8	88,303	–
Held-for-trading investments		15,717	36,833
Structured deposits	10	130,788	185,164
Bank balances and cash		98,043	93,351
		<u>420,434</u>	<u>357,605</u>
Current liabilities			
Advances from customers		7,301	10,433
Amounts due to customers for contract work		4,498	4,361
Trade payables	11	4,134	2,583
Other payables and accruals		84,548	98,842
Tax liabilities		10,331	11,021
Deferred income		5,535	12,100
Secured bank borrowings – due within one year		45,000	35,897
		<u>161,347</u>	<u>175,237</u>
Net current assets		<u>259,087</u>	<u>182,368</u>
Total assets less current liabilities		<u>1,118,559</u>	<u>1,130,484</u>
Non-current liabilities			
Deferred income		2,927	4,252
Deferred tax liabilities		40,892	41,940
Secured bank borrowings – due after one year		35,000	82,051
		<u>78,819</u>	<u>128,243</u>
Net assets		<u>1,039,740</u>	<u>1,002,241</u>
Capital and reserves			
Share capital	12	15,183	15,183
Reserves		977,926	940,946
Equity attributable to owners of the Company		993,109	956,129
Non-controlling interests		46,631	46,112
Total equity		<u>1,039,740</u>	<u>1,002,241</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For The Year Ended 31 December 2014

	Attributable to owners of the Company											Non-controlling interests	Total
	Share capital	Share premium reserve	Capital contribution reserve	Contributed surplus reserve	Statutory reserve	Investment revaluation reserve	Share options reserve	Exchange reserve	Special reserve	Retained earnings	Sub-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	HK\$'000
At 1 January 2013	15,183	75,856	445	245,881	680	–	16,895	55,489	39	494,053	904,521	54,971	959,492
Profit (loss) for the year	–	–	–	–	–	–	–	–	–	33,833	33,833	(10,548)	23,285
Exchange differences on translation of financial statements from functional currency to presentation currency	–	–	–	–	–	–	–	17,775	–	–	17,775	1,761	19,536
Total comprehensive income (expenses) for the year	–	–	–	–	–	–	–	17,775	–	33,833	51,608	(8,787)	42,821
Sub-total	15,183	75,856	445	245,881	680	–	16,895	73,264	39	527,886	956,129	46,184	1,002,313
Lapse of share options granted	–	–	–	–	–	–	(16,895)	–	–	16,895	–	–	–
Transfer to statutory reserve	–	–	–	–	190	–	–	–	–	(190)	–	–	–
Dividend paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	(72)	(72)
At 31 December 2013	15,183	75,856	445	245,881	870	–	–	73,264	39	544,591	956,129	46,112	1,002,241
Profit for the year	–	–	–	–	–	–	–	–	–	31,862	31,862	757	32,619
Exchange differences on translation of financial statements from functional currency to presentation currency	–	–	–	–	–	–	–	(19,620)	–	–	(19,620)	(1,371)	(20,991)
Increase in fair value of available-for-sale investments	–	–	–	–	–	25,986	–	–	–	–	25,986	–	25,986
Other comprehensive income (expenses) for the year	–	–	–	–	–	25,986	–	(19,620)	–	–	6,366	(1,371)	4,995
Total comprehensive income (expenses) for the year	–	–	–	–	–	25,986	–	(19,620)	–	31,862	38,228	(614)	37,614
Sub-total	15,183	75,856	445	245,881	870	25,986	–	53,644	39	576,453	994,357	45,498	1,039,855
Acquisition of additional interest in a subsidiary	–	–	–	–	–	–	–	–	(1,248)	–	(1,248)	1,248	–
Transfer to statutory reserve	–	–	–	–	237	–	–	–	–	(237)	–	–	–
Dividend paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	(115)	(115)
At 31 December 2014	15,183	75,856	445	245,881	1,107	25,986	–	53,644	(1,209)	576,216	993,109	46,631	1,039,740

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 December 2014

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

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

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

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

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

HKFRS 9	Financial Instruments ¹
HKFRS 14	Regulatory Deferral Accounts ²
HKFRS 15	Revenue from Contracts with Customers ³
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations ⁵
Amendments to HKAS 1	Disclosure Initiative ⁵
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation ⁵
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions ⁴
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010 – 2012 Cycle ⁶
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011 – 2013 Cycle ⁴
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012 – 2014 Cycle ⁵
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants ⁵
Amendments to HKAS 27	Equity Method in Separate Financial Statements ⁵
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁵
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception ⁵

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

² Effective for first annual HKFRS financial statements beginning on or after 1 January 2016

³ Effective for annual periods beginning on or after 1 January 2017

⁴ Effective for annual periods beginning on or after 1 July 2014

⁵ Effective for annual periods beginning on or after 1 January 2016

⁶ Effective for annual periods beginning on or after 1 July 2014, with limited exceptions

HKFRS 9 *Financial Instruments*

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

Key requirements of HKFRS 9 are described below:

- All recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.
- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability’s credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities’ credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.
- In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.
- The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an “economic relationship”. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity’s risk management activities have also been introduced.

The directors of the Company (“Directors”) anticipate that the application of HKFRS 9 in the future may affect the amounts reported in respect of the Group’s financial assets and financial liabilities. Regarding the Group’s financial assets, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

HKFRS 15 *Revenue from Contracts with Customers*

In July 2014, HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related interpretations when it becomes effective.

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

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

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

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

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

2. REVENUE

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

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

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

3. SEGMENT INFORMATION

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

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

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

Segment revenue and results

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

For the year ended 31 December 2014

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

For the year ended 31 December 2013

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

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

Segment revenue reported above represents revenue generated from external customers.

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

Segment assets and liabilities

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

At 31 December 2014

	CG creation and production <i>HK\$'000</i>	CG training <i>HK\$'000</i>	Cultural park <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
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				<u>1,279,906</u>
Liabilities				
Segment liabilities	149,118	5,950	81,177	236,245
Unallocated liabilities				3,921
Consolidated total liabilities				<u>240,166</u>

At 31 December 2013

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

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

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

Other segment information

For the year ended 31 December 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 (<i>Note</i>)	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	<u>(20,643)</u>	<u>–</u>	<u>–</u>	<u>(20,643)</u>	<u>–</u>	<u>(20,643)</u>

For the year ended 31 December 2013

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

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

Geographical information

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

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

	Revenue from external customers		Non-current assets (Note)	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
PRC	161,394	130,083	810,920	836,025
Denmark	28,643	8,132	–	–
USA	6,448	3,879	–	–
Hong Kong	–	123	851	1,416
France	7,472	12,753	–	–
Italy	53	291	–	–
Australia	–	5,459	–	–
South Korea	394	–	–	–
	<u>204,404</u>	<u>160,720</u>	<u>811,771</u>	<u>837,441</u>

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

Information about major customers

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

	2014 HK\$'000	2013 HK\$'000
Customer A ¹	22,679	26,880
Customer B ¹	<u>28,289</u>	<u>N/A²</u>

¹ Revenue from CG creation and production business.

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

4. INCOME TAX EXPENSE

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

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

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

According to the Circular of State Council for the tax policies on the animation enterprise (Caishui [2009] No. 65), the PRC subsidiaries which qualified as animation enterprise are entitled to tax concession, whereby their applicable tax rate will progressively increase to 25%. The tax concession will expire in 2016. One of the PRC subsidiaries was able to enjoy a preferential tax rate at 12.5% in 2014 as it was qualified as animation enterprise. For the year ended 31 December 2014, the relevant tax rates for the Group's subsidiaries in the PRC was ranged from 12.5% to 25% (2013: 25%).

5. PROFIT FOR THE YEAR

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

6. DIVIDENDS

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

7. EARNINGS PER SHARE

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

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

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

8. AVAILABLE-FOR-SALE INVESTMENTS

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

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

As at 31 December 2013, these available-for-sale investments are measured at cost less impairment of HK\$84,393,000 because the range of reasonable fair value estimate is so significant that the Directors are of the opinion that the fair value cannot be measured reliably. As at 31 December 2014, these available-for-sales investments are measured at fair value of HK\$110,379,000 with reference to the quoted transaction price of the Disposal. Gain on revaluation of available-for-sale investments of HK\$25,986,000 is recognised under investment revaluation reserve.

On 26 February 2015, all the conditions precedent had been fulfilled and pursuant to the sales and purchase agreement, 23,823,822 GDC Tech shares were disposed of to Huayi Brothers at US\$0.4778 per share and the cumulative gain amounted to approximately HK\$20,789,000 previously accumulated in the investment revaluation reserve is reclassified to profit or loss. At the end of the reporting period, available-for-sale investments of approximately HK\$88,303,000 is classified as current assets.

Pursuant to the sales and purchase agreement, the remaining 5,955,955 GDC Tech shares shall be sold and transferred to Huayi Brothers in 2017 at US\$0.4778 per share, subject to adjustment with regards to the terms and conditions of the sales and purchase agreement. At the end of the reporting period, available-for-sale investments of approximately HK\$22,701,000 is classified as non-current assets and the related derivative financial instrument is initially recognised at fair value on 26 February 2015 when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the subsequent reporting period.

9. TRADE RECEIVABLES

	2014 HK\$'000	2013 HK\$'000
Trade receivables	40,016	17,369
Less: Allowance for doubtful debts	<u>—</u>	<u>(303)</u>
Total trade receivables	<u>40,016</u>	<u>17,066</u>

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

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

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

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

Included in the Group's trade receivables are debtors with an aggregate carrying amount of approximately HK\$353,000 (2013: HK\$91,000) which are past due at the end of the reporting period for which the Group does not provide for impairment loss as the directors assessed that the balances will be recovered. The Group does not hold any collateral over these receivables.

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

	2014 HK\$'000	2013 HK\$'000
Nine to twelve months	<u>353</u>	<u>91</u>

Movements in the allowance for doubtful debts

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

10. STRUCTURED DEPOSITS

	2014 HK\$'000	2013 HK\$'000
Principal-protected financial products	<u>130,788</u>	<u>185,164</u>

The structured deposits as at 31 December 2014 and 2013 are principal-protected deposits issued by banks in the PRC. The principal-protected deposits carry interest rates ranging from 3.3% to 5.0% (2013: 3.6% to 5.6%) per annum, depending on the market prices of the financial instruments, including money market instruments and debt instruments. The structured deposits are designated at FVTPL on initial recognition as they contain non-closely related embedded derivative. The Directors consider the fair values of the structured deposits, which are based on the prices the counterparty banks would pay to redeem at 31 December 2014 and 2013, respectively, approximate to their carrying values at 31 December 2014 and 2013. The fair value of the structured deposits was classified as level 2 of the fair value hierarchy. There were no transfers between Level 1 and 2.

The structured deposits of approximately HK\$60,102,000 have been redeemed in January 2015. The change in fair value up to the date of redemption is not significant. The structured deposits of approximately HK\$70,686,000 do not have specific redemption date and can be redeemed any time before expiry date in April 2015. The change in fair value up to the date of report is not significant.

11. TRADE PAYABLES

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

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

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.

12. SHARE CAPITAL

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

13. LITIGATION

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

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

FINAL DIVIDEND

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

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL OVERVIEW

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

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

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

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

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

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

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

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

BUSINESS REVIEW AND OUTLOOK

CG creation and production

The Group's revenue from the CG creation and production division was primarily generated from the production service of international animated television dramas, box office receipts and copyrights from intellectual property animated films projects, copyrights of animated television dramas and film production for exhibition and display etc. The revenue from the CG creation and production division for the year ended 31 December 2014 amounted to HK\$147,015,000, representing an increase of HK\$25,045,000 or approximately 21% as compared with the revenue for 2013 of HK\$121,970,000.

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

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

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

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

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

CG Training

The revenue from the CG training division for the year ended 31 December 2014 amounted to HK\$16,839,000, representing a slight increase of approximately 7% as compared with the revenue for 2013 of HK\$15,740,000.

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

students “Super Three – New Year Edition” and “Droplet! Droplet!” were among the finalists for the Best Mobile Animation Award (手機動畫入圍獎) at the 2014 Xiamen Gold Dolphin Animation Festival (2014年廈門金海豚動畫節).

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

Cultural Park

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

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

LIQUIDITY AND FINANCIAL RESOURCES

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

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

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

CAPITAL STRUCTURE

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

MATERIAL ACQUISITIONS, DISPOSALS AND SIGNIFICANT INVESTMENT

On 28 November 2014, GDC Holdings Limited ("GDC Holdings"), a wholly-owned subsidiary of the Company, and the Huayi Brothers International Investment Limited (the "Purchaser"), an independent third party of the Company, entered into the sale and purchase agreement ("Agreement"), pursuant to which the Purchaser has conditionally agreed to acquire and GDC Holdings has conditionally agreed to sell all the shares of GDC 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%, resulting in recognition of gain on disposal of available-for-sale investment at an amount of approximately HK\$20,789,000 in the profit or loss that had been recognised under investment revaluation reserve as at 31 December 2014. Pursuant to the Agreement, the remaining GDC Tech Shares shall be sold and transferred to the Purchaser at the 2nd completion, subject to the terms and conditions of the Agreement.

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

Save as disclosed above, the Group did not have any material acquisitions, disposals and significant investment during the year ended 31 December 2014.

CHARGE ON ASSETS

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

FOREIGN EXCHANGE EXPOSURE

Currently, the Group earns revenue mainly in Renminbi, Euro and United States dollars while costs are mainly incurred in Renminbi and Hong Kong dollars. The Directors believe that the Group does not have significant foreign exchange exposure, and thus has not implemented any foreign currency hedging policy at the moment. However, if necessary, the Group will consider using forward exchange contracts to hedge against foreign currency exposures. As at 31 December 2014, the Group had no significant exposure under foreign exchange.

CONTINGENT LIABILITIES

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

EMPLOYEES

As at 31 December 2014, the Group employed 524 (2013: 535) full time employees (excluding those employees under the payroll of an associate of the Group). The Group remunerates its employees mainly with reference to the prevailing market practice, individual performance and experience. Other benefits, such as medical coverage, insurance plan, mandatory provident fund, discretionary bonus and employee share option scheme are also available to the employees of the Group.

During the year ended 31 December 2014, the Company and its subsidiaries have neither paid nor committed to pay any amount as an inducement to join or upon joining the Company and/or its subsidiaries to any individual.

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

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

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company has complied with the Corporate Governance Code during the year ended 31 December 2014 as set out in Appendix 15 of the GEM Listing Rules.

COMPLIANCE WITH CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiries with the Directors, all Directors confirmed that they have complied with such code of conduct and the required standard of dealings regarding securities transactions by the Directors throughout the year ended 31 December 2014.

AUDIT COMMITTEE AND REVIEW OF CONSOLIDATED FINANCIAL STATEMENT

The consolidated financial statements of the Group for the year ended 31 December 2014 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 2014.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and the related notes thereto for the year ended 31 December 2014 as set out in this preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on this preliminary announcement.

ANNUAL GENERAL MEETING

The annual general meeting of the Company (the "Annual General Meeting") will be held at The Residence, Mezzanine Floor, Grand Hyatt Hong Kong, 1 Harbour Road, Wanchai, Hong Kong on Friday, 22 May 2015 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, 20 May 2015 to Friday, 22 May 2015 both dates inclusive, during which period, no transfer of shares will be registered. In order to qualify for attend and vote at the Annual General Meeting, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with Hong Kong branch share registrar and transfer office of the Company, Tricor Standard Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Tuesday, 19 May 2015.

PUBLICATION OF 2014 FINAL RESULTS AND 2014 ANNUAL REPORT

The final results announcement of the Company is published on the websites of the GEM website (www.hkgem.com) and the Company's website (www.gdc-world.com). The annual report of the Company for the year ended 31 December 2014 will be dispatched to the Shareholders and published on the GEM website (www.hkgem.com) and the Company's website (www.gdc-world.com) in due course.

APPRECIATION

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

By Order of the Board

Li Shaofeng

Chairman

Hong Kong, 25 March 2015

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