



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)**

**INTERIM RESULTS  
FOR THE SIX MONTHS ENDED 30 JUNE 2015**

**CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE  
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**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

## INTERIM RESULTS

The board of Directors of the Company (the “Board”) hereby announces the unaudited condensed consolidated financial results of the Company and its subsidiaries (the “Group”) for the three months and six months ended 30 June 2015 with comparative figures for the corresponding period in the year 2014.

### CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*For the six months ended 30 June 2015*

		Three months ended 30 June		Six months ended 30 June	
	NOTES	2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)
Revenue	4	59,618	65,794	102,352	102,443
Cost of sales		(33,925)	(39,674)	(59,195)	(63,071)
Gross profit		25,693	26,120	43,157	39,372
Other income		2,649	19,838	5,220	26,887
Distribution costs and selling expenses		(9,806)	(12,227)	(11,652)	(15,092)
Administrative expenses		(12,885)	(14,486)	(31,046)	(30,126)
Finance costs		(1,100)	(1,754)	(2,355)	(3,661)
Other gains and losses	5	5,519	(5,772)	25,018	11,009
Profit before tax		10,070	11,719	28,342	28,389
Income tax (expense) credit	6	(2,632)	475	(3,363)	(303)
Profit for the period	7	7,438	12,194	24,979	28,086
<b>Other comprehensive income (expenses):</b>					
<b>Item that will not be reclassified to profit or loss:</b>					
Exchange differences on translation of financial statements from functional currency to presentation currency		36	29	36	(20,637)
<b>Items that may be subsequently reclassified to profit or loss:</b>					
Decrease in fair value of available-for-sale investments		(445)	–	(445)	–
Cumulative gain reclassified to profit or loss on sale of available-for-sale investments		–	–	(20,789)	–
Other comprehensive (expenses) income for the period		(409)	29	(21,198)	(20,637)
Total comprehensive income for the period		7,029	12,223	3,781	7,449

	<i>NOTE</i>	Three months ended		Six months ended	
		30 June		30 June	
		2015	2014	2015	2014
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(unaudited)	(unaudited)	(unaudited)	(unaudited)
Profit (loss) for the period attributable to:					
Owners of the Company		<b>6,064</b>	14,249	<b>21,461</b>	32,645
Non-controlling interests		<b>1,374</b>	(2,055)	<b>3,518</b>	(4,559)
		<u><b>7,438</b></u>	<u>12,194</u>	<u><b>24,979</b></u>	<u>28,086</u>
Total comprehensive income (expenses)					
for the period attributable to:					
Owners of the Company		<b>5,647</b>	14,306	<b>255</b>	13,380
Non-controlling interests		<b>1,382</b>	(2,083)	<b>3,526</b>	(5,931)
		<u><b>7,029</b></u>	<u>12,223</u>	<u><b>3,781</b></u>	<u>7,449</u>
		<i>HK cents</i>	<i>HK cents</i>	<i>HK cents</i>	<i>HK cents</i>
Earnings per share	9				
Basic		<u><b>0.40</b></u>	<u>0.94</u>	<u><b>1.41</b></u>	<u>2.15</u>

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2015

	NOTES	30 June 2015 HK\$'000 (unaudited)	31 December 2014 HK\$'000 (audited)
<b>Non-current assets</b>			
Property, plant and equipment		255,727	263,729
Investment properties		548,011	542,350
Prepaid lease payments		5,623	5,692
Available-for-sale investments		22,256	22,701
Other receivables and deposits		25,000	25,000
		<u>856,617</u>	<u>859,472</u>
<b>Current assets</b>			
Productions work in progress		967	3,548
Amounts due from customers for contract work		10,405	5,489
Trade receivables	10	36,163	40,016
Other receivables and deposits		15,648	13,392
Loan receivable		–	25,000
Prepaid lease payments		138	138
Available-for-sale investments		–	88,303
Held-for-trading investments		–	15,717
Structured deposits		155,329	130,788
Bank balances and cash		174,854	98,043
		<u>393,504</u>	<u>420,434</u>
<b>Current liabilities</b>			
Advances from customers		6,518	7,301
Amounts due to customers for contract work		3,459	4,498
Trade payables	11	5,195	4,134
Other payables and accruals		71,010	84,548
Tax liabilities		13,246	10,331
Deferred income		5,419	5,535
Secured bank borrowings - due within one year		47,500	45,000
		<u>152,347</u>	<u>161,347</u>
<b>Net current assets</b>		<u>241,157</u>	<u>259,087</u>
<b>Total assets less current liabilities</b>		<u>1,097,774</u>	<u>1,118,559</u>

	<i>NOTE</i>	<b>30 June 2015 HK\$'000 (unaudited)</b>	<b>31 December 2014 HK\$'000 (audited)</b>
<b>Non-current liabilities</b>			
Deferred income		<b>1,244</b>	2,927
Deferred tax liabilities		<b>40,892</b>	40,892
Secured bank borrowings - due after one year		<b>10,000</b>	35,000
Derivative financial instrument		<b>2,117</b>	–
		<b>54,253</b>	78,819
<b>Net assets</b>		<b>1,043,521</b>	<b>1,039,740</b>
<b>Capital and reserves</b>			
Share capital	<i>12</i>	<b>15,183</b>	15,183
Reserves		<b>978,181</b>	977,926
Equity attributable to owners of the Company		<b>993,364</b>	993,109
Non-controlling interests		<b>50,157</b>	46,631
<b>Total equity</b>		<b>1,043,521</b>	<b>1,039,740</b>

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2015

	Attributable to owners of the Company										Non-controlling interests	Total
	Share capital	Share premium	Capital contribution reserve	Contributed surplus reserve	Statutory reserve	Investment revaluation 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
At 1 January 2015 (audited)	15,183	75,856	445	245,881	1,107	25,986	53,644	(1,209)	576,216	993,109	46,631	1,039,740
Profit for the period	-	-	-	-	-	-	-	-	21,461	21,461	3,518	24,979
Exchange differences on translation of financial statements from functional currency to presentation currency	-	-	-	-	-	-	28	-	-	28	8	36
Decrease in fair value of available-for-sale investments	-	-	-	-	-	(445)	-	-	-	(445)	-	(445)
Cumulative gain reclassified to profit or loss on sale of available-for-sale investments	-	-	-	-	-	(20,789)	-	-	-	(20,789)	-	(20,789)
Other comprehensive (expenses) income	-	-	-	-	-	(21,234)	28	-	-	(21,206)	8	(21,198)
Total comprehensive (expenses) income for the period	-	-	-	-	-	(21,234)	28	-	21,461	255	3,526	3,781
At 30 June 2015 (unaudited)	15,183	75,856	445	245,881	1,107	4,752	53,672	(1,209)	597,677	993,364	50,157	1,043,521
At 1 January 2014 (audited)	15,183	75,856	445	245,881	870	-	73,264	39	544,591	956,129	46,112	1,002,241
Profit (loss) for the period	-	-	-	-	-	-	-	-	32,645	32,645	(4,559)	28,086
Exchange differences on translation of financial statements from functional currency to presentation currency	-	-	-	-	-	-	(19,265)	-	-	(19,265)	(1,372)	(20,637)
Total comprehensive (expenses) income for the period	-	-	-	-	-	-	(19,265)	-	32,645	13,380	(5,931)	7,449
At 30 June 2014 (unaudited)	15,183	75,856	445	245,881	870	-	53,999	39	577,236	969,509	40,181	1,009,690

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 30 June 2015*

## 1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 (“HKAS 34”) *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants as well as with the applicable disclosure requirements of Chapter 18 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

## 2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments, which are measured at fair values, as appropriate.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2015 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2014.

In the current interim period, the Group has applied the following accounting policy for financial liability at fair value through profit or loss (“FVTPL”):

Financial liability is classified as at FVTPL when it is designated as at FVTPL on initial recognition.

A financial liability may be designated as at FVTPL upon initial recognition if:

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

Financial liability at FVTPL is stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the “other gains and losses” line item.

### 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:

- Computer graphic (“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.

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

#### Six months ended 30 June 2015 (unaudited)

	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>70,878</u>	<u>8,969</u>	<u>22,505</u>	<u>102,352</u>
Segment result	<u>1,394</u>	<u>(973)</u>	<u>12,908</u>	13,329
Unallocated income				25,411
Unallocated expenses				<u>(10,398)</u>
Profit before tax				<u>28,342</u>

#### Six months ended 30 June 2014 (unaudited)

	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>77,682</u>	<u>7,376</u>	<u>17,385</u>	<u>102,443</u>
Segment result	<u>5,106</u>	<u>(1,195)</u>	<u>3,507</u>	7,418
Unallocated income				29,353
Unallocated expenses				<u>(8,382)</u>
Profit before tax				<u>28,389</u>

All of the segment revenue reported above is from external customers.



The following is an analysis of the Group's assets by operating segments:

#### Segment assets

	<b>30 June 2015 HK\$'000 (unaudited)</b>	31 December 2014 HK\$'000 (audited)
CG creation and production	484,545	503,482
CG training	9,956	10,346
Cultural park	<u>595,182</u>	<u>588,455</u>
Total segment assets	<u><b>1,089,683</b></u>	<u><b>1,102,283</b></u>

#### 4. REVENUE

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

	<b>Three months ended 30 June 2015 HK\$'000 (unaudited)</b>		<b>Six months ended 30 June 2015 HK\$'000 (unaudited)</b>	
	2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)
Revenue from contracts for CG creation and production ( <i>Note</i> )	30,148	41,959	44,722	55,564
Rental and building management service fee income	23,898	20,288	48,661	39,503
CG training fee	<u>5,572</u>	<u>3,547</u>	<u>8,969</u>	<u>7,376</u>
	<u><b>59,618</b></u>	<u><b>65,794</b></u>	<u><b>102,352</b></u>	<u><b>102,443</b></u>

*Note:* During the six months ended 30 June 2015, an amount of approximately HK\$15,264,000 (six months ended 30 June 2014: HK\$21,052,000) was attributable to revenue from the release of one animated film (six months ended 30 June 2014: two animated films) based on an agreed sharing percentage of the box office receipts.

## 5. OTHER GAINS AND LOSSES

	Three months ended 30 June		Six months ended 30 June	
	2015	2014	2015	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Gain on disposal of available-for-sale investments	–	–	20,789	–
Changes in fair value of held-for-trading investments ( <i>Note</i> )	7,870	(5,938)	6,265	10,528
Loss on fair value changes of derivative financial instrument	(2,117)	–	(2,117)	–
Changes in fair value of structured deposits	(111)	166	204	181
Loss on disposal of property, plant and equipment	(123)	–	(123)	–
Recovery of allowance for doubtful debts	–	–	–	300
	<u>5,519</u>	<u>(5,772)</u>	<u>25,018</u>	<u>11,009</u>

*Note:* During the six months ended 30 June 2015, an amount of approximately HK\$6,265,000 (six months ended 30 June 2014: HK\$11,052,000) was attributable to the realised gain on fair value change of held-for-trading investments.

## 6. INCOME TAX EXPENSE (CREDIT)

	Three months ended 30 June		Six months ended 30 June	
	2015	2014	2015	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
PRC Enterprise Income Tax (“EIT”):				
Current tax	3,306	(196)	4,037	582
Overprovisions in prior years	(674)	(279)	(674)	(279)
Income tax expense (credit)	<u>2,632</u>	<u>(475)</u>	<u>3,363</u>	<u>303</u>

No provision for Hong Kong Profits Tax has been made in the condensed consolidated statement of profit or loss and other comprehensive income for both periods since the Group had no assessable profit arising in Hong Kong (six months ended 30 June 2014: the assessable profit is wholly absorbed by tax losses brought forward).

Under the Law of the People’s Republic of China (the “PRC”, for the purpose of this announcement, does not include Hong Kong, Macau and Taiwan) on Enterprise Income Tax (the “EIT Law”) and Implementation Rules 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% from 2014 till 2016 as it was qualified as animation enterprise. For the six months ended 30 June 2015, the relevant tax rates for the Group's subsidiaries in the PRC was ranged from 12.5% to 25% (six months ended 30 June 2014: 12.5% to 25%).

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

## 7. PROFIT FOR THE PERIOD

	Three months ended 30 June		Six months ended 30 June	
	2015	2014	2015	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Profit for the period has been arrived at after charging:				
Amortisation of prepaid lease payments	34	34	69	69
Depreciation of property, plant and equipment	5,788	5,678	11,479	11,420
Less: amounts included in contract work amounts included in productions work in progress	(652)	(1,197)	(1,479)	(1,741)
	(31)	(127)	(63)	(162)
	5,105	4,354	9,937	9,517
Advertising expenses (included in distribution costs and selling expenses)	9,005	11,018	9,619	12,922
Net exchange (gain) loss	(286)	37	2,541	75
Total staff costs	24,401	29,525	50,952	56,772
Less: amounts included in contract work amounts included in productions work in progress	(4,062)	(7,737)	(9,864)	(12,080)
	(327)	(990)	(553)	(1,401)
	20,012	20,798	40,535	43,291
Contract costs recognised as an expense				
Staff costs	9,398	9,732	18,549	19,544
Others	12,249	17,797	17,230	19,837
	21,647	27,529	35,779	39,381

## 8. DIVIDENDS

The board of Directors does not recommend the payment of an interim dividend for the six months ended 30 June 2015 (six months ended 30 June 2014: nil).

## 9. EARNINGS PER SHARE

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

	Three months ended 30 June		Six months ended 30 June	
	2015	2014	2015	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
<b>Earnings</b>				
Earnings for the purposes of basic earnings per share (profit for the period attributable to owners of the Company)	<u>6,064</u>	<u>14,249</u>	<u>21,461</u>	<u>32,645</u>
	'000	'000	'000	'000
<b>Number of shares</b>				
Number of ordinary shares in issue for the purposes of basic earnings per share	<u>1,518,256</u>	<u>1,518,256</u>	<u>1,518,256</u>	<u>1,518,256</u>

No diluted earnings per share has been presented for both periods as there were no potential ordinary shares in issue.

## 10. TRADE RECEIVABLES

	30 June 2015 HK\$'000 (unaudited)	31 December 2014 HK\$'000 (audited)
Trade receivables	<u>36,163</u>	<u>40,016</u>

Except for rental income receivable from tenants, which is due for settlement upon issue of invoices, 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 trade receivables, net of allowance for doubtful debts:

	<b>30 June 2015 HK\$'000 (unaudited)</b>	<b>31 December 2014 HK\$'000 (audited)</b>
Within three months	<b>35,781</b>	39,065
Three to six months	<b>30</b>	517
Over six months	<b>352</b>	434
	<b><u>36,163</u></b>	<b><u>40,016</u></b>

## 11. TRADE PAYABLES

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

	<b>30 June 2015 HK\$'000 (unaudited)</b>	<b>31 December 2014 HK\$'000 (audited)</b>
Within three months	<b>4,185</b>	3,056
Three to twelve months	<b>83</b>	195
Over twelve months	<b>927</b>	883
	<b><u>5,195</u></b>	<b><u>4,134</u></b>

The Group has financial risk management policies in place to ensure that all payables are paid within the credit time frame.

## 12. SHARE CAPITAL

Share capital as at 30 June 2015 amounted to approximately HK\$15,183,000. There was no movement in the share capital of the Company in the current or the prior interim period.

## **INTERIM DIVIDEND**

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2015 (six months ended 30 June 2014: nil).

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **FINANCIAL OVERVIEW**

For the six months ended 30 June 2015, the Group recorded a turnover of approximately HK\$102,352,000 (six months ended 30 June 2014: HK\$102,443,000). The Group's revenue from the CG creation and production division decreased by approximately 9%, offsetting an increase of approximately 29% from the Cultural Park division, comparing with those for the same period last year.

Cost of sales for the six months ended 30 June 2015 amounted to HK\$59,195,000, representing a decrease of approximately 6% when compared with that of HK\$63,071,000 for the corresponding period in the year 2014. The decrease was mainly attributable to a decrease in production costs for intellectual property projects as there was one animated film completed and released during the period under review comparing to two animated films in the same period last year.

Due to increases in turnover and relatively stable costs of sales, the gross profit margin of CG training and the Cultural Park divisions improved from the corresponding period last year. The gross profit margin of CG creation and production division remained stable at approximately 32%.

Other income for the six months ended 30 June 2015 amounted to HK\$5,220,000 (six months ended 30 June 2014: HK\$26,887,000) which mainly included government grants of HK\$1,919,000 (six months ended 30 June 2014: HK\$5,553,000) and interest income of HK\$3,143,000 (six months ended 30 June 2014: HK\$3,458,000). Dividend income from available-for-sale investment for the six months ended 30 June 2015 was nil (six months ended 30 June 2014: HK\$17,683,000).

Distribution costs and selling expenses for the six months ended 30 June 2015 amounted to HK\$11,652,000 (six months ended 30 June 2014: HK\$15,092,000), representing a decrease of approximately 23%. The decrease was mainly attributable to a decrease in the advertising and marketing expenses in respect of intellectual property projects during the period under review.

Administrative expenses for the six months ended 30 June 2015 amounted to HK\$31,046,000 (six months ended 30 June 2014: HK\$30,126,000), representing a slight increase of approximately 3%.

Finance costs for the six months ended 30 June 2015 was HK\$2,355,000 (six months ended 30 June 2014: HK\$3,661,000) being interest on bank borrowings for the construction of the headquarters building in Shenzhen. The decrease resulted from decrease in both interest rate of bank borrowings and principal amount after repayment of bank borrowings during the period. All the bank borrowings have been subsequently early repaid in July 2015.

Other gains and losses for the six months ended 30 June 2015 amounted to HK\$25,018,000 of net gains (six months ended 30 June 2014: HK\$11,009,000 of net gains) which mainly included an increase in fair value of held-for-trading investments of HK\$6,265,000 (six months ended 30 June 2014: HK\$10,528,000) and gain on disposal of available-for-sale investments of HK\$20,789,000 (six months ended 30 June 2014: nil) upon the 1st completion of the disposal of 23,823,822 GDC Technology Limited (“GDC Tech”) shares on 26 February 2015, partially offset by a loss on fair value changes of derivative financial instrument of HK\$2,117,000 (six months ended 30 June 2014: nil).

As a whole, the Group recorded a profit of HK\$21,461,000 for the six months ended 30 June 2015 attributable to owners of the Company, representing a decrease of approximately 34% when comparing with that of HK\$32,645,000 for the corresponding period in 2014.

## **BUSINESS REVIEW AND OUTLOOK**

### *CG creation and production*

The revenue from the CG creation and production division for the six months ended 30 June 2015 amounted to HK\$70,878,000, representing a decrease of HK\$6,804,000 when compared with the corresponding period in the year 2014 of HK\$77,682,000.

During the first half of 2015, the CG creation and production division completed three international animated television drama projects. Currently, we are working on two international animated television drama and one film project, including one co-production project with a French company which we have obtained copyright for. We worked with clients from Europe and North America on production projects in relation to international animated television dramas. In the second half of this year, the division will soon begin the production of a new television drama and other new television drama and film projects are under negotiation.

In respect of intellectual property projects, our latest animated film “Happy Little Submarine V: Magic Box of Time” hit theatres across the country on Children’s Day time slot on 29 May 2015. At the same time, there were a total of three domestically-produced animated films and five imported films which included one renowned Japanese’s animated film, yet the box office receipt of “Happy Little Submarine V: Magic Box of Time” exceeded RMB30,000,000, ranking first among all domestically-produced films released around the same time slot even though the box office receipt was less than last year and contributing an income of HK\$15,264,000 to the Group. Our licensed product, “Happy Little Submarine” mobile game will launch into the market after the release of the film. Meanwhile, the development of its spin-off toys are in progress. In addition, the Group has finished the production of several episodes of “Smart Shunliu”, an animated television drama that the Group produced in collaboration with the Television and Art Centre under the Military and Political Bureau of Jinan province of the PRC. The Group has also entered into a spin-off product licensing agreement with a toy manufacturer to launch the toys and audiovisual products of “Smart Shunliu”. It is expected that such spin-off products will increase the Group’s business revenue.

In respect of digital animated technology exhibitions and large event production projects, the Group continued to provide high-end CG production services for programs on mainstream television stations in the PRC and for large-scale theme parks during the first half of 2015 with self-developed software system integrated with advanced equipments. Meanwhile, the Group has applied for patents and is actively expanding its business by integrating creativity and technology.

The Group continues to actively participate in domestic and international animated films and dramas activities for the purposes of gaining more brand exposure and diversifying our brand promotion channels. In addition to our “Happy Little Submarine III: Rainbow Treasure” being selected and nominated to run for “Best Pre-School TV Film” in 2015 KIDSCREEN, a convention for kids television shows in North America held in the first quarter of the year, during the first half of 2015, our “Happy Little Submarine IV: Adventure of Octopus” was awarded the “Second Prize for Best Animated Stories-Broadcasting, Film and Television Award in Guangdong Province” and ““Monkey King Award” – Silver Prize for the Best Director” by the 2015 China Animation Annual Conference. Furthermore, the Group was once again honoured to be the organizer of activities at the sub-venue for the latest China (Shenzhen) International Cultural Industry Exhibition, where we presented our new animated films and related products to facilitate public understanding of the Group.



The Group continues to focus on providing services of high quality and standards and endeavors to maintain good relationships with its international customers and well-known enterprises in China in the future, while continuing to enhance its competitiveness in the industry by reducing costs through technology and process innovation.

### *CG Training*

The revenue from CG training division for the six months ended 30 June 2015 amounted to HK\$8,969,000, representing an increase of approximately 22% as compared with the revenue for the corresponding period in 2014 of HK\$7,376,000, with obvious improvement in revenue from Shenzhen campus.

In the first half of 2015, the division held course introduction seminars at the ten institutions that started cooperating with us recently, so as to enhance students' understanding of our courses. In the long term, the seminars will be one of the channels for student enrolments and a channel to gather public opinion on the demand of CG training courses, shedding more lights on the direction of course planning. The third quarter is marking the peak enrolment season for major institutions. It is expected that the competition within industry will become more intense and impose more pressure on the training team. The marketing team of the CG training division is now strengthening various external promotion channels, aiming at the comprehensive promotion coverage on media, platforms, online, offline and institutions recruiting channels, so to meet the enrolment target for the third quarter of the year. The training team will consistently improve the way of teaching, develop new professional courses and strengthen interaction with enterprises and institutions. Apart from improving teaching modes from time to time, in order to keep our courses abreast with the development in the industry and to enhance their value, the CG training division also from time to time enriches the content of our courses, which reflects our dedication to perfection.

### *Cultural Park*

The Cultural Park is located along the railway line in the center of Haizhu District in Guangzhou, at transport interchange. The land of the Cultural Park is owned by 珠江電影製片有限公司 (“Pearl River Film Production”) and the Group operates the Cultural Park under a lease concession agreement till 31 December 2045. Since the opening of the Cultural Park in 2013, the Group has by far successfully invited a number of well-known brands to set up business there, allowing the Cultural Park to achieve a higher profile. In the first half of 2015, the Group organized various activities at the mall in collaboration with several brands, which not only brought additional income to the Group, but also attracted visitors and attention to the Cultural Park. The rental revenue in the first half of this year increased approximately 29% as compared with the same period last year, through reviewing the tenant portfolio, expanding

outdoor leasing areas of the concourse so as to increase revenue from leasing effectively. On the other hand, the research and discussion for the development of Phase II of the Cultural Park are still in progress. The Group continues to make regular improvement on properties in the Cultural Park and optimize its tenant portfolio, working on quality to ensure that such investment property will generate a better return.

## **LIQUIDITY AND FINANCIAL RESOURCES**

As at 30 June 2015, the Group had bank balances and cash of HK\$174,854,000 (31 December 2014: HK\$98,043,000) and structured deposits of HK\$155,329,000 (31 December 2014: HK\$130,788,000), which were mainly denominated in Renminbi, Hong Kong dollars and United States dollars. The increase in the sum of bank balances and cash and structured deposits was mainly the result of sales proceeds from disposal of available-for-sale investments of approximately HK\$88,303,000 during the review period.

As at 30 June 2015, the Group's borrowings amounted to a total bank borrowings of HK\$57,500,000, of which HK\$47,500,000 were repayable within twelve months from 30 June 2015 and HK\$10,000,000 were repayable after twelve months from 30 June 2015. The bank borrowings were mainly denominated in Renminbi and bore interest at the People's Bank of China Renminbi Lending Rate per annum. All the bank borrowings have been subsequently early repaid in July 2015.

The Group's gearing ratio (calculated as borrowings divided by equity attributable to owners of the Company) as at 30 June 2015 was approximately 6% (31 December 2014: 8%). As at 30 June 2015, the Group had a current ratio of 2.6 (31 December 2014: 2.6) based on current assets of HK\$393,504,000 (31 December 2014: HK\$420,434,000) and current liabilities of HK\$152,347,000 (31 December 2014: HK\$161,347,000).

## **CAPITAL STRUCTURE**

The equity attributable to owners of the Company amounted to HK\$993,364,000 as at 30 June 2015 (31 December 2014: HK\$993,109,000). The increase was mainly attributable to profit for the six months ended 30 June 2015 attributable to owners of the Company of HK\$21,461,000, partially offset by decrease in investment revaluation reserve of approximately HK\$20,789,000 upon the 1st completion of the disposal of 23,823,822 GDC Tech shares on 26 February 2015.

## **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 (“Sale and Purchase Agreement”), pursuant to which the Purchaser has conditionally agreed to acquire and GDC Holdings has conditionally agreed to sell all the shares of 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 Sale and Purchase Agreement and the 1st completion in respect of the Disposal took place on 26 February 2015. Following the 1st completion, the GDC Tech Shares which the Group holds reduced from 29,779,777 shares to 5,955,955 shares and the Group’s shareholding in GDC Tech reduced from approximately 11.38% to 2.28%. Pursuant to the Sale and Purchase 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 Sale and Purchase 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 six months ended 30 June 2015.

## **CHARGE ON ASSETS**

As at 30 June 2015, the Group had charges on the Group’s building, plant and machinery and prepaid lease payments with an aggregate carrying value of HK\$229,558,000 pledged to a bank to secure a bank borrowing with an outstanding amount of HK\$57,500,000. As at 30 June 2015, 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 do not implement any foreign currency hedging policy at the moment. However, if necessary, the Group will consider using forward exchange contracts to hedge against foreign currency exposures. As at 30 June 2015, the Group had no significant exposure under foreign exchange.

## **CONTINGENT LIABILITIES**

The Group had no significant contingent liabilities as at 30 June 2015.

## **EMPLOYEES**

As at 30 June 2015, the Group employed 491 (31 December 2014: 524) full time employees. 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 six months ended 30 June 2015, neither the Company nor its subsidiaries had paid or committed to pay any amount as an inducement to join or upon joining the Company and/or its subsidiaries to any individual.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities (whether on the Stock Exchange or otherwise) during the six months ended 30 June 2015.

## **DIRECTORS' INTERESTS IN COMPETING BUSINESSES**

During the six months ended 30 June 2015, none of the Directors had an interest in a business (other than those businesses where the Directors were appointed as directors to represent the interests of the Company and/or any member of the Group) which are considered to compete or are likely to compete, either directly or indirectly, with businesses of the Group.

## **COMPLIANCE WITH CORPORATE GOVERNANCE CODE**

Pursuant to Rules 5.05(1), 5.05A, 5.28 and 5.34 and code provision A.5.1 of the Corporate Governance Code as set out in Appendix 15 of the GEM Listing Rules, (i) the Board is required to have at least three independent non-executive directors; (ii) the Board is required to have independent non-executive directors representing at least one third of the Board; (iii) the audit committee must comprise a minimum of 3 members, all of whom are non-executive directors only; and (iv) each of the members of the audit, remuneration and nomination committee should comprise a majority of independent non-executive directors.

Mr. Chan Chung Chun, an Independent Non-executive Director of as well as a member of each of the Audit Committee, Remuneration Committee and Nomination Committee of the Company passed away on 8 May 2015. Following the passing away of Mr. Chan Chung Chun, the Company only had two Independent Non-executive Directors which deviated from the requirements under Rules 5.05(1), 5.05A, 5.28 and 5.34 and code provision A.5.1 of the Corporate Governance Code as set out in Appendix 15 of the GEM Listing Rules.

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

Please refer to the announcement of the Company dated 27 July 2015 for further details.

Save as disclosed above, the Company has complied with the code provisions as set out in the Corporate Governance Code contained in Appendix 15 of the GEM Listing Rules throughout the six months ended 30 June 2015.

## **COMPLIANCE WITH CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted a code of provisions 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 six months ended 30 June 2015.

## CHANGE IN DIRECTORS' INFORMATION

Pursuant to Rule 17.50A(1) of the GEM Listing Rules, the change in information of Directors are as follows:

Mr. Lam Yiu Kin was appointed as independent non-executive director of Shougang Concord Century Holdings Limited and Mason Financial Holdings Limited on 1 August 2015.

## AUDIT COMMITTEE

The Group's interim results for the six months ended 30 June 2015 were unaudited. However, the Company has engaged the Company's auditor, Messrs. Deloitte Touche Tohmatsu (the "Auditor") to assist the Company's audit committee (the "Audit Committee") to review the 2015 unaudited interim results of the Group. A meeting of the Audit Committee was held with the Auditor and the management of the Company for, amongst other things, reviewing the interim results of the Group for the six months ended 30 June 2015.

## APPRECIATION

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

By Order of the Board  
**Li Shaofeng**  
Chairman

Hong Kong, 10 August 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. Lam Yiu Kin (Independent Non-executive Director).*

*This announcement will remain on the "Latest Company Announcements" page of the GEM website at [www.hkgem.com](http://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](http://www.gdc-world.com).*