



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)

**FIRST QUARTERLY RESULTS
FOR THE THREE MONTHS ENDED 31 MARCH 2014**

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

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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

FIRST QUARTERLY RESULTS

The board of Directors of the Company (the “Board”) is pleased to announce the unaudited condensed consolidated financial results of the Company and its subsidiaries (the “Group”) for the three months ended 31 March 2014 with comparative figures for the corresponding period in the year 2013.

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

For the three months ended 31 March 2014

		Three months ended	
		31 March	
	<i>NOTES</i>	2014	2013
		<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	3	36,649	28,666
Cost of sales		(23,397)	(20,437)
Gross profit		13,252	8,229
Other income	4	7,049	23,556
Distribution costs and selling expenses		(2,865)	(2,444)
Administrative expenses		(15,640)	(16,035)
Finance costs	5	(1,907)	(2,374)
Other gains and losses	6	16,781	(492)
Profit before tax		16,670	10,440
Income tax expense	7	(778)	(452)
Profit for the period		15,892	9,988
Other comprehensive expenses:			
Item that will not be subsequently reclassified			
to profit or loss:			
Exchange differences on translation of			
financial statements from functional currency			
to presentation currency			
		(20,666)	–
Total comprehensive (expenses) income for			
the period		(4,774)	9,988

		Three months ended	
		31 March	
	<i>NOTE</i>	2014	2013
		<i>HK\$'000</i>	<i>HK\$'000</i>
Profit (loss) for the period attributable to:			
Owners of the Company		18,396	12,854
Non-controlling interests		(2,504)	(2,866)
		<u>15,892</u>	<u>9,988</u>
Total comprehensive (expenses) income for the period attributable to:			
Owners of the Company		(926)	12,854
Non-controlling interests		(3,848)	(2,866)
		<u>(4,774)</u>	<u>9,988</u>
		<i>HK cents</i>	<i>HK cents</i>
Earnings per share:	8		
Basic and diluted		<u>1.21</u>	<u>0.85</u>

NOTES:

1. BASIS OF PREPARATION

The unaudited condensed consolidated statement of profit or loss and other comprehensive income has been prepared in accordance with the applicable disclosure requirements of Chapter 18 of the GEM Listing Rules.

2. PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated statement of profit or loss and other comprehensive income has been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as appropriate.

The accounting policies and methods of computation used in the unaudited condensed consolidated statement of profit or loss and other comprehensive income for the three months ended 31 March 2014 are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2013.

In the current period, the Group has applied, for the first time, certain new and revised Hong Kong Financial Report Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”), which are effective for the financial year beginning on 1 January 2014. The application of these new and revised HKFRSs in the current period had no material effect on the unaudited condensed consolidated statement of profit or loss and other comprehensive income.

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

Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions ¹
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures ²
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010 – 2012 Cycle ³
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011 – 2013 Cycle ¹
HKFRS 9	Financial Instruments ²
HKFRS 14	Regulatory Deferral Accounts ⁴

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

² Available for application – the mandatory effective date will be determined when the outstanding phase of HKFRS 9 are finalised.

³ Effective for annual periods beginning on or after 1 July 2014, with limited exception.

⁴ Effective for first annual HKFRS financial statements beginning on or after 1 January 2016.

3. REVENUE

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

	Three months ended	
	31 March	
	2014	2013
	HK\$’000	HK\$’000
Revenue from contracts for computer graphic (“CG”) creation and production	13,605	15,983
Rental and building management service fee income	19,215	8,916
CG training fee	3,829	3,767
	<u>36,649</u>	<u>28,666</u>

4. OTHER INCOME

	Three months ended 31 March	
	2014	2013
	HK\$'000	HK\$'000
Dividend income from available-for-sale investments	–	6,911
Government grants	4,857	8,153
Interest income	2,082	3,550
Compensation income	–	4,750
Others	110	192
	<u>7,049</u>	<u>23,556</u>

5. FINANCE COSTS

	Three months ended 31 March	
	2014	2013
	HK\$'000	HK\$'000
Interest on bank borrowings wholly repayable within five years	<u>1,907</u>	<u>2,374</u>

6. OTHER GAINS AND LOSSES

	Three months ended 31 March	
	2014	2013
	HK\$'000	HK\$'000
Gain on disposal of held-for-trading investments	11,052	–
Increase (decrease) in fair value of held-for-trading investments	5,414	(492)
Increase in fair value of structured deposits	15	–
Reversal of allowance for doubtful debts	300	–
	<u>16,781</u>	<u>(492)</u>

7. INCOME TAX EXPENSE

	Three months ended 31 March	
	2014	2013
	HK\$'000	HK\$'000
Current Tax:		
PRC Enterprise Income Tax ("EIT")	<u>778</u>	<u>452</u>

No provision for Hong Kong Profits Tax has been made in the unaudited condensed consolidated statement of profit or loss and other comprehensive income for both periods 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 subsidiaries in the People's Republic of China (the "PRC", for the purpose of this announcement, does not include Hong Kong, Macau and Taiwan) is 25% (three months ended 31 March 2013: 25%).

8. 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:

	Three months ended 31 March	
	2014	2013
	HK\$'000	HK\$'000
Earnings		
Earnings for the purposes of basic and diluted earnings per share		
(Profit for the period attributable to owners of the Company)	<u>18,396</u>	<u>12,854</u>
	'000	'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 of the Company were lapsed in August 2013. The computation of diluted earnings per share for the three months ended 31 March 2013 does not assume the exercises 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 three months ended 31 March 2013.

9. UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company										Non-controlling interests	Total
	Share capital	Share premium reserve	Capital contribution reserve	Contributed surplus reserve	Statutory 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
At 1 January 2014	15,183	75,856	445	245,881	870	-	73,264	39	544,591	956,129	46,112	1,002,241
Profit (loss) for the period	-	-	-	-	-	-	-	-	18,396	18,396	(2,504)	15,892
Exchange differences arising on translation of financial statements from functional currency to presentation currency	-	-	-	-	-	-	(19,322)	-	-	(19,322)	(1,344)	(20,666)
Total comprehensive (expenses) income for the period	-	-	-	-	-	-	(19,322)	-	18,396	(926)	(3,848)	(4,774)
At 31 March 2014	15,183	75,856	445	245,881	870	-	53,942	39	562,987	955,203	42,264	997,467
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 period and total comprehensive income (expenses) for the period	-	-	-	-	-	-	-	-	12,854	12,854	(2,866)	9,988
Sub-total	15,183	75,856	445	245,881	680	16,895	55,489	39	506,907	917,375	52,105	969,480
Lapse of share options granted	-	-	-	-	-	(107)	-	-	107	-	-	-
At 31 March 2013	15,183	75,856	445	245,881	680	16,788	55,489	39	507,014	917,375	52,105	969,480

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the three months ended 31 March 2014. (three months ended 31 March 2013: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL OVERVIEW

Revenue for the three months ended 31 March 2014 was HK\$36,649,000, when comparing with that of HK\$28,666,000 for the corresponding period in the year 2013, representing an increase of 28%. The increase was mainly attributable to an increase in rental and building management service fee income. Since Phase I of the Guangzhou Cultural Park (the “Cultural Park”) officially commenced operation on 28 April 2013 and building management business of the Shenzhen headquarters building commenced in late 2013, rental and building management service fee income for the Group during the first quarter of 2014 increased by HK\$10,299,000 as compared with the corresponding period of last year, partially offset by a decrease in revenue from contracts for CG creation and production of HK\$2,378,000.

Cost of sales for the three months ended 31 March 2014 amounted to HK\$23,397,000, comparing with that of HK\$20,437,000 for the corresponding period in the year 2013, representing an increase of 14%. The increase was mainly attributable to more direct operating costs incurred on the operation of Phase I of the Cultural Park and the building management business of the Shenzhen headquarters building.

The Group recorded a gross profit of HK\$13,252,000 for the three months ended 31 March 2014, when comparing with that of HK\$8,229,000 for the corresponding period in the year 2013. The Group’s gross profit margin for the three months ended 31 March 2014 amounted to 36% (three months ended 31 March 2013: 29%). The significant improvements in both gross profit and its margin were primarily attributable to an increased contribution from the Cultural Park to the Group’s gross profit, which led to improvement of average gross profit margin.

Other income for the three months ended 31 March 2014 amounted to HK\$7,049,000 (three months ended 31 March 2013: HK\$23,556,000). It mainly included government grants of HK\$4,857,000 (three months ended 31 March 2013: HK\$8,153,000) and interest income of HK\$2,082,000 (three months ended 31 March 2013: HK\$3,550,000).

Distribution costs and selling expenses for the three months ended 31 March 2014 amounted to HK\$2,865,000 (three months ended 31 March 2013: HK\$2,444,000), representing an increase of 17%. The increase was mainly attributable to increase in the marketing expenses spent during the period.

Administrative expenses for the three months ended 31 March 2014 amounted to HK\$15,640,000 (three months ended 31 March 2013: HK\$16,035,000), representing a decrease of 2%. The decrease is mainly attributable to decreases in legal, consulting and professional fee and office running costs during the period.

Finance costs for the three months ended 31 March 2014 was HK\$1,907,000 (three months ended 31 March 2013: HK\$2,374,000) being interest on bank borrowings for the construction of the Shenzhen headquarters building. The decrease was resulted from a repayment of bank borrowings during the period.

Other gains and losses for the three months ended 31 March 2014 amounts to HK\$16,781,000 of net gains (three months ended 31 March 2013: HK\$492,000 of net losses). It mainly included gains on the disposal of held-for-trading investments of HK\$11,052,000 (three months ended 31 March 2013: nil) and an increase in fair value of held-for-trading investments of HK\$5,414,000 (decrease in fair value of held-for-trading investments for the three months ended 31 March 2013: HK\$492,000).

As a whole, the Group recorded a profit of HK\$18,396,000 for the three months ended 31 March 2014 attributable to owners of the Company, when comparing with that of HK\$12,854,000 for the corresponding period in the year 2013, representing an increase of 43%.

BUSINESS REVIEW AND OUTLOOK

CG creation and production

In 2014, the Group continues to exert efforts in developing its core business in CG animation. There was an aggregate of four international projects in progress during the first quarter of this year, with clients from Europe. In addition to participating in the production of foreign animated films and TV series, the Group has also worked with the Television and Art Center under the Military and Political Bureau of Jinan province of the PRC to jointly produce the first real-life-military-themed animated television drama called “Smart Shunliu” in the PRC. The sample tests of this drama was passed in the first quarter and its work on screenwriting and production has commenced and is expected to be completed by the end of the year. In respect of intellectual property projects, the Group completed the post-production of “Super Three”, a 2D- and 3D-animated film, during the first quarter. The film was released in early April in the PRC.

The Group is now working on the dubbing and soundtrack for “Happy Little Submarine IV”, another 3D-animation film series, and its promotion campaign will start soon through various specified platforms to raise awareness among communities, creating momentums for the film in the hope to recreate the success in the second quarter of 2014. Furthermore, for projects in digital animated technology exhibition and large event production, the Group continued to provide CG production services for programs of mainstream TV stations and theme parks in the PRC during the first quarter and will continue to actively expand its business.

CG Training

The revenue from operation of the CG training division increased slightly in the first quarter of 2014 though intense competition prevails in CG training. At the beginning of the year, the Group integrated its existing resources and optimized its team in Shanghai, Guangzhou and Shenzhen in order to bring out the best in the team and to achieve maximum economic benefits. To keep abreast with the demand of the market, our training team designed diversified practical courses and collaborated with various colleges to build up the image of top-notch occupational school. During the first quarter of 2014, Shanghai Training Centre and the Beijing Film Academy Shenzhen Research Institute signed a strategic cooperation agreement, whereby the first co-project “Advanced Workshop for Filmmakers” will be launched in the first half of this year. The workshop will cover the entire process of film production such as screenwriting, directing, acting, filming, fine arts and sound recording. The mode of teaching and learning will be organized with an emphasis on experience and interaction with an aim to nurture elite professionals in the film industry. In addition, our training team has completed the work on website optimization and the formulation of marketing campaign during the first quarter in order to be fully prepared for the admission peak in the second quarter and to maximize profit.

Cultural Park

Revenue from Cultural Park for the first quarter of this year amounted to HK\$8,264,000, representing an increase of HK\$7,426,000 when compared with that of HK\$838,000 for the same period in 2013.

During the first quarter, the Group focused on attracting tenants for the Cultural Park and the review of tenant portfolio in order to increase the rental value of the project. At the same time, the Group also continued to organize various cultural activities, including children drawing charity activities and sales and exhibitions of Chinese New Year products. In addition, the Group also promoted and published latest information of the activities of the Cultural Park through WeChat, and raised marketing efficiency through the mobile internet platform in order to attract customers and raise customer sentiment which resulted in the steady growth

in the tenants' revenue. The approval for development of Phase II of the Cultural Park is still in progress. It is expected that the management will continue to optimize its existing tenants portfolio and improve the quality of customer services in order to lay a solid foundation for Phase II of the project.

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 three months ended 31 March 2014.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

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 three months ended 31 March 2014.

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 three months ended 31 March 2014.

AUDIT COMMITTEE

The Group's first quarterly results for the three months ended 31 March 2014 were unaudited. The Company's audit committee (the "Audit Committee") has reviewed the 2014 unaudited first quarterly results of the Group. A meeting of the Audit Committee was held with the management of the Company for, amongst other things, reviewing the unaudited first quarterly results of the Group for the three months ended 31 March 2014.

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, 9 May 2014

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), 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.