



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)

**THIRD QUARTERLY RESULTS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2013**

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.

Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

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

THIRD 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 and nine months ended 30 September 2013 with comparative figures for the corresponding periods in the year 2012.

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

For the nine months ended 30 September 2013

		Three months ended 30 September		Nine months ended 30 September	
	NOTES	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000
Revenue	3	33,016	26,140	117,610	78,552
Cost of sales		(21,747)	(16,433)	(71,014)	(52,405)
Gross profit		11,269	9,707	46,596	26,147
Other income	4	4,112	1,222	42,793	20,718
Distribution costs and selling expenses		(2,999)	(1,493)	(16,961)	(8,674)
Administrative expenses		(15,461)	(12,891)	(48,115)	(43,884)
Finance costs	5	(2,263)	(2,840)	(6,939)	(8,746)
Other gains and losses	6	5,645	(2,310)	6,026	(7,126)
Profit (loss) before tax		303	(8,605)	23,400	(21,565)
Income tax expense	7	(77)	–	(6,180)	–
Profit (loss) for the period		226	(8,605)	17,220	(21,565)
Other comprehensive (expenses) income					
Item that will not be subsequently reclassified to profit or loss:					
Exchange differences on translation of financial statements from functional currency to presentation currency		(934)	9,005	10,299	727
Total comprehensive (expenses) income for the period		(708)	400	27,519	(20,838)

		Three months ended 30 September 2013 <i>HK\$'000</i>		Nine months ended 30 September 2013 <i>HK\$'000</i>	
	<i>NOTE</i>		2012 <i>HK\$'000</i>		2012 <i>HK\$'000</i>
Profit (loss) for the period attributable to:					
Owners of the Company		3,687	(6,730)	27,930	(17,024)
Non-controlling interests		(3,461)	(1,875)	(10,710)	(4,541)
		226	(8,605)	17,220	(21,565)
Total comprehensive (expenses) income for the period attributable to:					
Owners of the Company		2,995	1,940	37,268	(16,297)
Non-controlling interests		(3,703)	(1,540)	(9,749)	(4,541)
		(708)	400	27,519	(20,838)
		<i>HK cents</i>	<i>HK cents</i>	<i>HK cents</i>	<i>HK cents</i>
Earnings (loss) per share:	8				
Basic and diluted		0.24	(0.44)	1.84	(1.12)

NOTES:

1. BASIS OF PREPARATION

The unaudited condensed consolidated statement of profit or loss and other comprehensive income have 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 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 unaudited condensed consolidated statement of profit or loss and other comprehensive income for the nine months ended 30 September 2013 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2012.

In the current period, the Group has applied, for the first time, certain new or revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants that are mandatorily effective for the current period. The impact of the application of these standards is set out below.

HKFRS 13 Fair Value Measurement

The Group has applied HKFRS 13 for the first time in this period. HKFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements, and replaces those requirements previously included in various HKFRSs.

The scope of HKFRS 13 is broad, and applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, subject to a few exceptions. HKFRS 13 contains a new definition for "fair value" and defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, HKFRS 13 includes extensive disclosure requirements.

In accordance with the transitional provisions of HKFRS 13, the Group has applied the new fair value measurement and disclosure requirements prospectively.

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 introduce new terminology for statement of comprehensive income and income statement. Under the amendments to HKAS 1, the Group's statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the existing option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes.

Except as described above, the application of the other new and revised HKFRSs in the current period has had no material effect on the amounts reported in these unaudited condensed consolidated statement of profit or loss and other comprehensive income and/or disclosures set out in these unaudited condensed consolidated statement of profit or loss and other comprehensive income.

3. REVENUE

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

	Three months ended 30 September		Nine months ended 30 September	
	2013	2012	2013	2012
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from contracts for computer graphic ("CG") creation and production (Note)	15,623	13,258	68,892	42,782
Rental income	12,327	7,995	36,145	22,959
Training fee	5,066	4,887	12,573	12,811
	33,016	26,140	117,610	78,552

Note: During the nine months ended 30 September 2013, an amount of approximately HK\$26,294,000 (nine months ended 30 September 2012: HK\$7,300,000) was attributable to revenue from the release of a 3D-animated film based on an agreed sharing percentage of the box office receipts.

4. OTHER INCOME

	Three months ended 30 September		Nine months ended 30 September	
	2013	2012	2013	2012
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest income	2,835	437	8,602	6,249
Government grants	1,140	618	15,248	3,422
Dividend income from available-for-sale investments	–	–	13,823	10,834
Compensation income	60	–	4,810	–
Others	77	167	310	213
	4,112	1,222	42,793	20,718

5. FINANCE COSTS

	Three months ended 30 September		Nine months ended 30 September	
	2013	2012	2013	2012
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest on bank borrowings wholly repayable within five years	2,263	2,840	6,939	8,746

6. OTHER GAINS AND LOSSES

	Three months ended 30 September		Nine months ended 30 September	
	2013	2012	2013	2012
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Changes in fair value of held-for-trading investments	6,071	(2,366)	5,753	(6,425)
Changes in fair value of structured deposits	(426)	–	273	–
Gain (loss) on disposal of property, plant and equipment	–	56	–	(701)
	<u>5,645</u>	<u>(2,310)</u>	<u>6,026</u>	<u>(7,126)</u>

7. INCOME TAX EXPENSE

	Three months ended 30 September		Nine months ended 30 September	
	2013	2012	2013	2012
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Current tax:				
The People's Republic of China (the "PRC", for the purpose of this announcement, does not include Hong Kong, Macau and Taiwan) Enterprise Income Tax ("EIT")	<u>77</u>	<u>–</u>	<u>6,180</u>	<u>–</u>

8. EARNINGS (LOSS) PER SHARE

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

	Three months ended		Nine months ended	
	30 September		30 September	
	2013	2012	2013	2012
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Earnings (loss)				
Earnings (loss) for the purposes of basic and diluted earnings (loss) per share (profit (loss) for the period attributable to owners of the Company)	3,687	(6,730)	27,930	(17,024)
	'000	'000	'000	'000
Number of shares				
Number of ordinary shares in issue for purposes of basic and diluted earnings (loss) per share	1,518,256	1,518,256	1,518,256	1,518,256

The computation of diluted earnings per share for the three months and nine months ended 30 September 2013 has not assumed 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 of the Company for the periods. All the share options of the Company were lapsed in August 2013.

The effect of incremental shares from assumed exercise of share options have been excluded from calculation of the diluted loss per share for the three months and nine months ended 30 September 2012 because their assumed exercise would result in decrease in loss per share.

9. CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital HK\$'000	Share premium reserve HK\$'000	Capital contribution reserve HK\$'000	Contributed surplus reserve HK\$'000	Statutory reserve HK\$'000	Share options reserve HK\$'000	Exchange reserve HK\$'000	Special reserve HK\$'000	Retained profits HK\$'000	Attributable to owners of the Company HK\$'000	Non- controlling interests HK\$'000	Total HK\$'000
At 1 January 2013 (audited)	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	-	-	-	-	-	-	-	-	27,930	27,930	(10,710)	17,220
Other comprehensive income	-	-	-	-	-	-	9,338	-	-	9,338	961	10,299
Total comprehensive income (expense) for the period	-	-	-	-	-	-	9,338	-	27,930	37,268	(9,749)	27,519
Sub-total	15,183	75,856	445	245,881	680	16,895	64,827	39	521,983	941,789	45,222	987,011
Lapse of share options granted	-	-	-	-	-	(16,895)	-	-	16,895	-	-	-
Transfer to statutory reserve	-	-	-	-	190	-	-	-	(190)	-	-	-
Dividend paid to non- controlling interests	-	-	-	-	-	-	-	-	-	-	(72)	(72)
At 30 September 2013 (unaudited)	15,183	75,856	445	245,881	870	-	64,827	39	538,688	941,789	45,150	986,939
At 1 January 2012 (audited)	15,183	75,856	445	245,881	680	40,890	44,568	-	409,595	833,098	25,355	858,453
Loss for the period	-	-	-	-	-	-	-	-	(17,024)	(17,024)	(4,541)	(21,565)
Other comprehensive income	-	-	-	-	-	-	727	-	-	727	-	727
Total comprehensive income (expense) for the period	-	-	-	-	-	-	727	-	(17,024)	(16,297)	(4,541)	(20,838)
Sub-total	15,183	75,856	445	245,881	680	40,890	45,295	-	392,571	816,801	20,814	837,615
Lapse of share options granted	-	-	-	-	-	(1,804)	-	-	1,804	-	-	-
At 30 September 2012 (unaudited)	15,183	75,856	445	245,881	680	39,086	45,295	-	394,375	816,801	20,814	837,615

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the nine months ended 30 September 2013 (nine months ended 30 September 2012: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL OVERVIEW

Revenue for the nine months ended 30 September 2013 was HK\$117,610,000, when comparing with that of HK\$78,552,000 for the corresponding period in the year 2012, representing a significant increase of 50%. The increase was mainly attributable to increases in revenue from contracts for CG creation and production and rental income by HK\$26,110,000 and HK\$13,186,000 respectively.

Cost of sales for the nine months ended 30 September 2013 amounted to HK\$71,014,000, when comparing with that of HK\$52,405,000 for the corresponding period in the year 2012, representing an increase of 36%. The increase was mainly due to an increase in direct operating costs amounting to HK\$8,525,000 for Phase I of the Pearl River Film Cultural Park (the "Cultural Park") which has started to generate rental income for the Group in this period and more CG production costs incurred.

The Group recorded a gross profit HK\$46,596,000 for the nine months ended 30 September 2013, when comparing with that of HK\$26,147,000 for the corresponding period in the year 2012, representing an increase of 78%. The Group's gross profit margin for the nine months ended 30 September 2013 amounted to 40% (nine months ended 30 September 2012: 33%). The increase in the gross profit margin was mainly due to the fact that the Group worked on more CG production projects with higher profit margin and the sharing of box office receipt income from release of a 3D-animated film for this period.

Other income for the nine months ended 30 September 2013 amounted to HK\$42,793,000 (nine months ended 30 September 2012: HK\$20,718,000), representing an increase of 107%. The increase was mainly due to increases in dividend, government grants and interest income by HK\$2,989,000, HK\$11,826,000 and HK\$2,353,000 respectively and a sum of HK\$4,810,000 received in settlement of a dispute in relation of hacking activities targeting our PRC training online enrolment website from September 2011 to November 2012.

Distribution costs and selling expenses for the nine months ended 30 September 2013 amounted to HK\$16,961,000 (nine months ended 30 September 2012: HK\$8,674,000), representing an increase of 96%. The increase was mainly due to more marketing expenses spent on a 3D-animated film during the period.

Administrative expenses for the nine months ended 30 September 2013 amounted to HK\$48,115,000 (nine months ended 30 September 2012: HK\$43,884,000), representing an increase of 10%. The increase was mainly due to higher staff costs and office operating expenses incurred as a result of the growth in the scale of operations of the Group.

Finance costs for the nine months ended 30 September 2013 amounted to HK\$6,939,000 (nine months ended 30 September 2012: HK\$8,746,000), which represented interest on bank borrowing for the headquarters building in Shenzhen. The decrease was resulted from a lower interest rate and repayment of bank borrowings during the period.

Other gains and losses for the nine months ended 30 September 2013 increased to HK\$6,026,000 of net gains (nine months ended 30 September 2012: HK\$7,126,000 of net losses). It mainly included an increase in fair value of held-for-trading investments of HK\$5,753,000 (nine months ended 30 September 2012: decrease in fair value of held-for-trading investments of HK\$6,425,000) and an increase in fair value of structured deposits of HK\$273,000 (nine months ended 30 September 2012: nil).

Overall, the Group recorded a profit attributable to owners of the Company of HK\$27,930,000 for the nine months ended 30 September 2013, when comparing with the loss attributable to owners of the Company of HK\$17,024,000 for the corresponding period in the year 2012.

Basic and diluted earnings per share for the nine months ended 30 September 2013 amounted to HK1.84 cents (Basic and diluted loss per share for the nine months ended 30 September 2012: HK cents 1.12), representing an improvement of 264%.

BUSINESS REVIEW AND OUTLOOK

CG creation and production

For the nine months ended 30 September 2013, revenue from CG creation and production segment was HK\$92,266,000, when compared with that of HK\$65,085,000 for the corresponding period in the year 2012, representing an increase of HK\$27,181,000.

During the period, the Group had completed a total of 3 international projects and a total of 5 projects in progress from clients based in North America and Europe. There were also several co-production projects and service projects under negotiations or at the stage of testing and assessment. Apart from striving to attract world-renowned customers, the Group has continued to enhance production quality, strengthen financial control and raise productivity, with a view to increasing our revenue.

In respect of intellectual property projects, "Happy Little Submarines III", a 3D-animated film, was released in over 2,500 cinemas in the PRC on 31 May this year, setting new records in China's animated film history in terms of the number of film prints for distribution as well as single-day box office receipts. The accumulated box office receipts were over RMB56 million as of 30 September 2013. "Happy Little Submarines III" was selected as one of nominated film in the competition for Twelfth China International Children's Film Festival as well as the opening film and awarded for Best Animated Cartoon Screenplay in the Tenth China Golden Dragon Award respectively. Given its continuous efforts, the Group strives to exploit a well-known brand for cartoon films.

On the other hand, an animated film combining both 2D and 3D effects is under production and is expected to be completed by the end of the year. “Happy Little Submarines IV” had already completed its screenplay. It is now proceeding to the stage of artistic design and it is expected that the production of this film will be completed by next year for distribution and screening. Meanwhile, certain new intellectual property animation projects are under planning or have commenced production of their first prints. Negotiations on cooperation with several companies sharing interests are under way as the Group intends to expand its animation-related businesses. Over the years, with our persistence, spirit and efforts in making breakthroughs, we have not only achieved growth in earnings as mentioned above, but are also honored to be awarded as one of the “Top 100 Enterprises in the Cultural and Creative Industries in Shenzhen” and one of the “Top Ten Cultural Export Enterprises in Shenzhen”, demonstrating public recognition of our efforts in the cultural and creative industries in all these years.

In addition, the Group has expanded into a new business segment in Shenzhen and Beijing since last year, and continuing to provide CG production services which includes services on activities, exhibitions and promotion videos targeting broadcasting programs of mainstream television channels and large theme parks in China. During the period, the Group continues to adjust our marketing strategies, introduces augmented reality technology and conducts research and development of motion-sensing interactive technologies for application in our production projects. The Group aims to integrate innovation and creativity with high-end CG production and various hardware equipment, creating a brand new interactive visual experience and providing our clients with high quality production services.

CG Training

During the period, the number of students enrolled in our training courses increased significantly due to summer holiday, so the CG training division offered two more courses, namely the “summer course” and “teacher’s continuing professional development course” which was co-organized with a college in Shanghai. Hence, the performance of CG training division has improved slightly in the third quarter of 2013 as compared with the corresponding period in the last year.

The Group continues to strengthen the implementation of collaboration scheme of developing long-term talent pipeline with numerous domestic production enterprises in China. The Group invited more than ten top-tier enterprises within the industry to participate in the CG animation professional recruitment fair, which was held at the end of September and organized by the CG training division. During the recruitment fair, graduate students were given job interview opportunities and also provided a platform to assist the participating enterprises to search for talents.

During the period, CG training division modified the existing traditional curriculum according to the new application technologies and demand from the career market in the CG sector. In addition, certain production houses also assigned their front line production officers to participate in the teaching of two new courses launched this year, namely “the continuous professional development course on post-production” and “the training course for game design artists”. These initiatives enable us to provide timely courses to strengthen the competitive ability of our training business and enable our students to meet the demands of the industry. Moreover, our distinguished students got job offers from production houses before their graduation.

In order to strive for collaborative partnership with the institutions in the PRC, the CG training division held for roadshows to conduct promotions, seminars and student recruitment across various colleges, and managed to explore the possibility of an inclusion into or an acceptance of credits in our courses, with an aim to enhance the values and recognition of our courses. The Group will also enter into letter of intent with certain colleges and institutes that are intended to conduct cooperation and project training with the Group. This will allow us to achieve the goal of “graduates getting job offers upon graduation, paving a path for graduates to join top-tier enterprises in the industry”.

Cultural Park

With the opening on Phase I of the Cultural Park in April 2013, which included a variety brandings of large-scale chain stores, exquisite lifestyle stores, leisure and entertainment spaces and a diverse range of cuisines, the awareness of the Cultural Park in Guangzhou was increased through extensive marketing and promotional campaigns conducted by the group. The number of visitors of Phase I of the Cultural Park for the first three quarters of 2013 grew steadily along with the growth in operating results of the tenants. Our tenants made remarkable compliments on the atmosphere for luxury consumption promoted by the Cultural Park. It is expected by the Group that after the Phase I of the Cultural Park fully commence operation, the brand value of the Cultural Park will be then further increased to a significant extent, laying a solid foundation for the development and promotion of Phase II of the Cultural Park in the future.

The approval for the projects in the remaining phases of the Cultural Park is being processed. The Group has completed the design of the project concept and proposal for Phase II of the Cultural Park and is now making commercial planning and arrangement while adjusting and improving its positioning. The overall planning concepts for the renovated Cultural Park will include cinemas, stores, restaurants, multi-functional malls for leisure and recreation and office tower.

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 nine months ended 30 September 2013.

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 nine months ended 30 September 2013.

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 nine months ended 30 September 2013.

AUDIT COMMITTEE

The Group's third quarterly results for the nine months ended 30 September 2013 were unaudited. The Company's audit committee (the "Audit Committee") has reviewed the 2013 unaudited third 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 third quarterly results of the Group for the nine months ended 30 September 2013.

APPRECIATION

On behalf of the Board, I would like to extend our sincere thanks to our customers, suppliers and shareholders for their continuous support to the Group. I would also extend my gratitude and appreciation to all 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, 7 November 2013

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.