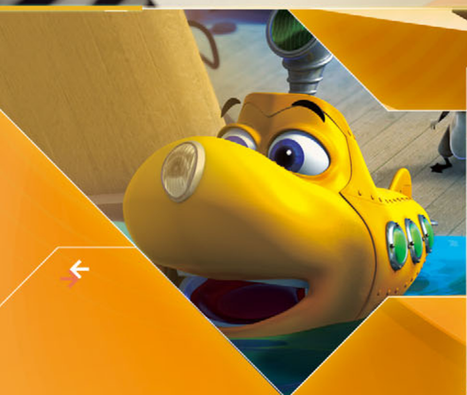
G·D·C

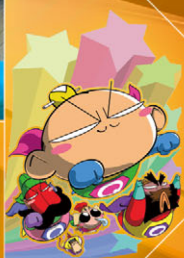
環球數碼

Global Digital Creations Holdings Limited
環球數碼創意控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 8271)





INTERIM REPORT 2013

** 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.

CONTENTS

CORPORATE INFORMATION

Board of Directors	**Executive Directors** Mr. Li Shaofeng *(Chairman)* Mr. Chen Zheng *(Chief Executive Officer)* Mr. Jin Guo Ping *(Vice President)*
	Non-executive Director Mr. Leung Shun Sang, Tony
	Independent non-executive Directors Mr. Kwong Che Keung, Gordon Prof. Japhet Sebastian Law Mr. Chan Chung Chun
Executive Committee	Mr. Li Shaofeng *(Chairman)* Mr. Chen Zheng Mr. Jin Guo Ping
Audit Committee	Mr. Kwong Che Keung, Gordon *(Chairman)* Prof. Japhet Sebastian Law Mr. Chan Chung Chun
Nomination Committee	Mr. Li Shaofeng *(Chairman)* Mr. Leung Shun Sang, Tony *(Vice Chairman)* Mr. Kwong Che Keung, Gordon Prof. Japhet Sebastian Law Mr. Chan Chung Chun
Remuneration Committee	Prof. Japhet Sebastian Law *(Chairman)* Mr. Li Shaofeng *(Vice Chairman)* Mr. Leung Shun Sang, Tony Mr. Kwong Che Keung, Gordon Mr. Chan Chung Chun
Compliance Officer	Mr. Chen Zheng
Company Secretary	Ms. Kam Man Yi, Margaret

CORPORATE INFORMATION *(Continued)*

Authorised Representatives	Mr. Chen Zheng Ms. Kam Man Yi, Margaret
Auditor	Deloitte Touche Tohmatsu
Bermuda Principal Share Registrar and Transfer Office	HSBC Securities Services (Bermuda) Limited 6 Front Street Hamilton HM 11 Bermuda
Hong Kong Branch Share Registrar and Transfer Office	Tricor Standard Limited 26th Floor, Tesbury Centre 28 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 1-7, 20/F., Kodak House II 39 Healthy Street East North Point Hong Kong
Stock Code	8271
Website	www.gdc-world.com

INTERIM 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 six months ended 30 June 2013 with comparative figures for the corresponding period in the year 2012.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2013

		Three months ended 30 June		Six months ended 30 June	
	NOTES	**2013**	2012	**2013**	2012
		HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
		(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Revenue	*4*	**55,928**	32,983	**84,594**	52,412
Cost of sales		**(28,830)**	(22,015)	**(49,267)**	(35,972)
Gross profit		**27,098**	10,968	**35,327**	16,440
Other income	*5*	**15,125**	14,731	**38,681**	19,496
Distribution costs and selling expenses		**(11,518)**	(5,677)	**(13,962)**	(7,181)
Administrative expenses		**(16,619)**	(15,090)	**(32,654)**	(30,993)
Finance costs	*6*	**(2,302)**	(2,913)	**(4,676)**	(5,906)
Other gains and losses	*7*	**873**	345	**381**	(4,816)
Profit (loss) before tax		**12,657**	2,364	**23,097**	(12,960)
Income tax expense	*8*	**(5,651)**	–	**(6,103)**	–
Profit (loss) for the period	*9*	**7,006**	2,364	**16,994**	(12,960)
Other comprehensive income (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		**11,233**	(8,278)	**11,233**	(8,278)
Total comprehensive income (expenses) for the period		**18,239**	(5,914)	**28,227**	(21,238)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME *(Continued)*

For the six months ended 30 June 2013

	NOTE	Three months ended 30 June		Six months ended 30 June	
		2013	2012	**2013**	2012
		HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
		(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Profit (loss) for the period attributable to:					
Owners of the Company		**11,389**	3,976	**24,243**	(10,294)
Non-controlling interests		**(4,383)**	(1,612)	**(7,249)**	(2,666)
		7,006	2,364	**16,994**	(12,960)
Total comprehensive income (expenses) for the period attributable to:					
Owners of the Company		**21,419**	(3,967)	**34,273**	(18,237)
Non-controlling interests		**(3,180)**	(1,947)	**(6,046)**	(3,001)
		18,239	(5,914)	**28,227**	(21,238)
		HK cents	*HK cents*	***HK cents***	*HK cents*
Earnings (loss) per share	*11*				
Basic and diluted		**0.75**	0.26	**1.60**	(0.68)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2013

	NOTES	30 June 2013 HK$'000 (unaudited)	31 December 2012 HK$'000 (audited)
Non-current assets			
Property, plant and equipment	12	289,888	291,456
Investment properties	13	514,692	504,835
Prepaid lease payments		5,973	5,967
Available-for-sale investment	14	85,026	85,018
Other receivables and deposits	15	25,316	25,000
		920,895	912,276
Current assets			
Programmes	17	–	322
Productions work in progress		1,332	2,769
Amounts due from customers for contract work		6,618	6,166
Trade receivables	18	37,125	15,243
Other receivables and deposits	15	10,937	11,691
Prepaid lease payments		139	138
Held-for-trading investments	16	32,438	32,756
Structured deposits	19	152,607	–
Other financial assets		1,266	–
Bank balances and cash		117,774	309,178
		360,236	378,263
Current liabilities			
Advances from customers		6,880	10,510
Amounts due to customers for contract work		3,778	1,699
Trade payables	20	1,826	2,183
Other payables and accruals		91,498	119,198
Tax liabilities		10,617	5,059
Deferred income		1,541	1,605
Secured bank borrowings			
– due within one year	21	32,911	30,000
		149,051	170,254

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

At 30 June 2013

	NOTES	**30 June 2013** ***HK$'000*** **(unaudited)**	31 December 2012 *HK$'000* (audited)
Net current assets		**211,185**	208,009
Total assets less current liabilities		**1,132,080**	1,120,285
Non-current liabilities			
Deferred income		**7,572**	8,214
Deferred tax liabilities		**38,055**	37,579
Secured bank borrowings – due after one year	*21*	**98,734**	115,000
		144,361	160,793
Net assets		**987,719**	959,492
Capital and reserves			
Share capital	*22*	**15,183**	15,183
Reserves		**923,611**	889,338
Equity attributable to owners of the Company		**938,794**	904,521
Non-controlling interests		**48,925**	54,971
Total equity		**987,719**	959,492

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2013

	Share capital HK$'000	Share premium reserve HK$'000	Capital contribution reserve HK$'000 (Note a)	Contributed surplus reserve HK$'000 (Note b)	Statutory reserve HK$'000 (Note c)	Share options reserve HK$'000	Exchange reserve HK$'000	Special reserve HK$'000 (Note d)	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	–	–	–	–	–	–	–	–	24,243	24,243	(7,249)	16,994
Other comprehensive income	–	–	–	–	–	–	10,030	–	–	10,030	1,203	11,233
Total comprehensive income for the period	–	–	–	–	–	–	10,030	–	24,243	34,273	(6,046)	28,227
Sub-total	15,183	75,856	445	245,881	680	16,895	65,519	39	518,296	938,794	48,925	987,719
Lapse of share options granted	–	–	–	–	–	(160)	–	–	160	–	–	–
At 30 June 2013 (unaudited)	15,183	75,856	445	245,881	680	16,735	65,519	39	518,456	938,794	48,925	987,719
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	–	–	–	–	–	–	–	–	(10,294)	(10,294)	(2,666)	(12,960)
Other comprehensive expenses	–	–	–	–	–	–	(7,943)	–	–	(7,943)	(335)	(8,278)
Total comprehensive expenses for the period	–	–	–	–	–	–	(7,943)	–	(10,294)	(18,237)	(3,001)	(21,238)
Sub-total	15,183	75,856	445	245,881	680	40,890	36,625	–	399,301	814,861	22,354	837,215
Lapse of share options granted	–	–	–	–	–	(1,257)	–	–	1,257	–	–	–
At 30 June 2012 (unaudited)	15,183	75,856	445	245,881	680	39,633	36,625	–	400,558	814,861	22,354	837,215

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY *(Continued)*

For the six months ended 30 June 2013

Notes:

(a) *Capital contribution reserve represents accumulated effect of imputed interest on amount due to other related party.*

(b) *Contributed surplus reserve represents (1) the difference between the nominal value of share capital of the Company and the aggregate amount of nominal value of share capital of subsidiaries acquired by the Company through an exchange of shares pursuant to a group reorganisation, which was completed on 31 December 2002, amounting to approximately HK$40,271,000 and; (2) the transfer of the share premium reserve of approximately HK$589,670,000 as at 31 December 2007 to contributed surplus reserve which was applied to eliminate the deficit of the Company of approximately HK$384,060,000 as at 31 December 2007, in accordance to a special resolution passed by shareholders of the Company at the Special General Meeting of the Company held on 6 June 2008.*

(c) *As stipulated by the rules and regulations in the People's Republic of China (the "PRC", for the purpose of this condensed consolidated financial statements, does not include Hong Kong, Macau and Taiwan), the subsidiaries of the Company established in the PRC are required to appropriate 10% of their after-tax profit (after offsetting prior years' losses) to a general reserve fund until the balance of the fund reaches 50% of their registered capital thereafter any further appropriation is optional and is determinable by the companies' boards of directors.*

(d) *Special reserve as at 30 June 2013 represented the difference between the proceed and the carrying amount of the net assets attributable to the disposal of partial interest of a PRC subsidiary during the year ended 31 December 2012 amounting to approximately HK$39,000.*

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2013

	Six months ended 30 June	
	2013	2012
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Operating activities		
Profit (loss) before tax	**23,097**	(12,960)
Decrease in programmes	**326**	2,520
Increase in trade receivables	**(21,748)**	(4,240)
Decrease in other receivables and deposits	**897**	3,692
(Decrease) increase in trade payables	**(357)**	1,207
Other operating cash flows	**623**	6,008
Net cash from (used in) operating activities	**2,838**	(3,773)
Investing activities		
Proceeds from redemption of structured deposits	**355,625**	583,903
Purchase of structured deposits	**(505,625)**	(582,927)
Additions in investment properties	**(3,466)**	(59,131)
Purchase of property, plant and equipment	**(5,002)**	(11,784)
Dividend received from available-for-sale investments	**13,823**	10,834
Settlement of construction payable	**(36,021)**	–
Other investing cash flows	**4,504**	6,188
Net cash used in investing activities	**(176,162)**	(52,917)
Financing activities		
Repayment of bank borrowings	**(15,000)**	(12,346)
Other financing cash flows	**(4,676)**	(5,906)
Cash used in financing activities	**(19,676)**	(18,252)
Net decrease in cash and cash equivalents	**(193,000)**	(74,942)
Cash and cash equivalents at beginning of the period	**309,178**	444,976
Effect of foreign exchange rate changes	**1,596**	(3,514)
Cash and cash equivalents at end of the period, comprising bank balances and cash	**117,774**	366,520

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2013

1. BASIS OF PREPARATION

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

2. PRINCIPAL ACCOUNTING POLICIES

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

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 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 interim 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 interim 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 the current interim 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. Consequential amendments have been made to HKAS 34 to require certain disclosures to be made in the condensed consolidated financial statements.

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. Other than additional disclosures of fair value information as set out in notes 13, 16 and 19, the application of HKFRS 13 has had no material impact on the reported amount in these condensed consolidated financial statements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the six months ended 30 June 2013

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

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 interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the six months ended 30 June 2013

3. SEGMENT INFORMATION

Information reported to the Chief Executive Officer of the Company, being the chief operating decision maker ("CODM"), for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. The Group is currently organised into three operating divisions. These operating divisions are the basis upon which the information that is regularly reviewed by the CODM is prepared and are analysed under HKFRS 8 as follows:

- Compute graphic ("CG") creation and production – CG creation and production, exhibition of television series and movies as well as property rental income
- CG training - provision of CG and animation training
- Cultural park - media entertainment and related commercial property investment

The above operating divisions constitute the operating segments of the Group.

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

Six months ended 30 June 2013 (unaudited)

	CG creation and production *HK$'000*	CG training *HK$'000*	Cultural park *HK$'000*	Consolidated *HK$'000*
Revenue	69,033	7,507	8,054	84,594
Segment result	24,693	(713)	(4,736)	19,244
Unallocated income				13,964
Unallocated expenses				(10,111)
Profit before tax				23,097

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the six months ended 30 June 2013

3. SEGMENT INFORMATION *(Continued)*

Six months ended 30 June 2012 (unaudited)

	CG creation and production *HK$'000*	CG training *HK$'000*	Cultural park *HK$'000*	Consolidated *HK$'000*
Revenue	44,145	7,924	343	52,412
Segment result	(4,692)	(354)	(3,523)	(8,569)
Unallocated income				10,839
Unallocated expenses				(15,230)
Loss before tax				(12,960)

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

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

Segment assets

	30 June 2013 ***HK$'000*** **(unaudited)**	31 December 2012 *HK$'000* (audited)
CG creation and production	**578,294**	608,006
CG training	**17,623**	18,375
Cultural park	**556,219**	536,522
Total segment assets	**1,152,136**	1,162,903

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the six months ended 30 June 2013

4. REVENUE

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

	Three months ended 30 June		Six months ended 30 June	
	2013	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Revenue from contracts for CG creation and production *(Note)*	**37,286**	21,226	**53,269**	29,524
Rental income	**14,902**	8,020	**23,818**	14,964
Training fee	**3,740**	3,737	**7,507**	7,924
	55,928	32,983	**84,594**	52,412

Note: During the six months ended 30 June 2013, an amount of approximately HK$25,600,000 (six months ended June 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.

5. OTHER INCOME

	Three months ended 30 June		Six months ended 30 June	
	2013	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Interest income	**2,217**	3,851	**5,767**	5,812
Government grants *(Note 1)*	**5,955**	–	**14,108**	2,804
Dividend income from available-for-sale investments	**6,912**	10,834	**13,823**	10,834
Compensation income *(Note 2)*	**–**	–	**4,750**	–
Others	**41**	46	**233**	46
	15,125	14,731	**38,681**	19,496

Note 1: During the six months ended 30 June 2013, government grants mainly represent subsidies of HK$13,289,000 (six months ended 30 June 2012: HK$2,804,000) received from the relevant PRC authorities in PRC, of which an amount of HK$11,289,000 (six months ended 30 June 2012: Nil) is intended to compensate for the staff costs, interest expenses, insurance expenses and export related expenses incurred by the Group primarily in CG production and exhibition of motion pictures and the remaining amount of HK$2,000,000 (six months ended 30 June 2012: HK$2,804,000) is an incentive payment to the Group whereby no future related cost is required or expected to be made.

In addition, an amount of HK$819,000 (six months ended 30 June 2012: Nil) is related to government grants on computer equipment acquisition which are amortised to profit or loss on a straight-line basis over the estimated useful life of the acquired assets.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the six months ended 30 June 2013

5. OTHER INCOME *(Continued)*

Note 2: *From September 2011 to November 2012, the training online enrolment website of a wholly-owned PRC subsidiary of the Company was hacked. The case was passed to the relevant law enforcement authorities in April 2012, all hackers were arrested in Shenzhen by November 2012. Investigations revealed that the hackers were appointed by the Group's competitor. To compensate for the economic loss suffered by the Group, the competitor made an offer of RMB3,800,000 (equivalent to HK$4,750,000) on 24 January 2013. The Group accepted the offer and reached the settlement agreement with the competitor on 25 January 2013. It was agreed that no further civil liability against the competitor on the above issue would be claimed.*

The compensation amounting to RMB3,800,000 (equivalent to HK$4,750,000) was recognised as other income in the six months ended 30 June 2013.

6. FINANCE COSTS

	Three months ended 30 June		Six months ended 30 June	
	2013	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Interest on bank borrowings wholly repayable within five years	**2,302**	2,913	**4,676**	5,906

7. OTHER GAINS AND LOSSES

	Three months ended 30 June		Six months ended 30 June	
	2013	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Changes in fair value of held-for-trading investments	**174**	372	**(318)**	(4,059)
Changes in fair value of structured deposits	**699**	–	**699**	–
Loss on disposal of property, plant and equipment	**–**	(27)	**–**	(757)
	873	345	**381**	(4,816)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the six months ended 30 June 2013

8. INCOME TAX EXPENSE

	Three months ended 30 June		Six months ended 30 June	
	2013	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Current tax:				
PRC Enterprise Income Tax ("EIT")	**5,651**	–	**6,103**	–

No provision for Hong Kong Profits Tax has been made in the condensed consolidated statement of profit or loss and other comprehensive income for both periods 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 PRC subsidiaries is 25% from 1 January 2008 onwards, except for those subsidiaries described below.

According to the Circular of the State Council on the Implementation of Transitional Preferential Policies for Enterprise Income Tax (Guofa [2007] No. 39), those entities that previously enjoyed tax incentive rate of 15% would have their applicable tax rate progressively increased to 25% over a five-year transitional period. The tax concession for the foreign investment enterprises is still applicable until the end of the five-year transitional period under the EIT Law based on the revised income tax rate. According to the Circular of State Council for the Enterprise income tax policies on the advanced technology service enterprise ("ATSE") (Caishui [2010] No.65), one of the PRC subsidiaries was able to enjoy a preferential tax rate at 15% in 2012 as it was qualified as ATSE. For the six months ended 30 June 2013, the relevant tax rates for the Group's subsidiaries in the PRC were 25% (six months ended 30 June 2012: 15% to 25%).

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the six months ended 30 June 2013

9. PROFIT (LOSS) FOR THE PERIOD

	Three months ended 30 June		Six months ended 30 June	
	2013	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Profit (loss) for the period has been arrived at after charging:				
Write-down on programmes (included in cost of sales)	**–**	2,439	**299**	2,439
Amortisation of prepaid lease payments	**35**	34	**69**	68
Depreciation of property, plant and equipment	**5,038**	5,520	**10,110**	11,397
Less: amounts included in contract costs	**(572)**	(426)	**(1,045)**	(1,223)
amounts included in productions work in progress	**–**	(4)	**–**	(4)
	4,466	5,090	**9,065**	10,170
Advertising expenses (included in distribution costs and selling expenses)	**11,032**	4,480	**11,907**	4,732
Staff costs	**31,214**	20,479	**58,630**	41,049
Less: amounts included in contract costs	**(7,755)**	(2,928)	**(15,613)**	(7,819)
amounts included in productions work in progress	**(242)**	(23)	**(644)**	(23)
	23,217	17,528	**42,373**	33,207
Contract costs recognised as an expense				
Staff costs	**9,964**	6,666	**18,089**	12,062
Others	**9,380**	10,815	**15,574**	14,887
	19,344	17,481	**33,663**	26,949

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the six months ended 30 June 2013

10. DIVIDENDS

The board of Directors does not recommend the payment of an interim dividend for the six months ended 30 June 2013 (six months ended 30 June 2012: Nil).

11. 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 30 June		Six months ended 30 June	
	2013	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Earnings (loss)				
Earnings (loss) for the purposes of basic and diluted earnings (loss) per share (profit (loss) for the period attributable to the owners of the Company)	**11,389**	3,976	**24,243**	(10,294)
	'000	*'000*	***'000***	*'000*
Number of shares				
Number of ordinary shares in issue for the 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 ended 30 June 2012 and 2013, and six months ended 30 June 2013 does not assume the exercise of the Company's share options as the exercise prices of the share options are higher than the average market price of the shares for the period.

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the six months ended 30 June 2013

12. PROPERTY, PLANT AND EQUIPMENT

	Carrying values	
	2013	2012
	HK$'000	*HK$'000*
At 1 January (audited)	**291,456**	306,878
Exchange realignment	**3,542**	(3,711)
Additions	**5,002**	2,454
Depreciation for the period	**(10,110)**	(11,397)
Disposals	**(2)**	(1,131)
At 30 June (unaudited)	**289,888**	293,093

During the six months ended 30 June 2012, the management of the Group performed an impairment assessment on the cash generating unit ("CGU") relating to the CG creation and production operating segment whereby property, plant and equipment with aggregate carrying amount of approximately HK$281,464,000 as at 30 June 2012 are included. The recoverable amount of this CGU has been determined based on value in use calculations. Those calculations use cash flow projections based on financial budgets approved by management covering a five-year period and discount rate of 8.5%.

Cash flows projections during the budget period for the CGU are based on the expected gross margins during the budget period. Budgeted gross margins were determined based on past performance and the management's expectation for the market development. Cash flows beyond the five-year period is extrapolated using a growth rate of 4%. The recoverable amount exceed the carrying amount of the CGU and accordingly no impairment of the assets the CGU is considered necessary.

During the six months ended 30 June 2013, the CG creation and production operating segment records a profit of HK$24,693,000. The Directors conduct a review of the Group's property, plant and equipment and determined that no impairment indicators existed at 30 June 2013.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the six months ended 30 June 2013

13. INVESTMENT PROPERTIES

	Completed properties		Properties interest under construction		Total	
	2013	2012	**2013**	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
At 1 January (audited)	**449,250**	–	**55,585**	170,605	**504,835**	170,605
Exchange realignment	**5,687**	–	**704**	(2,802)	**6,391**	(2,802)
Additions	**–**	–	**3,466**	59,131	**3,466**	59,131
At 30 June (unaudited)	**454,937**	–	**59,755**	226,934	**514,692**	226,934

The investment properties represent the properties interest held under an operating lease on a property project which arose from a framework agreement on 28 March 2007 (as supplemented on 3 April 2008) (the "Framework Agreement") entered into by 廣東環球數碼創意產業有限公司 (formerly known as 廣東時尚置業有限公司) ("Guangdong Cultural Park") a subsidiary of the Company and 珠江電影製片有限公司 ("Pearl River Film Production"), a limited liability company established in the PRC and a state-owned enterprise, to redevelop 珠影文化產業園 ("Pearl River Film Cultural Park").

Pearl River Film Production, as the landlord of the Pearl River Film Cultural Park, agreed to grant the property leasing right to Guangdong Cultural Park, in return for predetermined monthly payment from Guangdong Cultural Park for a term up to 31 December 2045. Guangdong Cultural Park is responsible for the design, financing, construction and operation of the Pearl River Film Cultural Park and the funding of the entire construction project. Upon the expiration of the Framework Agreement, Guangdong Cultural Park has to return all properties to Pearl River Film Production.

The Pearl River Film Cultural Park is located at No. 352 and 354, Xin Gang Zhong Road, Guangzhou, the PRC and the present land use right is owned by Pearl River Film Production. After the redevelopment, the whole Pearl River Film Cultural Park project will have a commercial area, a cultural entertainment area and a film production and development area, which will be held for investment properties purpose.

The properties interests under construction represent Phase II of the Pearl River Film Cultural Park which is to be developed as an entertainment and film production and development area and are stated at cost as the fair value cannot be reliably measured as at 30 June 2013.

The completed properties represent Phase I of the Pearl River Film Cultural Park which is a shopping mall and are stated at the fair value as at 30 June 2013 and 31 December 2012. The fair value as at 30 June 2013 and 31 December 2012 has been arrived at on the basis of a valuation carried out by the management of the Group and ROMA Appraisals Limited ("ROMA"), independent qualified professional valuers not connected with the Group, respectively. The valuation technique carried out by the management of the Group on 30 June 2013 has been performed with reference to the valuation carried out by ROMA on 31 December 2012. The valuation took into account the rental income of the property derived from the existing leases and the estimated future lease income capitalised at a market yield rate expected of similar type of property over the remaining period of the property leasing right granted by Pearl River Film Production. The expense on the land lease for the investment property was also taken into consideration.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the six months ended 30 June 2013

13. INVESTMENT PROPERTIES *(Continued)*

There has been no change to the valuation technique during the interim period and no change in fair value of investment properties has been recognised directly in profit or loss for the six months ended 30 June 2013.

Details of the Group's investment properties and information about the fair value hierarchy as at 30 June 2013 are as follows:

	Level 1	Level 2	Level 3	Fair value as at 30 June 2013
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Cultural park phase I	–	–	454,937	454,937

There were no transfers between different levels for the period.

14. AVAILABLE-FOR-SALE INVESTMENTS

	30 June 2013	31 December 2012
	HK$'000	*HK$'000*
	(unaudited)	(audited)
11.52% equity interest in GDC Technology Limited	**84,393**	84,393
5% equity interest in a private entity established in the PRC	**633**	625
	85,026	85,018

These investments are measured at cost less impairment at the end of reporting period because the range of reasonable fair value estimate is so significant that the Directors are of the opinion that the fair value cannot be measured reliably.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the six months ended 30 June 2013

15. OTHER RECEIVABLES AND DEPOSITS

	30 June 2013	31 December 2012
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Deposits *(Note)*	**26,233**	25,878
Others	**10,020**	10,813
	36,253	36,691
Analysed for reporting purposes as:		
Current	**10,937**	11,691
Non-Current	**25,316**	25,000
	36,253	36,691

Note: The non-current deposit was paid by Guangdong Cultural Park to Pearl River Film Production of RMB20,000,000 for the development of the Pearl River Film Cultural Park in 2010. The deposit is refundable upon the completion of the entire project.

16. HELD-FOR-TRADING INVESTMENTS

Held-for-trading investments as at 30 June 2013 and 31 December 2012 represent equity securities listed in Hong Kong. The fair values of the investments are determined based on the quoted market bid prices available on the Stock Exchange. The fair value of held-for-trading investments was classified as Level 1 of the fair value hierarchy. There were no transfers between Level 1 and 2.

17. PROGRAMMES

	30 June 2013	31 December 2012
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Completed television series, net of allowance of HK$9,694,000 (31 December 2012: HK$10,006,000)	**–**	322

18. TRADE RECEIVABLES

	30 June 2013	31 December 2012
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Trade receivables	**37,125**	15,243
Less: allowance for doubtful debts	**–**	–
	37,125	15,243

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the six months ended 30 June 2013

18. TRADE RECEIVABLES *(Continued)*

Except for rental income receivable from tenants, which is due for settlement upon issue of invoices, the Group allows different credit periods to its customers, ranging from 30 days to 120 days, depending on the type of products sold or services provided.

The following is an aged analysis at the end of the reporting period of trade receivables, net of allowance for doubtful debts:

	30 June 2013 HK$'000 (unaudited)	31 December 2012 HK$'000 (audited)
Within three months	36,821	15,186
Three to six months	304	–
Over six months	–	57
	37,125	15,243

19. STRUCTURED DEPOSITS

	30 June 2013 HK$'000 (unaudited)	31 December 2012 HK$'000 (audited)
Principal – protected financial products	152,607	–

The structured deposits as at 30 June 2013 are principal-protected deposits issued by banks in the PRC. The principal-protected deposits carry interest rates ranging from 4.15% to 5.5% per annum, depending on the market prices of financial instruments, including money market instruments and debt instruments. The structured deposits are designated at fair value through profit or loss on initial recognition as they contain non-closely related embedded derivative. The Directors consider the fair values of the structured deposits, which are based on the prices the counterparty banks would pay to redeem at 30 June 2013, approximate to their carrying values at 30 June 2013. The fair value of the structured deposits was classified as Level 2 of the fair value hierarchy. There were no transfers between Level 1 and 2.

The structured deposits have been redeemed in July 2013. The change in fair value up to the date of redemption is not significant.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the six months ended 30 June 2013

20. TRADE PAYABLES

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

	30 June 2013	31 December 2012
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Within three months	**468**	885
Three to six months	**–**	6
Over six months	**1,358**	1,292
	1,826	2,183

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

21. SECURED BANK BORROWINGS

As at 30 June 2013, the Group's borrowings are variable-rate obtained for financing the construction cost of the building in the PRC and are denominated in Renminbi, secured by the Group's pledge of building and carried interest at the People's Bank of China Renminbi Lending Rate per annum. The interest rates (which are also equal to contracted interest rate) in the Group's bank borrowing is 6.55% (31 December 2012: 7.05%) per annum. Interest is repriced every year.

During the six months ended 30 June 2013, the Group repaid bank borrowings of approximately HK$15,000,000 (six months ended 30 June 2012: HK$12,346,000) in accordance with the repayment terms.

22. SHARE CAPITAL

Share capital as at 30 June 2013 amounted to approximately HK$15,183,000. There were no movements in the share capital of the Company in the current or the prior interim period.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the six months ended 30 June 2013

23. CAPITAL COMMITMENTS

	30 June 2013 HK$'000 (unaudited)	31 December 2012 HK$'000 (audited)
Capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of additions in investment properties	12,104	14,285

24. SHARE-BASED PAYMENTS

The Company has a share option scheme for eligible Directors, employees and other participants of the Group. Details of the share options outstanding during the current period are as follows:

	Number of share options '000
At 1 January 2013 (audited)	52,460
Lapsed during the period	(600)
At 30 June 2013 (unaudited)	51,860

No share option was granted or exercised during the six months ended 30 June 2013 and 2012. 600,000 (six months ended 30 June 2012: 3,580,000) share options were lapsed during the six months ended 30 June 2013.

25. RELATED PARTY TRANSACTIONS

The remuneration of the Directors and other key management personnel during the six months ended 30 June 2013 is as follows:

	Three months ended 30 June		Six months ended 30 June	
	2013 HK$'000 (unaudited)	2012 HK$'000 (unaudited)	2013 HK$'000 (unaudited)	2012 HK$'000 (unaudited)
Short-term benefits	2,878	2,651	5,836	5,302
Post-employment benefits	19	18	38	36
	2,897	2,669	5,874	5,338

The remuneration of the Directors and senior management is determined by the remuneration committee having regard to the performance of the individuals and market trends.

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

TO THE BOARD OF DIRECTORS OF GLOBAL DIGITAL CREATIONS HOLDINGS LIMITED
環球數碼創意控股有限公司
(incorporated in Bermuda with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated financial statements of Global Digital Creations Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 5 to 27, which comprise the condensed consolidated statement of financial position as of 30 June 2013 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The GEM Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" ("HKSRE 2410") issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Without qualifying our review conclusion, we draw attention to the fact that the condensed consolidated statements of profit or loss and other comprehensive income for each of the three-month periods ended 30 June 2013 and 2012 and the relevant explanatory notes included in these condensed consolidated financial statements have not been reviewed in accordance with HKSRE 2410.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
8 August 2013

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL OVERVIEW

Revenue for the six months ended 30 June 2013 was HK$84,594,000 when comparing with that of HK$52,412,000 for the corresponding period in the year 2012, representing an increase of 61%. The increase was mainly attributable to an increase in revenue from contracts for computer graphic ("CG") creation and production and rental income by HK$23,745,000 and HK$8,854,000 respectively.

Cost of sales for the six months ended 30 June 2013 amounted to HK$49,267,000, when comparing with that of HK$35,972,000 for the corresponding period in the year 2012, representing an increase of 37%. The increase was mainly due to an increase in operating costs amounting to HK$5,474,000 for Phase I of the Pearl River Film Cultural Park which has started to generate rental income for the Group in this period and more CG costs incurred in line with the increase in revenue.

The Group recorded a gross profit of HK$35,327,000 for the six months ended 30 June 2013, when comparing with that of HK$16,440,000 for the corresponding period in the year 2012, representing an increase of 115%. The Group's gross profit margin for the six months ended 30 June 2013 amounted to 42% (six months ended 30 June 2012: 31%). The improvement in the gross profit margin was mainly attributable 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 six months ended 30 June 2013 amounted to HK$38,681,000 (six months ended 30 June 2012: HK$19,496,000), representing an increase of 98%. The increase was mainly due to an increase in government grant and dividend income by HK$11,304,000 and HK$2,989,000 respectively and a sum of HK$4,750,000 received in settlement of a dispute in relation to hacking activities targeting our PRC training online enrolment website during the period from September 2011 to November 2012.

Distribution costs and selling expenses for the six months ended 30 June 2013 amounted to HK$13,962,000 (six months ended 30 June 2012: HK$7,181,000), representing an increase of 94%. The increase was mainly due to marketing expenses spent on a 3D-animated film during the period.

Administrative expenses for the six months ended 30 June 2013 amounted to HK$32,654,000 (six months ended 30 June 2012: HK$30,993,000), representing an increase of 5%. The increase was mainly due to higher staff costs as a result of the growth in the scale of operations of the Group.

Finance costs for the six months ended 30 June 2013 amounted to HK$4,676,000 (six months ended 30 June 2012: HK5,906,000), being interest on bank borrowings for the construction of the headquarters building in Shenzhen. The decrease was resulted from a lower interest rate and repayment of bank borrowings during the period.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

FINANCIAL OVERVIEW *(Continued)*

Other gains and losses for the six months ended 30 June 2013 amounted to HK$381,000 (Six months ended 30 June 2012: HK$4,816,000). It was mainly due to an increase in fair value of the structured deposits of HK$699,000 (six months ended 30 June 2012: Nil) and a decrease in fair value of held-for-trading investments of HK$318,000 (Six months ended 30 June 2012: HK$4,059,000).

Overall, the Group recorded a profit of HK$24,243,000 for the six months ended 30 June 2013 attributable to owners of the Company, when comparing with the loss attributable to owners of the Company of HK$10,294,000 for the corresponding period in the year 2012.

Basic and diluted earnings per share for the six months ended 30 June 2013 amounted to HK cents 1.6 (Basic and diluted loss per share for the six months ended 30 June 2012: HK cents 0.68), representing an improvement of 335%.

BUSINESS REVIEW AND OUTLOOK

CG creation and production

For the six months ended 30 June 2013, revenue from CG creation and production segment was HK$69,033,000, when compared with that of HK$44,145,000 for the corresponding period in the year 2012, representing an increase of HK$24,888,000.

During the period, the Group had a total of 3 international projects either in completion or in progress from clients 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 enhancing 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 RMB$55 million as of 30 June 2013.

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. 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.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

BUSINESS REVIEW AND OUTLOOK *(Continued)*

In addition, the Group expanded into a new business segment in Shenzhen and Beijing since last year, and started to provide CG production services to the broadcasting programs of mainstream television channels and large theme parks in China. During the period, the Group adjusted our marketing strategies, introduced new technologies and conducted research and development of motion-sensing interactive technologies for application in our production projects. We aim 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

The performance of the CG training segment in the second quarter of 2013 was inferior to that of last year and the revenue decreased slightly by 5% as compared with the corresponding period last year. In view of the intense competition in the industry, the Group has extended its effort in setting up collaboration scheme of developing long-term talent pipeline with numerous domestic corporations in related production industry in order to enhance its competitive edges, forging a win-win partnership in which our graduates could be given job opportunities while the production corporates would be provided with the new blood it needs.

CG training segment also strives to forge a collaborative partnership with the institutions in the PRC, and explores 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.

It is estimated that the number of college graduates will reach around 6,990,000 in China this year, the highest ever since New China was founded. Therefore, it is widely expected that a large number of college graduates will face unemployment problem, particularly so for the graduates in the animation field, such phenomenon creates a new opportunity for our professional and technical training business. Since there is a lack of technical training in the existing traditional curriculums of colleges, graduates who are interested in joining the film and television production industry may find themselves not up to the entry requirement in terms of skills and knowledge. We will offer a tailor-made pre-vocational training program for college graduates to help them master the professional operation skills as soon as possible. It will not only enhance their chance of finding work, but will also help to meet the demand of our business partners for manpower, thereby achieving a win-win situation. Through this newly-established pre-vocational training program, we can diversify our income sources and create synergy.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

BUSINESS REVIEW AND OUTLOOK *(Continued)*

At the same time, CG training segment adheres to the principle of "innovate proactively, sow extensively and reap abundantly". We shall consolidate our experience from our past experience in marketing and the ever-changing industrial landscape to launch new ideas and enhance our website. We will also introduce new courses in stages and to enrich our product lines with the additions of 'regular courses', 'intensive courses', 'practicum courses' and 'collaboration courses between the institutions and the corporations', all for the purpose of strengthening the good image of our training brand.

Cultural Park

Phase I of the Pearl River Film Cultural Park (the "Cultural Park") was officially opened in April 2013, introducing a brand new look to the public. A variety of brands have joined the Cultural Park, including large-scale chain stores, exquisite lifestyle stores, leisure and entertainment complexes and offering a diverse range of cuisines which are in line with the overall positioning of the Cultural Park. The Cultural Park conducted extensive marketing and promotional campaigns in the first half of the year which have successfully increased the footfall to the Cultural Park. Response from our tenants and visitors has been positive after the opening of Phase I of the Cultural Park. They have high regard for the exquisite lifestyles and atmosphere for luxury consumption promoted by the Cultural Park, laying a solid foundation for the development and promotion of Phase II of the Cultural Park in future. The occupancy rate of Phase I of the Cultural Park has been satisfactory so far and it is expected all the tenants of the Cultural Park will open for business by the end of the year, which we believe will provide further momentum to the rental income of the Group.

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.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2013, the Group had bank balances and cash of HK$117,774,000 (31 December 2012: HK$309,178,000) and structured deposits of HK$152,607,000 (31 December 2012: Nil), which were mainly denominated in Renminbi, Hong Kong dollars, Euro dollars and United States dollars. The decrease was mainly the result of cash used in settlement of construction payable of HK$36,021,000 and repayment of bank borrowings of HK$15,000,000.

As at 30 June 2013, the Group's borrowings amounted to HK$131,645,000, of which HK$32,911,000 were repayable within twelve months from 30 June 2013 and HK$98,734,000 were repayable after twelve months from 30 June 2013. The borrowings were mainly denominated in Renminbi and bore interest at market rates.

The Group's gearing ratio (calculated as borrowings divided by equity attributable to owners of the Company) as at 30 June 2013 was 14% (31 December 2012: 16%). As at 30 June 2013, the Group had a current ratio of 2.4 (31 December 2012: 2.2) based on current assets of HK$360,236,000 and current liabilities of HK$149,051,000. The improvement in the gearing ratio was mainly attributable to repayment of bank loans during the period.

CAPITAL STRUCTURE

The equity attributable to owners of the Company amounted to HK$938,794,000 as at 30 June 2013 (31 December 2012: HK$904,521,000). The increase was attributable to profit for the six months ended 30 June 2013 attributable to owners of the Company of HK$24,243,000 and exchange differences arising on translation of foreign operations attributable to owners of the Company of HK$10,030,000.

MATERIAL ACQUISITIONS, DISPOSALS AND SIGNIFICANT INVESTMENT

The Group did not have any material acquisitions, disposals and significant investment during the six months ended 30 June 2013.

CHARGE ON ASSETS

As at 30 June 2013, the Group had the following charges on the Group's building, plant and machinery and prepaid lease payments with an aggregate carrying value of HK$256,251,000 were pledged to a bank to secure for a bank borrowing with an outstanding amount of HK$131,645,000. As at 30 June 2013, the Group had no unutilised banking facility.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

FOREIGN EXCHANGE EXPOSURE

Currently, the Group earns revenue mainly in United States dollars, Euro dollars and Renminbi, and incurs costs mainly in Renminbi and Hong Kong dollars. The Directors believe that the Group does not have significant foreign exchange exposure, and thus do not implement any foreign currency hedging policy at the moment. However, if necessary, the Group will consider using forward exchange contracts to hedge against foreign currency exposures. As at 30 June 2013, the Group had no significant exposure under foreign exchange.

CONTINGENT LIABILITIES

The Group had no significant contingent liabilities as at 30 June 2013.

EMPLOYEES

As at 30 June 2013, the Group employed 532 (31 December 2012: 509) full time employees. The Group remunerates its employees mainly with reference to the prevailing market practice, individual performance and experience. Other benefits, such as medical coverage, insurance plan, mandatory provident fund, discretionary bonus and employee share option scheme are also available to the employees of the Group.

During the six months ended 30 June 2013, neither the Company nor its subsidiaries had paid or committed to pay any amount as an inducement to join or upon joining the Company and/or its subsidiaries to any individual.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2013. (six months ended 30 June 2012: Nil).

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities (whether on the Stock Exchange or otherwise) during the six months ended 30 June 2013.

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

As at 30 June 2013, 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

		Number of shares/underlying shares held in the Company			
Name of Director	Capacity in which interests are held	Interests in shares	Interests under equity derivatives*	Total interests	Approximate percentage of issued share capital of the Company
Mr. Li Shaofeng	Beneficial owner	–	12,950,000	12,950,000	0.85%
Mr. Chen Zheng	Beneficial owner	208,728,200	6,470,000	215,198,200	14.17%
Mr. Jin Guo Ping	Beneficial owner	–	2,590,000	2,590,000	0.17%
Mr. Leung Shun Sang, Tony	Beneficial owner	30,008,200	6,470,000	36,478,200	2.40%
Mr. Kwong Che Keung, Gordon	Beneficial owner	10,800,820	1,290,000	12,090,820	0.80%
Pro. Japhet Sebastian Law	Beneficial owner	3,000,000	1,290,000	4,290,000	0.28%

* *The relevant interests are unlisted physically settled options granted pursuant to the Company's share option scheme adopted on 18 July 2003 (the "Share Option Scheme"). Upon exercise of the share options in accordance with the Share Option Scheme, ordinary shares of HK$0.01 each in the share capital of the Company are issuable. The share options are personal to the respective Directors. Further details of the share options are set out in the "Share Option Scheme" section.*

Save as disclosed above, as at 30 June 2013, 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 six months ended 30 June 2013 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 June 2013, 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 June 2013, 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 July 2003, 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. No share option was granted or exercised in accordance with the terms of the Share Option Scheme during the six months ended 30 June 2013. Details of the share options under the Share Option Scheme during the period are as follows:

Category or name of grantees	Balance as at 01.01.2013	Transferred to other category during the period	Transferred from other category during the period	Exercised during the period	Lapsed during the period	Balance as at 30.06.2013	Date of grant	Exercise period	Exercise price per share
Directors									
Mr. Li Shaofeng	12,950,000	–	–	–	–	12,950,000	14.12.2010	14.12.2010–03.08.2013	HK$0.87
Mr. Chen Zheng	6,470,000	–	–	–	–	6,470,000	14.12.2010	14.12.2010–03.08.2013	HK$0.87
Mr. Jin Guo Ping	2,590,000	–	–	–	–	2,590,000	14.12.2010	14.12.2010–03.08.2013	HK$0.87
Mr. Leung Shun Sang, Tony	6,470,000	–	–	–	–	6,470,000	14.12.2010	14.12.2010–03.08.2013	HK$0.87
Mr. Kwong Che Keung, Gordon	1,290,000	–	–	–	–	1,290,000	14.12.2010	14.12.2010–03.08.2013	HK$0.87
Prof. Japhet Sebastian Law	1,290,000	–	–	–	–	1,290,000	14.12.2010	14.12.2010–03.08.2013	HK$0.87
	31,060,000	–	–	–	–	31,060,000			
Employees of the Group	14,550,000	(7,300,000)[1]	–	–	–	7,250,000	14.12.2010	14.12.2010–03.08.2013	HK$0.87
Other participants	6,850,000	–	7,300,000	–	(600,000)	13,550,000	14.12.2010	14.12.2010–03.08.2013	HK$0.87
	52,460,000	(7,300,000)	7,300,000	–	(600,000)	51,860,000			

Note:

1) *Such share options were re-classified to the category of "Other Participants" during the six months ended 30 June 2013. According to the Share Option Scheme, such share options lapsed on the expiry of the three months period following the date of cessation as employees of the Group.*

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

During the six months ended 30 June 2013, 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

The Company has complied with the code provisions as set out in the Corporate Governance Code contained in Appendix 15 of the GEM Listing Rules throughout the six months ended 30 June 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 six months ended 30 June 2013.

CHANGE IN DIRECTORS' INFORMATION

Pursuant to Rule17.50A (1) of the GEM Listing Rules, the change in information of Directors as follows:

On 18 July 2013, Prof. Japhet Sebastian Law resigned as an independent non-executive director of Cypress Jade Agricultural Holdings Limited.

AUDIT COMMITTEE

The Group's interim results for the six months ended 30 June 2013 were unaudited. However, the Company has engaged the Company's auditor, Messrs. Deloitte Touche Tohmatsu to assist the Company's audit committee (the "Audit Committee") to review the 2013 unaudited interim results of the Group. A meeting of the Audit Committee was held with the Auditor and the management of the Company for, amongst other things, reviewing the interim results of the Group for the six months ended 30 June 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, 8 August 2013