



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 REPORT
2015

* For identification purpose only

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This report, 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 report 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 report misleading.

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CORPORATE INFORMATION

Board of Directors

Executive Directors

Mr. Li Shaofeng (*Chairman*)
Mr. Chen Zheng (*Chief Executive Officer*)
Mr. Jin Guo Ping (*Vice President*)
Ms. Cheng Xiaoyu (*Vice President*)

Non-executive Director

Mr. Leung Shun Sang, Tony

Independent non-executive Directors

Mr. Kwong Che Keung, Gordon
Prof. Japhet Sebastian Law
Mr. Lam Yiu Kin (*Appointed on 27 July 2015*)
Mr. Chan Chung Chun (*Passed away on 8 May 2015*)

Executive Committee

Mr. Li Shaofeng (*Chairman*)
Mr. Chen Zheng
Mr. Jin Guo Ping
Ms. Cheng Xiaoyu

Audit Committee

Mr. Kwong Che Keung, Gordon (*Chairman*)
Prof. Japhet Sebastian Law
Mr. Lam Yiu Kin (*Appointed on 27 July 2015*)
Mr. Chan Chung Chun (*Passed away on 8 May 2015*)

Nomination Committee

Mr. Li Shaofeng (*Chairman*)
Mr. Leung Shun Sang, Tony (*Vice Chairman*)
Mr. Kwong Che Keung, Gordon
Prof. Japhet Sebastian Law
Mr. Lam Yiu Kin (*Appointed on 27 July 2015*)
Mr. Chan Chung Chun (*Passed away on 8 May 2015*)

Remuneration Committee

Prof. Japhet Sebastian Law (*Chairman*)
Mr. Li Shaofeng (*Vice Chairman*)
Mr. Leung Shun Sang, Tony
Mr. Kwong Che Keung, Gordon
Mr. Lam Yiu Kin (*Appointed on 27 July 2015*)
Mr. Chan Chung Chun (*Passed away on 8 May 2015*)

Compliance Officer	Mr. Chen Zheng
Company Secretary	Ms. Kam Man Yi, Margaret
Authorised Representatives	Mr. Chen Zheng Ms. Kam Man Yi, Margaret
Auditor	Deloitte Touche Tohmatsu
Bermuda Principal Share Registrar and Transfer Office	Codan Services Limited Clarendon House 2 Church Street Hamilton HM 11 Bermuda
Hong Kong Branch Share Registrar and Transfer Office	Tricor Standard Limited Level 22, Hopewell Centre 183 Queen's Road East Wanchai Hong Kong
Registered Office	Clarendon House 2 Church Street Hamilton HM 11 Bermuda
Head Office and Principal Place of Business in Hong Kong	Unit 2112, 21/F., K. Wah Centre 191 Java Road North Point Hong Kong
Stock Code	8271
Website	www.gdc-world.com

THIRD QUARTERLY RESULTS

The Board of Directors of the Company (the “Board”) hereby reports the unaudited condensed consolidated financial results of the Company and its subsidiaries (the “Group”) for the three months and nine months ended 30 September 2015 with comparative figures for the corresponding periods in the year 2014.

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

For the nine months ended 30 September 2015

	NOTES	Three months ended 30 September		Nine months ended 30 September	
		2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
Revenue	3	43,349	46,483	145,701	148,926
Cost of sales		(25,875)	(28,549)	(85,070)	(91,620)
Gross profit		17,474	17,934	60,631	57,306
Other income	4	2,553	4,421	7,773	31,308
Distribution costs and selling expenses		(2,102)	(1,441)	(13,754)	(16,533)
Administrative expenses		(13,636)	(16,083)	(44,682)	(46,209)
Finance costs	5	(223)	(1,634)	(2,578)	(5,295)
Other gains and losses	6	363	(3,964)	25,381	7,045
Profit (loss) before tax		4,429	(767)	32,771	27,622
Income tax expense	7	(2,102)	–	(5,465)	(303)
Profit (loss) for the period		2,327	(767)	27,306	27,319
Other comprehensive (expenses) income:					
Item that will not be reclassified to profit or loss:					
Exchange differences on translation of financial statements from functional currency to presentation currency		(22,386)	9,956	(22,350)	(10,681)
Items that may be subsequently reclassified to profit or loss:					
Decrease in fair value of available-for-sale investments		–	–	(445)	–
Cumulative gain reclassified to profit or loss on sale of available-for-sale investments		–	–	(20,789)	–
Other comprehensive (expenses) income for the period		(22,386)	9,956	(43,584)	(10,681)
Total comprehensive (expenses) income for the period		(20,059)	9,189	(16,278)	16,638

	NOTE	Three months ended		Nine months ended	
		30 September 2015 HK\$'000	2014 HK\$'000	30 September 2015 HK\$'000	2014 HK\$'000
Profit (loss) for the period attributable to:					
Owners of the Company		868	(4,565)	22,329	28,080
Non-controlling interests		1,459	3,798	4,977	(761)
		2,327	(767)	27,306	27,319
Total comprehensive (expenses) income for the period attributable to:					
Owners of the Company		(20,281)	4,820	(20,026)	18,200
Non-controlling interests		222	4,369	3,748	(1,562)
		(20,059)	9,189	(16,278)	16,638
		HK cents	HK cents	HK cents	HK cents
Earnings (loss) per share:	8				
Basic		0.06	(0.30)	1.47	1.85

NOTES:

1. BASIS OF PREPARATION

The unaudited condensed consolidated statement of profit or loss and other comprehensive income have been prepared in accordance with 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.

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 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 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. REVENUE

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

	Three months ended		Nine months ended	
	30 September		30 September	
	2015	2014	2015	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from contracts for computer graphic ("CG") creation and production (Note)	11,554	16,932	56,276	72,496
Rental and building management service fee income	25,637	24,528	74,298	64,031
CG Training fee	6,158	5,023	15,127	12,399
	<u>43,349</u>	<u>46,483</u>	<u>145,701</u>	<u>148,926</u>

Note: During the nine months ended 30 September 2015, an amount of approximately HK\$15,406,000 (nine months ended 30 September 2014: HK\$21,052,000) was attributable to revenue from the release of one animated film (nine months ended 30 September 2014: two animated films) based on an agreed sharing percentage of the box office receipts.

4. OTHER INCOME

	Three months ended		Nine months ended	
	30 September		30 September	
	2015	2014	2015	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest income	684	1,076	3,827	4,534
Government grants	1,754	1,083	3,673	6,636
Dividend income from available-for-sale investments	-	-	-	17,683
Insurance claims received	-	2,243	-	2,243
Others	115	19	273	212
	<u>2,553</u>	<u>4,421</u>	<u>7,773</u>	<u>31,308</u>

5. FINANCE COSTS

	Three months ended		Nine months ended	
	30 September		30 September	
	2015	2014	2015	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest on bank borrowings wholly repayable within five years	223	1,634	2,578	5,295

6. OTHER GAINS AND LOSSES

	Three months ended		Nine months ended	
	30 September		30 September	
	2015	2014	2015	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Gain on disposal of available-for-sale investments	-	-	20,789	-
Changes in fair value of held-for-trading investments	-	(4,380)	6,265	6,148
Loss on fair value changes of derivative financial instrument	-	-	(2,117)	-
Increase in fair value of structured deposits	488	393	692	574
Gain (loss) on disposal of property, plant and equipment	13	23	(110)	23
Impairment loss on trade receivables	(138)	-	(138)	-
Recovery of allowance for doubtful debts	-	-	-	300
	363	(3,964)	25,381	7,045

7. INCOME TAX EXPENSE

	Three months ended		Nine months ended	
	30 September		30 September	
	2015	2014	2015	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
PRC Enterprise Income Tax ("EIT"):				
Current tax	2,102	-	6,139	582
Overprovisions in prior years	-	-	(674)	(279)
Income tax expense	2,102	-	5,465	303

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 since the Group had no assessable profit arising in Hong Kong for the nine months ended 30 September 2015 (nine months ended 30 September 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 Rules 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 report, 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% from 2014 till 2016 as it was qualified as animation enterprise. For the nine months ended 30 September 2015, the relevant tax rates for the Group's subsidiaries in the PRC were ranged from 12.5% to 25% (nine months ended 30 September 2014: 12.5% to 25%).

No provision for tax in other jurisdictions 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 other jurisdictions.

8. EARNINGS (LOSS) PER SHARE

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

	Three months ended 30 September		Nine months ended 30 September	
	2015	2014	2015	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Earnings (loss)				
Earnings (loss) for the purposes of basic earnings (loss) per share (profit (loss) for the period attributable to owners of the Company)	<u>868</u>	<u>(4,565)</u>	<u>22,329</u>	<u>28,080</u>
	<i>'000</i>	<i>'000</i>	<i>'000</i>	<i>'000</i>
Number of shares				
Number of ordinary shares in issue for purposes of basic earnings (loss) 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 (loss) per share have been presented for both periods as there were no potential ordinary shares in issue.

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	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	-	-	-	-	-	-	-	-	22,329	22,329	4,977	27,306
Exchange differences on translation of financial statements from functional currency to presentation currency	-	-	-	-	-	-	(21,121)	-	-	(21,121)	(1,229)	(22,350)
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	-	-	-	-	-	(21,234)	(21,121)	-	-	(42,355)	(1,229)	(43,584)
Total comprehensive (expenses) income for the period	-	-	-	-	-	(21,234)	(21,121)	-	22,329	(20,026)	3,748	(16,278)
At 30 September 2015 (unaudited)	15,183	75,856	445	245,881	1,107	4,752	32,523	(1,209)	598,545	973,083	50,379	1,023,462
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	-	-	-	-	-	-	-	-	28,080	28,080	(761)	27,319
Exchange differences on translation of financial statements from functional currency to presentation currency	-	-	-	-	-	-	(9,880)	-	-	(9,880)	(801)	(10,681)
Total comprehensive (expenses) income for the period	-	-	-	-	-	-	(9,880)	-	28,080	18,200	(1,562)	16,638
Sub-total	15,183	75,856	445	245,881	870	-	63,384	39	572,671	974,329	44,550	1,018,879
Acquisition of additional interest in a subsidiary	-	-	-	-	-	-	-	(1,248)	-	(1,248)	1,248	-
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(115)	(115)
At 30 September 2014 (unaudited)	15,183	75,856	445	245,881	870	-	63,384	(1,209)	572,671	973,081	45,683	1,018,764

INTERIM DIVIDEND

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

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL OVERVIEW

For the nine months ended 30 September 2015, the Group recorded a turnover of approximately HK\$145,701,000 (nine months ended 30 September 2014: HK\$148,926,000). The Group's revenue from the CG creation and production division decreased by approximately 10%, offsetting an increase of approximately 16% from the Cultural Park division, comparing with those for the corresponding period in the year 2014.

Cost of sales for the nine months ended 30 September 2015 amounted to HK\$85,070,000, representing a decrease of approximately 7% when compared with that of HK\$91,620,000 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 compared to two animated films in the corresponding period in the year 2014.

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 of last year. The gross profit margin of CG creation and production division remained stable at approximately 30%.

Other income for the nine months ended 30 September 2015 amounted to HK\$7,773,000 (nine months ended 30 September 2014: HK\$31,308,000). It mainly included government grants of HK\$3,673,000 (nine months ended 30 September 2014: HK\$6,636,000) and interest income of HK\$3,827,000 (nine months ended 30 September 2014: HK\$4,534,000). Dividend income from available-for-sale investments and insurance claims received for the nine months ended 30 September 2015 were nil (nine months ended 30 September 2014: HK\$17,683,000 and HK\$2,243,000 respectively).

Distribution costs and selling expenses for the nine months ended 30 September 2015 amounted to HK\$13,754,000 (nine months ended 30 September 2014: HK\$16,533,000), representing a decrease of approximately 17%. 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.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

FINANCIAL OVERVIEW *(Continued)*

Administrative expenses for the nine months ended 30 September 2015 amounted to HK\$44,682,000 (nine months ended 30 September 2014: HK\$46,209,000), representing a slight decrease of approximately 3%.

Finance costs for the nine months ended 30 September 2015 was HK\$2,578,000 (nine months ended 30 September 2014: HK\$5,295,000), being interest on bank borrowings for the construction of the headquarters building in Shenzhen. The decrease in finance costs 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 early repaid in July 2015.

Other gains and losses for the nine months ended 30 September 2015 amounted to HK\$25,381,000 of net gains (nine months ended 30 September 2014: HK\$7,045,000 of net gains) which mainly included an increase in fair value of held-for-trading investments of HK\$6,265,000 (nine months ended 30 September 2014: HK\$6,148,000) and gain on disposal of available-for-sale investments of HK\$20,789,000 (nine months ended 30 September 2014: nil) upon the 1st completion of the disposal of 23,823,822 shares of GDC Technology Limited ("GDC Tech") on 26 February 2015, partially offset by a loss recognised on fair value changes of derivative financial instrument of HK\$2,117,000 (nine months ended 30 September 2014: nil).

As a whole, the Group recorded a profit of HK\$22,329,000 for the nine months ended 30 September 2015 attributable to owners of the Company, representing a decrease of approximately 20% when comparing with that of HK\$28,080,000 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 nine months ended 30 September 2015 amounted to HK\$96,664,000, representing a decrease of HK\$10,688,000 when compared with the corresponding period in the year 2014 of HK\$107,352,000.

Revenue from the division was primarily generated from the production service of international animated films and television dramas, box office receipts and copyrights from intellectual property animated films projects, copyrights of animated television dramas and film production for exhibition and display.

During the first three quarters of 2015, the CG creation and production division completed three international animated television drama projects and one animated film. Currently, we are working on several international animated television dramas and films, including one television drama which is a 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.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

BUSINESS REVIEW AND OUTLOOK *(Continued)*

CG creation and production (Continued)

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. There were a total of three domestically-produced animated films and five imported films which included one renowned Japanese animated film released on Children’s Day time slot this year. Although the box office receipt of “Happy Little Submarine V: Magic Box of Time” of the Group, which was about RMB31,500,000 was less than last year, it was ranked first among all domestically-produced films released around the same time slot, contributing an income of approximately HK\$15,406,000 to the Group. Following the release of the film, we have developed licensed products in the form of mobile games and its spin-off toys and such games and toys have been launched into the market. The Group has finished the production 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. It is expected the drama will be broadcasted on major children’s cartoon TV channels in the country by end of this year. 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 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 this 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 awareness of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

BUSINESS REVIEW AND OUTLOOK *(Continued)*

CG creation and production (Continued)

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, whilst continuing to enhance its competitiveness in the industry by reducing costs through technology and process innovation. In addition, the Group plans to develop animated films with new concepts and negotiate with renowned game companies, intelligent products companies and cinemas on co-production, with a view to creating works that carries weight.

CG Training

The revenue from the CG training division for the nine months ended 30 September 2015 amounted to HK\$15,127,000, representing an increase of approximately 22% as compared with the revenue for the corresponding period in 2014 of HK\$12,399,000, with noticeable improvement in revenue from the Shenzhen campus.

During the period, the CG training division held course introduction seminars 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. In the third quarter of 2015, the marketing team of the CG training division strengthened various external promotion channels, aiming at the comprehensive promotion coverage on media, platforms, online, offline and institutions recruiting channels. The animation production industry, having experienced the peak in its development over the past few years, has higher requirements on the professional standard and years of experience of its talents. As the training period of animation production is comparatively longer and the starting salaries for junior staff is generally low, the animated production industry has become less attractive to students and the number of new entrants reduced. With the decline in demand and rising operating costs, the profitability of the CG training division is subject to significant pressure. As such, the CG training division will focus on enhancing sales efficiency, optimizing teaching teams, strengthening cost control and resources integration in the future, so as to improve the business performance.

Cultural Park

The Cultural Park is located along the subway 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 successfully invited a number of well-known brands to set up business there, allowing the Cultural Park to achieve a higher profile. 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. Total revenue in the first nine months of this year increased approximately 16% as compared with the corresponding 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 for our shareholders.

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 2015.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 September 2015, the interests and short positions of the Directors and chief executives of the Company or any of their respective associates in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules were as follows:

LONG POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

Name of Director	Capacity in which interests are held	Number of shares/ underlying shares held in the Company			Approximate percentage of issued share capital of the Company
		Interests in shares	Interests under equity derivatives	Total interests	
Mr. Chen Zheng	Beneficial owner	185,988,200	-	185,988,200	12.25%
Mr. Leung Shun Sang, Tony	Beneficial owner	30,008,200	-	30,008,200	1.98%
Mr. Kwong Che Keung, Gordon	Beneficial owner	10,800,820	-	10,800,820	0.71%

Save as disclosed above, as at 30 September 2015, none of the Directors, chief executives of the Company or their respective associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise, notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the section headed "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures" above, at no time during the nine months ended 30 September 2015 was the Company or any of its subsidiaries a party to any arrangement to enable the Directors or their respective spouse or children under 18 years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS

As at 30 September 2015, the following persons or corporations, other than the Directors or chief executives of the Company as disclosed above, had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO:

LONG POSITIONS IN THE SHARES OF THE COMPANY

Name of shareholder	Capacity in which interests are held	Number of shares held in the Company	Approximate percentage of total issued share capital of the Company
Shougang Holding (Hong Kong) Limited ("Shougang Holding")	Interests of controlled corporations	619,168,023 (Note)	40.78%
Wheeling Holdings Limited ("Wheeling")	Interests of controlled corporations	619,168,023 (Note)	40.78%
Shougang Concord Grand (Group) Limited ("Shougang Grand")	Interests of controlled corporations	619,168,023 (Note)	40.78%
Upper Nice Assets Ltd. ("Upper Nice")	Beneficial owner	619,168,023 (Note)	40.78%

Note: Upper Nice is an indirect wholly-own subsidiary of Shougang Grand. Shougang Grand was held as to approximately 37.36% by Wheeling, a wholly-owned subsidiary of Shougang Holding. Accordingly, all these corporation are deemed to be interested in the shares capital of the Company which Upper Nice is interested under the SFO.

Save as disclosed above, as at 30 September 2015, the Company has not been notified of any other person or corporations (other than the Directors and chief executive(s) of the Company) who had an interest or short position in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO.

SHARE OPTION SCHEME

On 18 June 2013, the share option scheme of the Company (the “Share Option Scheme”) which complies with the requirements of Chapter 23 of the GEM Listing Rules was adopted by the shareholders of the Company.

The purpose of the Share Option Scheme is to motivate eligible persons to optimise their future contributions to the Group and/or to reward them for their past contributions, to attract and retain or otherwise maintain on-going relationships with such eligible persons who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of the Group.

The maximum number of shares which may be issued upon exercise of all share options to be granted under the Share Option Scheme is 151,825,554 shares, representing approximately 10% and 10% of the Company’s issued share capital as at the date of the Company’s 2014 annual report and as at the date of this quarterly report, respectively.

No share option may be granted to any participant of the Share Option Scheme such that the total number of shares issued and to be issued upon exercise of the share options granted and to be granted to that person in any 12-month period up to the date of the latest grant exceeds 1% of the Company’s issued share capital from time to time.

A share option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as determined by the Board and not exceeding 10 years from the date of the grant. There is no minimum period for which the share option must be held before it can be exercised. Participants of the Share Option Scheme are required to pay the Company HK\$1.0 upon acceptance of the grant on or before the 28 days after the offer date. The exercise price of the share options is determined by the Board in its absolute discretion and shall not be less than whichever is the highest of:

- (a) the nominal value of a share of the Company;
- (b) the closing price of a share of the Company as stated in the Stock Exchange’s daily quotations sheets on the offer date, which must be a business day; and
- (c) the average closing price of a share of the Company as stated in the Stock Exchange’s daily quotation sheets for the five business days immediately preceding the offer date.

No share option was granted since its adoption. The Share Option Scheme is valid and effective for a period of 10 years.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

During the nine months ended 30 September 2015, none of the Directors had an interest in a business (other than those businesses where the Director 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 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 nine months ended 30 September 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 nine months ended 30 September 2015.

AUDIT COMMITTEE

The Group's third quarterly results for the nine months ended 30 September 2015 were unaudited. The Company's audit committee (the "Audit Committee") has reviewed the 2015 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 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, 6 November 2015