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 2015

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 2015 with comparative figures for the corresponding period in the year 2014.

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

For the three months ended 31 March 2015

		Three months ended 31 March	
	NOTES	**2015**	2014
		HK$'000	*HK$'000*
Revenue	*3*	**42,734**	36,649
Cost of sales		**(25,270)**	(23,397)
Gross profit		**17,464**	13,252
Other income	*4*	**2,571**	7,049
Distribution costs and selling expenses		**(1,846)**	(2,865)
Administrative expenses		**(18,161)**	(15,640)
Finance costs	*5*	**(1,255)**	(1,907)
Other gains and losses	*6*	**19,499**	16,781
Profit before tax		**18,272**	16,670
Income tax expenses	*7*	**(731)**	(778)
Profit for the period		**17,541**	15,892
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)
Reclassification adjustment relating to disposal of available-for-sale investment during the period		**(20,789)**	–
Total comprehensive expenses for the period		**(3,248)**	(4,774)

	NOTE	Three months ended 31 March 2015 HK$'000	2014 HK$'000
Profit (loss) for the period attributable to:			
Owners of the Company		**15,397**	18,396
Non-controlling interests		**2,144**	(2,504)
		17,541	15,892
Total comprehensive (expenses) income for the period attributable to:			
Owners of the Company		**(5,392)**	(926)
Non-controlling interests		**2,144**	(3,848)
		(3,248)	(4,774)
		HK cents	*HK cents*
Earnings per share:	*8*		
Basic and diluted		**1.01**	1.21

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 properties and 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 2015 are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2014.

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 2015. 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:

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[4]
Amendments to HKAS 1	Disclosure Initiative[4]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[4]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012 – 2014 Cycle[4]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants[4]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[4]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception[4]

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 January 2016

3. REVENUE

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

	Three months ended 31 March	
	2015	2014
	HK$'000	*HK$'000*
Revenue from contracts for computer graphic ("CG") creation and production	**14,574**	13,605
Rental and building management service fee income	**24,763**	19,215
CG training fee	**3,397**	3,829
	42,734	36,649

4. OTHER INCOME

	Three months ended 31 March	
	2015	2014
	HK$'000	*HK$'000*
Interest income	**1,580**	2,082
Government grants	**899**	4,857
Others	**92**	110
	2,571	7,049

5. FINANCE COSTS

	Three months ended 31 March	
	2015	2014
	HK$'000	*HK$'000*
Interest on bank borrowings wholly repayable within five years	**1,255**	1,907

6. OTHER GAINS AND LOSSES

	Three months ended 31 March	
	2015	2014
	HK$'000	*HK$'000*
Gain on disposal of available-for-sale investment	**20,789**	–
(Decrease) increase in fair value of held-for-trading investments (Note)	**(1,605)**	16,466
Increase in fair value of structured deposits	**315**	15
Reversal of allowance for doubtful debts	**–**	300
	19,499	16,781

Note: During the three months ended 31 March 2014, an amount of approximately HK$11,052,000 was attributable to the realised gain on fair value change of held-for-trading investments.

7. INCOME TAX EXPENSE

	Three months ended 31 March	
	2015	2014
	HK$'000	*HK$'000*
Current Tax:		
PRC Enterprise Income Tax ("EIT")	**731**	778

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 for the three months ended 31 March 2015 (three months ended 31 March 2014: the assessable profit was wholly absorbed by tax losses brought forward).

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% 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 2015 as it was qualified as animation enterprise. For the three months ended 31 March 2015, the relevant tax rates for the Group's subsidiaries in the PRC ranged from 12.5% to 25% (three months ended 31 March 2014: 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	
	2015	2014
	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)	**15,397**	18,396
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	**1,518,256**	1,518,256

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

9. UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company											
	Share capital	Share premium reserve	Capital contribution reserve	Contributed surplus reserve	Statutory reserve	Investment revaluation reserve	Exchange reserve	Special reserve	Retained earnings	Sub-total	Non-controlling interests	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2015	**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	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**15,397**	**15,397**	**2,144**	**17,541**
Investment revaluation reserve released on disposal of available-for-sale investment	**–**	**–**	**–**	**–**	**–**	**(20,789)**	**–**	**–**	**–**	**(20,789)**	**–**	**(20,789)**
Total comprehensive (expenses) income for the period	**–**	**–**	**–**	**–**	**–**	**(20,789)**	**–**	**–**	**15,397**	**(5,392)**	**2,144**	**(3,248)**
At 31 March 2015	**15,183**	**75,856**	**445**	**245,881**	**1,107**	**5,197**	**53,644**	**(1,209)**	**591,613**	**987,717**	**48,775**	**1,036,492**
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

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the three months ended 31 March 2015 (three months ended 31 March 2014: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL OVERVIEW

Revenue for the three months ended 31 March 2015 was HK$42,734,000, when comparing with that of HK$36,649,000 for the corresponding period in the year 2014, representing an increase of approximately 17%. The increase was mainly attributable to an increase in rental and building management service fee income of HK$5,548,000.

Cost of sales for the three months ended 31 March 2015 amounted to HK$25,270,000, when comparing with that of HK$23,397,000 for the corresponding period in the year 2014, representing an increase of approximately 8%. The increase was mainly attributable to more production costs spent on CG creation and production.

Other income for the three months ended 31 March 2015 amounted to HK$2,571,000 (three months ended 31 March 2014: HK$7,049,000). It mainly included interest income of HK$1,580,000 (three months ended 31 March 2014: HK$2,082,000) and government grants of HK$899,000 (three months ended 31 March 2014: HK$4,857,000).

Distribution costs and selling expenses for the three months ended 31 March 2015 amounted to HK$1,846,000 (three months ended 31 March 2014: HK$2,865,000), representing a decrease of approximately 36%. The decrease was mainly attributable to decrease in the marketing expenses spent during the period.

Administrative expenses for the three months ended 31 March 2015 amounted to HK$18,161,000 (three months ended 31 March 2014: HK$15,640,000), representing an increase of approximately 16%. The increase was mainly attributable to increases in exchange loss and professional fee recognized during the period.

Finance costs for the three months ended 31 March 2015 was HK$1,255,000 (three months ended 31 March 2014: HK$1,907,000) being interest on bank borrowings for the construction of the headquarters building in Shenzhen. The decrease was resulted from decreases in both interest rate of bank borrowings and principal amount after repayment of part of the bank borrowings during the period.

Other gains and losses for the three months ended 31 March 2015 amounted to HK$19,499,000 of net gains (three months ended 31 March 2014: HK$16,781,000 of net gains). It mainly included a decrease in fair value of held-for-trading investments of HK$1,605,000 (increase in fair value of held-for-trading investments for the three months ended 31 March 2014: HK$16,466,000) and gain on the disposal of available-for sale investment of HK$20,789,000 (three months ended 31 March 2014: nil) which was recognized upon the 1st completion of the disposal of 23,823,822 GDC Technology Limited ("GDC Tech") shares on 26 February 2015. Following the 1st completion, the amount of gain on disposal of available-for-sale investment was reclassified from investment revaluation reserve and the Group's shareholding in GDC Tech reduced from approximately 11.38% to 2.28%. The remaining GDC Tech shares, being 5,955,955 shares, shall be also transferred to Huayi Brothers International Investment Limited at the 2nd completion in 2017, subject to the terms and condition of sale and purchase agreement dated 28 November 2014.

As a whole, the Group recorded a profit of HK$15,397,000 for the three months ended 31 March 2015 attributable to owners of the Company, when comparing with that of HK$18,396,000 for the corresponding period in the year 2014, representing a decrease of approximately 16%.

BUSINESS REVIEW AND OUTLOOK

CG creation and production

The revenue from the CG creation and production division for the three months ended 31 March 2015 amounted to HK$27,716,000, representing an increase of HK$3,160,000 when compared with the corresponding period in the year 2014 of HK$24,556,000.

During the first quarter of 2015, 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 a French company in which we have copyright. We worked with clients from Europe and North America on production projects in relation to international animated television dramas. A new film project will begin soon and two new television drama projects are under negotiation at present.

In respect of intellectual property projects, the production of our latest animated film of "Happy Little Submarine" series is completed and the film is currently in the post-production stage. It is expected that the latest "Happy Little Submarine" series will be released nationwide in China in mid–2015. Meanwhile, the Group has authorised a renowned mobile games developer and toy manufacturer to develop a "Happy Little Submarine" themed mobile games and toy products. Furthermore, the production of "Smart Shunliu", an animated television drama jointly produced by the Group and the Television and Art Centre 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 has authorised a toy manufacturer to develop military toy products in co-operation with the Group. It is expected that joint promotion will be held in the major toys and animation and comics exhibitions in China with the toy manufacturer.

In respect of digital animated technology exhibition and large event production projects, the Group continued to provide CG production services for programs of mainstream television stations in the PRC and theme parks during the first quarter of 2015 and will continue to actively expand its business.

The Group participated in domestic and international animated films and dramas activities actively which enhanced the Group's brand awareness and opened up new channels to attract customers' attention to the Group. At 2015 KIDSCREEN, an activity organised by the largest forum in North America in respect of children's television entertainment content in February 2015, our selected film "Happy Little Submarine III: Rainbow Treasure" entered the competition and was nominated "Best Pre-School TV films".

The Group always supported environmental protection and public welfare activities. The Group refurbished old computers and donated them to the less privileged groups regularly. In the first quarter of 2015, the Group donated 160 old computers to the Guangdong Province Education Foundation.

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

CG Training

The revenue from the CG training division for the three months ended 31 March 2015 amounted to HK$3,397,000 representing a decrease of approximately 11% as compared with the revenue for 2014 of HK$3,829,000.

Despite increasing industry competition and intensified marketing efforts of the competitors, the enrollment of courses for the second and third quarter under the CG training division in Shenzhen and Guangzhou in the first quarter of 2015 slightly improved. During the period, the training team continued to improve the teaching module, developed new professional courses and strengthened its interaction with enterprises and institutions. In the first quarter of 2015, the Group co-operated with about ten new institutions. The Group looks towards more recruitment of students in the long run and the team can come up with opinions and advices on curriculum development from discussions with the institutions. In addition, the marketing team of the training division strengthened the various external promotion channels and achieved comprehensive promotion coverage on media, platforms, online, offline and institutions. It is expected that the training team will focus on achieving breakthroughs in the channel of institutions in the second quarter of 2015 and the scope of cooperation will be expanded and recruitments will be directly conducted through seminars so as to improve business revenue.

Cultural Park

The Cultural Park is located along the railway line in the center of Haizhu District in Guangzhou, at transport interchange. It has a lettable floor area of approximately 15,000 square meters. As of 31 March 2015, the occupancy rate of the Cultural Park exceeded 97%. The rental revenue in the first quarter of this year increased approximately 41% 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 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.

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 2015.

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 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 three months ended 31 March 2015.

AUDIT COMMITTEE

The Group's first quarterly results for the three months ended 31 March 2015 were unaudited. The Company's audit committee (the "Audit Committee") has reviewed the 2015 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 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, 8 May 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.