



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
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.

CONTENTS

CORPORATE INFORMATION	3
INTERIM RESULTS	
CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	5
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION	7
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	9
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS	11
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS	12
REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS	30
MANAGEMENT DISCUSSION AND ANALYSIS	32
INTERIM DIVIDEND	38
PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES	38
DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES	39
DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES	39
SUBSTANTIAL SHAREHOLDERS	40
SHARE OPTION SCHEME	40
DIRECTORS' INTERESTS IN COMPETING BUSINESSES	41
COMPLIANCE WITH CORPORATE GOVERNANCE CODE	41
COMPLIANCE WITH CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS	42
CHANGE IN DIRECTORS' INFORMATION	42
AUDIT COMMITTEE	42
APPRECIATION	42

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*)

CORPORATE INFORMATION *(Continued)*

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 HM11 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

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

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2015

	NOTES	Three months ended 30 June		Six months ended 30 June	
		2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)
Revenue	4	59,618	65,794	102,352	102,443
Cost of sales		(33,925)	(39,674)	(59,195)	(63,071)
Gross profit		25,693	26,120	43,157	39,372
Other income	5	2,649	19,838	5,220	26,887
Distribution costs and selling expenses		(9,806)	(12,227)	(11,652)	(15,092)
Administrative expenses		(12,885)	(14,486)	(31,046)	(30,126)
Finance costs	6	(1,100)	(1,754)	(2,355)	(3,661)
Other gains and losses	7	5,519	(5,772)	25,018	11,009
Profit before tax		10,070	11,719	28,342	28,389
Income tax (expense) credit	8	(2,632)	475	(3,363)	(303)
Profit for the period	9	7,438	12,194	24,979	28,086
Other comprehensive income (expenses):					
Item that will not be reclassified to profit or loss:					
Exchange differences on translation of financial statements from functional currency to presentation currency		36	29	36	(20,637)
Items that may be subsequently reclassified to profit or loss:					
Decrease in fair value of available-for-sale investments		(445)	–	(445)	–
Cumulative gain reclassified to profit or loss on sale of available-for-sale investments		–	–	(20,789)	–
Other comprehensive (expenses) income for the period		(409)	29	(21,198)	(20,637)
Total comprehensive income for the period		7,029	12,223	3,781	7,449

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

For the six months ended 30 June 2015

	NOTE	Three months ended 30 June		Six months ended 30 June	
		2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)
Profit (loss) for the period attributable to:					
Owners of the Company		6,064	14,249	21,461	32,645
Non-controlling interests		1,374	(2,055)	3,518	(4,559)
		7,438	12,194	24,979	28,086
Total comprehensive income (expenses) for the period attributable to:					
Owners of the Company		5,647	14,306	255	13,380
Non-controlling interests		1,382	(2,083)	3,526	(5,931)
		7,029	12,223	3,781	7,449
Earnings per share		HK cents	HK cents	HK cents	HK cents
Basic	11	0.40	0.94	1.41	2.15

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2015

	NOTES	30 June 2015 HK\$'000 (unaudited)	31 December 2014 HK\$'000 (audited)
Non-current assets			
Property, plant and equipment	12	255,727	263,729
Investment properties	13	548,011	542,350
Prepaid lease payments		5,623	5,692
Available-for-sale investments	14	22,256	22,701
Other receivables and deposits	15	25,000	25,000
		856,617	859,472
Current assets			
Productions work in progress		967	3,548
Amounts due from customers for contract work		10,405	5,489
Trade receivables	16	36,163	40,016
Other receivables and deposits	15	15,648	13,392
Loan receivable		–	25,000
Prepaid lease payments		138	138
Available-for-sale investments	14	–	88,303
Held-for-trading investments	17	–	15,717
Structured deposits	18	155,329	130,788
Bank balances and cash		174,854	98,043
		393,504	420,434
Current liabilities			
Advances from customers		6,518	7,301
Amounts due to customers for contract work		3,459	4,498
Trade payables	19	5,195	4,134
Other payables and accruals		71,010	84,548
Tax liabilities		13,246	10,331
Deferred income		5,419	5,535
Secured bank borrowings – due within one year	20	47,500	45,000
		152,347	161,347
Net current assets		241,157	259,087
Total assets less current liabilities		1,097,774	1,118,559

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

At 30 June 2015

	NOTES	30 June 2015 HK\$'000 (unaudited)	31 December 2014 HK\$'000 (audited)
Non-current liabilities			
Deferred income		1,244	2,927
Deferred tax liabilities		40,892	40,892
Secured bank borrowings – due after one year	20	10,000	35,000
Derivative financial instrument	21	2,117	–
		54,253	78,819
Net assets		1,043,521	1,039,740
Capital and reserves			
Share capital	22	15,183	15,183
Reserves		978,181	977,926
Equity attributable to owners of the Company		993,364	993,109
Non-controlling interests		50,157	46,631
Total equity		1,043,521	1,039,740

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2015

	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 (Note a)	HK\$'000 (Note b)	HK\$'000 (Note c)	HK\$'000	HK\$'000	HK\$'000 (Note d)	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	-	-	-	-	-	-	-	-	21,461	21,461	3,518	24,979
Exchange differences on translation of financial statements from functional currency to presentation currency	-	-	-	-	-	-	28	-	-	28	8	36
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) income	-	-	-	-	-	(21,234)	28	-	-	(21,206)	8	(21,198)
Total comprehensive (expenses) income for the period	-	-	-	-	-	(21,234)	28	-	21,461	255	3,526	3,781
At 30 June 2015 (unaudited)	15,183	75,856	445	245,881	1,107	4,752	53,672	(1,209)	597,677	993,364	50,157	1,043,521
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	-	-	-	-	-	-	-	-	32,645	32,645	(4,659)	28,086
Exchange differences on translation of financial statements from functional currency to presentation currency	-	-	-	-	-	-	(19,265)	-	-	(19,265)	(1,372)	(20,637)
Total comprehensive (expenses) income for the period	-	-	-	-	-	-	(19,265)	-	32,645	13,380	(5,931)	7,449
At 30 June 2014 (unaudited)	15,183	75,856	445	245,881	870	-	53,999	39	577,236	969,509	40,181	1,009,690

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

For the six months ended 30 June 2015

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 these 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) The special reserve represents (1) the difference between the proceed and the carrying amount of the net assets attributable to the disposal of partial interest in a PRC subsidiary during the year ended 31 December 2012 amounting to approximately HK\$39,000 and; (2) the difference between the proceed and the carrying amount of the net liabilities attributable to the additional interest in a PRC subsidiary being acquired from a non-controlling shareholder during the year ended 31 December 2014 amounting to approximately HK\$1,248,000.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2015

	Six months ended 30 June	
	2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)
Operating activities		
Profit before tax	28,342	28,389
Adjustments for:		
Gain on disposal of available-for-sale investments	(20,789)	–
Increase in fair value of held-for-trading investments	(6,265)	(10,528)
Loss on fair value changes of derivative financial instrument	2,117	–
Adjustments for non-cash items	7,218	(7,705)
Operating cashflow before movements in working capital	10,623	10,156
Increase in amounts due from customers for contract work	(3,437)	(2,642)
Decrease (increase) in trade receivables	3,853	(21,615)
Increase in other receivables and deposits	(2,256)	(4,925)
Decrease in held-for-trading investments	21,982	22,161
Decrease in amounts due to customers for contract work	(1,039)	(2,528)
Increase (decrease) in trade payables	1,061	(1,371)
Decrease in other payables and accruals	(9,108)	(8,166)
Other operating cash flows	1,981	3,246
Cash generated from operations	23,660	(5,684)
Income tax paid	(448)	(6,031)
Net cash from (used in) operating activities	23,212	(11,715)
Investing activities		
Purchases of structured deposits	(857,525)	(733,750)
Additions in investment properties	(5,675)	(6,367)
Settlement of construction cost payables	(4,430)	(15,018)
Purchases of property, plant and equipment	(3,641)	(4,836)
Redemption of structured deposits	833,188	786,785
Proceeds from disposal of available-for-sale investments	88,303	–
Repayments from loan to a third party	25,000	–
Dividend income received	–	17,683
Other investing cash flows	3,161	3,458
Net cash from investing activities	78,381	47,955
Financing activities		
Repayment of bank borrowings	(22,500)	(17,500)
Interest paid	(2,355)	(3,661)
Cash used in financing activities	(24,855)	(21,161)
Net increase in cash and cash equivalents	76,738	15,079
Cash and cash equivalents at beginning of the period	98,043	93,351
Effect of foreign exchange rate changes	73	(849)
Cash and cash equivalents at end of the period, comprising bank balances and cash	174,854	107,581

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

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 "Stock Exchange").

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 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 interim 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.

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

For the six months ended 30 June 2015

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:

- Computer graphic ("CG") creation and production – CG creation and production, exhibition of television series and movies as well as property rental income and building management service fee income
- CG training – provision of CG and animation training
- Cultural park – culture, 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 operating segments:

Six months ended 30 June 2015 (unaudited)

	CG creation and production <i>HK\$'000</i>	CG training <i>HK\$'000</i>	Cultural park <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Revenue	<u>70,878</u>	<u>8,969</u>	<u>22,505</u>	<u>102,352</u>
Segment result	<u>1,394</u>	<u>(973)</u>	<u>12,908</u>	<u>13,329</u>
Unallocated income				25,411
Unallocated expenses				<u>(10,398)</u>
Profit before tax				<u>28,342</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2015

3. SEGMENT INFORMATION (Continued)

Six months ended 30 June 2014 (unaudited)

	CG creation and production <i>HK\$'000</i>	CG training <i>HK\$'000</i>	Cultural park <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Revenue	77,682	7,376	17,385	102,443
Segment result	5,106	(1,195)	3,507	7,418
Unallocated income				29,353
Unallocated expenses				(8,382)
Profit before tax				28,389

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

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

Segment assets

	30 June 2015 <i>HK\$'000</i> (unaudited)	31 December 2014 <i>HK\$'000</i> (audited)
CG creation and production	484,545	503,482
CG training	9,956	10,346
Cultural park	595,182	588,455
Total segment assets	1,089,683	1,102,283

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2015

4. REVENUE

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

	Three months ended 30 June		Six months ended 30 June	
	2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)
Revenue from contracts for CG creation and production (Note)	30,148	41,959	44,722	55,564
Rental and building management service fee income	23,898	20,288	48,661	39,503
CG training fee	5,572	3,547	8,969	7,376
	59,618	65,794	102,352	102,443

Note: During the six months ended 30 June 2015, an amount of approximately HK\$15,264,000 (six months ended 30 June 2014: HK\$21,052,000) was attributable to revenue from the release of one animated film (six months ended 30 June 2014: two animated films) based on an agreed sharing percentage of the box office receipts.

5. OTHER INCOME

	Three months ended 30 June		Six months ended 30 June	
	2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)
Interest income	1,563	1,376	3,143	3,458
Government grants (Note)	1,020	696	1,919	5,553
Dividend income from available-for-sale investments	–	17,683	–	17,683
Others	66	83	158	193
	2,649	19,838	5,220	26,887

Note: During the six months ended 30 June 2015, government grants mainly represent subsidies of HK\$1,794,000 (six months ended 30 June 2014: HK\$1,615,000) 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.

In addition, an amount of HK\$125,000 (six months ended 30 June 2014: HK\$3,938,000) received from the relevant PRC authorities in PRC, of which an amount of HK\$125,000 (six months ended 30 June 2014: HK\$1,438,000) is an incentive payment to the Group whereby no future related cost is required or expected to be made, and the remaining amount of nil (for the six months ended 30 June 2014 of HK\$2,500,000) was intended to compensate for the insurance expense incurred by the Group primarily in CG production and exhibition of motion pictures.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2015

6. FINANCE COSTS

	Three months ended 30 June		Six months ended 30 June	
	2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)
Interest on bank borrowings wholly repayable within five years	1,100	1,754	2,355	3,661

7. OTHER GAINS AND LOSSES

	Three months ended 30 June		Six months ended 30 June	
	2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)
Gain on disposal of available-for-sale investments	–	–	20,789	–
Changes in fair value of held-for-trading investments (Note)	7,870	(5,938)	6,265	10,528
Loss on fair value changes of derivative financial instrument	(2,117)	–	(2,117)	–
Changes in fair value of structured deposits	(111)	166	204	181
Loss on disposal of property, plant and equipment	(123)	–	(123)	–
Recovery of allowance for doubtful debts	–	–	–	300
	5,519	(5,772)	25,018	11,009

Note: During the six months ended 30 June 2015, an amount of approximately HK\$6,265,000 (six months ended 30 June 2014: HK\$11,052,000) was attributable to the realised gain on fair value change of held-for-trading investments.

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

For the six months ended 30 June 2015

8. INCOME TAX EXPENSE (CREDIT)

	Three months ended 30 June		Six months ended 30 June	
	2015 <i>HK\$'000</i> (unaudited)	2014 <i>HK\$'000</i> (unaudited)	2015 <i>HK\$'000</i> (unaudited)	2014 <i>HK\$'000</i> (unaudited)
PRC Enterprise Income Tax ("EIT"):				
Current tax	3,306	(196)	4,037	582
Overprovisions in prior years	(674)	(279)	(674)	(279)
Income tax expense (credit)	2,632	(475)	3,363	303

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 since the Group had no assessable profit arising in Hong Kong (six months ended 30 June 2014: the assessable profit is 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 PRC subsidiaries 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 six months ended 30 June 2015, the relevant tax rates for the Group's subsidiaries in the PRC was ranged from 12.5% to 25% (six months ended 30 June 2014: 12.5% 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 2015

9. PROFIT FOR THE PERIOD

	Three months ended 30 June		Six months ended 30 June	
	2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)
Profit for the period has been arrived at after charging:				
Amortisation of prepaid lease payments	34	34	69	69
Depreciation of property, plant and equipment	5,788	5,678	11,479	11,420
Less: amounts included in contract work	(652)	(1,197)	(1,479)	(1,741)
amounts included in productions work in progress	(31)	(127)	(63)	(162)
	<u>5,105</u>	<u>4,354</u>	<u>9,937</u>	<u>9,517</u>
Advertising expenses (included in distribution costs and selling expenses)	9,005	11,018	9,619	12,922
Net exchange (gain) loss	(286)	37	2,541	75
Total staff costs	24,401	29,525	50,952	56,772
Less: amounts included in contract work	(4,062)	(7,737)	(9,864)	(12,080)
amounts included in productions work in progress	(327)	(990)	(553)	(1,401)
	<u>20,012</u>	<u>20,798</u>	<u>40,535</u>	<u>43,291</u>
Contract costs recognised as an expense				
Staff costs	9,398	9,732	18,549	19,544
Others	12,249	17,797	17,230	19,837
	<u>21,647</u>	<u>27,529</u>	<u>35,779</u>	<u>39,381</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2015

10. DIVIDENDS

The board of Directors does not recommend the payment of an interim dividend for the six months ended 30 June 2015 (six months ended 30 June 2014: nil).

11. EARNINGS PER SHARE

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

	Three months ended 30 June		Six months ended 30 June	
	2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)
Earnings				
Earnings for the purposes of basic earnings per share (profit for the period attributable to owners of the Company)	6,064	14,249	21,461	32,645
	<i>'000</i>	<i>'000</i>	<i>'000</i>	<i>'000</i>
Number of shares				
Number of ordinary shares in issue for the purposes of basic earnings per share	1,518,256	1,518,256	1,518,256	1,518,256

No diluted earnings per share has been presented for both periods as there were no potential ordinary shares in issue.

12. PROPERTY, PLANT AND EQUIPMENT

	Carrying values	
	2015 HK\$'000	2014 HK\$'000
At 1 January (audited)	263,729	287,135
Exchange realignment	(23)	(7,142)
Additions	3,641	4,836
Depreciation for the period	(11,479)	(11,420)
Disposals	(141)	–
At 30 June (unaudited)	255,727	273,409

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2015

13. INVESTMENT PROPERTIES

	Completed properties		Properties interest under construction		Total	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
At 1 January (audited)	462,500	474,359	79,850	69,968	542,350	544,327
Exchange realignment	-	(11,859)	(14)	(1,749)	(14)	(13,608)
Additions	-	-	5,675	6,367	5,675	6,367
At 30 June (unaudited)	462,500	462,500	85,511	74,586	548,011	537,086

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 ("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 2015 and 31 December 2014.

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 2015 and 31 December 2014. The fair value as at 30 June 2015 and 31 December 2014 has been arrived at on the basis of a valuation carried out on the respective dates by the management of the Group and Assets Appraisal Limited ("Asset Appraisal"), independent qualified professional valuers not connected with the Group, respectively. The valuation carried out by the management of the Group on 30 June 2015 has been performed with reference to the valuation technique carried out by Asset Appraisal on 31 December 2014.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2015

13. INVESTMENT PROPERTIES (Continued)

The fair value was determined based on the income approach by capitalising the rental income with due allowance for reversionary income potential and taking into consideration the rental payable to Pearl River Film Production. The market rentals are assessed by reference to the rentals achieved in the lettable units of the properties as well as other lettings of similar properties in the neighbourhood. The discount rate is determined by reference to the yields derived from analysing the sales transactions of similar commercial properties in Guangzhou and adjusted to take into account the market expectation from property investors to reflect factors specific to the Group's investment properties.

There has been no change from the valuation technique used in prior year and no change in fair value of investment properties has been recognised directly in profit or loss for the six months ended 30 June 2015.

Key inputs used in valuing the investment properties include discount rate which ranges from 6.3% to 6.8% (31 December 2014: 6.0% to 6.5%) or risk premium of 5.0% (31 December 2014: 5.0%) and market rental ranges from RMB44 to RMB433 (31 December 2014: RMB40 to RMB400) per square metre per month or land yield rate of 7.0% (31 December 2014: 7.75%). An increase in the discount rate or risk premium and market rental or land yield rate would result in a decrease and increase, respectively, in fair value measurement of the investment properties, and vice versa.

Details of the Group's investment properties and information about the fair value hierarchy as at 30 June 2015 and 31 December 2014 are as follows:

	Level 3	Fair value as at 30 June 2015 and 31 December 2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Cultural Park Phase I	462,500	462,500

There was no transfer between different levels for the period.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2015

14. AVAILABLE-FOR-SALE INVESTMENTS

	30 June 2015 HK\$'000 (unaudited)	31 December 2014 HK\$'000 (audited)
2.28% equity interest in GDC Technology Limited ("GDC Tech") (2014: 11.38%) (Note)	21,631	110,379
5% equity interest in a private entity established in the PRC	625	625
	22,256	111,004
Analysed for reporting purpose as:		
Current	–	88,303
Non-current	22,256	22,701
	22,256	111,004

Note: On 28 November 2014, GDC Holdings Limited ("GDC Holdings"), a wholly-owned subsidiary of the Company, and Huayi Brothers International Investment Limited ("Huayi Brothers") entered into the sale and purchase agreement ("Sale and Purchase Agreement"), pursuant to which Huayi Brothers has conditionally agreed to acquire and GDC Holdings has conditionally agreed to sell all the GDC Tech shares currently held by GDC Holdings (i.e. 29,779,777 shares, representing approximately 11.38% of the issued share capital of GDC Tech as at the date hereof) at an initial consideration of US\$0.4778 per GDC Tech share (subject to adjustment) (the "Disposal"). Details of the Disposal were set out in the announcements of the Company dated 16 October 2014, 14 November 2014, 28 November 2014, 19 December 2014, 24 December 2014 and 26 February 2015 and the circular of the Company dated 30 December 2014.

As at 31 December 2014, these available-for-sale investments were measured at fair value of HK\$110,379,000 with reference to the quoted transaction price of the Disposal. Gain on revaluation of available-for-sale investments of HK\$25,986,000 was recognised under investment revaluation reserve.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2015

14. AVAILABLE-FOR-SALE INVESTMENTS (Continued)

Note: (Continued)

On 26 February 2015, all the conditions precedent had been fulfilled and pursuant to the Sale and Purchase Agreement, 23,823,822 GDC Tech shares were disposed of to Huayi Brothers at US\$0.4778 per share and the cumulative gain amounted to approximately HK\$20,789,000 previously accumulated in the investment revaluation reserve was reclassified to profit or loss during the six months ended 30 June 2015. Pursuant to the Sale and Purchase Agreement, the remaining 5,955,955 GDC Tech shares shall be sold and transferred to Huayi Brothers in 2017 at US\$0.4778 per share, subject to adjustment with regards to the terms and conditions of the Sale and Purchase Agreement. At the end of the reporting period, available-for-sale investments of approximately HK\$21,631,000 is classified as non-current assets and the details of the related derivative financial instrument are disclosed in note 21.

As at 30 June 2015, the fair value of these available-for-sale investments has been arrived at on the basis of a valuation carried out by Asset Appraisal. The fair value is determined based on market approach by comparison of valuation multiples of similar companies as available in the relevant markets and a fair value loss of approximately HK\$445,000 is recognised under investment revaluation reserve.

15. OTHER RECEIVABLES AND DEPOSITS

	30 June 2015 HK\$'000 (unaudited)	31 December 2014 HK\$'000 (audited)
Deposits (Note)	26,263	26,035
Other receivables and prepayment	14,385	12,357
	40,648	38,392
Analysed for reporting purposes as:		
Current	15,648	13,392
Non-current (Note)	25,000	25,000
	40,648	38,392

Note: The non-current deposit was paid by Guangdong Cultural Park to Pearl River Film Production of RMB20,000,000 (equivalent to HK\$25,000,000) (31 December 2014: RMB20,000,000 (equivalent to HK\$25,000,000)) for the development of the Pearl River Film Cultural Park in 2010. The deposit is refundable upon the completion of the entire project.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2015

16. TRADE RECEIVABLES

	30 June 2015 HK\$'000 (unaudited)	31 December 2014 HK\$'000 (audited)
Trade receivables	36,163	40,016

Except for rental income receivable from tenants, which is due for settlement upon issue of invoices, the Group allows different credit periods to its trade 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 2015 HK\$'000 (unaudited)	31 December 2014 HK\$'000 (audited)
Within three months	35,781	39,065
Three to six months	30	517
Over six months	352	434
	36,163	40,016

17. HELD-FOR-TRADING INVESTMENTS

All held-for-trading investments were disposed during the six months ended 30 June 2015.

Held-for-trading investments as at 31 December 2014 represented equity securities listed in Hong Kong. The fair values of the investments were 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 transfer between level 1 and 2 during the period.

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

For the six months ended 30 June 2015

18. STRUCTURED DEPOSITS

	30 June 2015 HK\$'000 (unaudited)	31 December 2014 HK\$'000 (audited)
Principal-protected financial products	155,329	130,788

The structured deposits as at 30 June 2015 and 31 December 2014 are principal-protected deposits issued by banks in the PRC. The principal-protected deposits carry interest rates ranging from 2.8% to 3.2% (31 December 2014: 3.3% to 5.0%) per annum, depending on the market prices of financial instruments, including money market instruments and debt instruments. The structured deposits are designated at FVTPL on initial recognition as they contain non-closely related embedded derivative. The Directors consider the fair values of the structured deposits, which are determined on the prices the counterparty banks would pay to redeem at 30 June 2015, approximate to their carrying values at 30 June 2015. 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 during the period.

The structured deposits of approximately HK\$106,750,000 have been redeemed in July 2015. The change in fair value up to the date of redemption is not significant. The remaining structured deposits of approximately HK\$48,579,000 do not have specific redemption date and can be redeemed any time before expiry date in April 2016. The change in fair value up to the date of report is not significant.

19. 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 2015 HK\$'000 (unaudited)	31 December 2014 HK\$'000 (audited)
Within three months	4,185	3,056
Three to twelve months	83	195
Over twelve months	927	883
	5,195	4,134

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

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

For the six months ended 30 June 2015

20. SECURED BANK BORROWINGS

As at 30 June 2015, 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 plant and machinery and prepaid lease payments, 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 6.15% (31 December 2014: 6.55%) per annum. Interest is repriced every year.

During the six months ended 30 June 2015, the Group repaid bank borrowings of approximately HK\$22,500,000 (six months ended 30 June 2014: HK\$17,500,000) in accordance with the repayment terms. All the bank borrowings have been subsequently early repaid in July 2015.

21. DERIVATIVE FINANCIAL INSTRUMENT

On 26 February 2015, all the conditions precedent had been fulfilled and pursuant to the Sale and Purchase Agreement, 23,823,822 GDC Tech shares were disposed of to Huayi Brothers at US\$0.4778 per share, the remaining 5,955,955 GDC Tech shares shall be sold and transferred to Huayi Brothers in 2017 at US\$0.4778 per share, subject to adjustment with regards to the terms and conditions of the Sale and Purchase Agreement and the related derivative financial instrument was initially recognised at fair value on 26 February 2015 when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the subsequent reporting period. The management of the Group considers that the fair value of such derivative financial instrument at initial recognition was not significant.

The fair value of the derivative financial instrument as at 30 June 2015 has been arrived at on the basis of a valuation carried out by Asset Appraisal. The fair value is determined with reference to the future income flows which are estimated based on financial performance of GDC Tech and the price adjustment formula in the Sale and Purchase Agreement. At the end of the reporting period, the derivative financial instrument was stated at fair value of HK\$2,117,000.

The derivative financial instrument is classified as non-current liability based on the terms of the Sale and Purchase Agreement that the remaining 5,955,955 GDC Tech shares shall be sold and transferred to Huayi Brothers in 2017.

The details of fair value measurement of the derivative financial instrument is disclosed on note 24.

22. SHARE CAPITAL

Share capital as at 30 June 2015 amounted to approximately HK\$15,183,000. There was no movement 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 2015

23. CAPITAL COMMITMENTS

	30 June 2015 HK\$'000 (unaudited)	31 December 2014 HK\$'000 (audited)
Capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of additions in investment properties	8,738	11,019

24. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Fair value of the Group's financial assets and financial liability that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liability are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liability are determined (in particular, the valuation technique and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that included inputs for the assets or liability that are not based on observable market data (unobservable inputs).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2015

24. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (Continued)

Fair value of the Group's financial assets and financial liability that are measured at fair value on a recurring basis (Continued)

Financial assets/ financial liability	Fair value as at		Fair value hierarchy	Valuation technique and key inputs	Relationship of unobservable inputs to fair value
	30 June 2015	31 December 2014			
Held-for-trading investments	N/A	Listed equity securities: – in Hong Kong: HK\$15,717,000	Level 1	Quoted bid prices in an active market	N/A
Available-for-sale investments	Unlisted equity securities: HK\$21,631,000	Unlisted equity securities: HK\$110,379,000	Level 2	30 June 2015: Market approach Valuation multiples of similar companies 31 December 2014: Quoted bid price from purchaser upon disposal	The higher the valuation multiples, the higher the fair value N/A
Derivative financial instrument	Derivative financial instrument: HK\$2,117,000	N/A	Level 2	Future income flows are estimated based on financial performance of GDC Tech and the price adjustment formula in the Sale and Purchase Agreement	The higher the growth rate, the lower the fair value
Structured deposits	Bank deposits in the PRC with non- closely related embedded derivative: HK\$155,329,000	Bank deposits in the PRC with non- closely related embedded derivative: HK\$130,788,000	Level 2	Discounted cash flows Future cash flows are estimated based on observable bank interest rates and a discount rate that reflects the credit risk of the banks (Note)	The higher the expected yield, the higher the fair value The higher the discount rate, the lower the fair value

Note: The Directors consider that the impact of the fluctuation in expected yields of the money market instruments and debt instruments to the fair value of the structured deposits was insignificant as the deposits have short maturities, and therefore no sensitivity analysis is presented.

There were no transfers between level 1 and 2 in the current and prior periods.

Fair value of the Group's financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures required)

The Directors consider that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values.

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

For the six months ended 30 June 2015

25. RELATED PARTY TRANSACTIONS

The remuneration of the Directors and other key management personnel during the six months ended 30 June 2015 is as follows:

	Three months ended 30 June		Six months ended 30 June	
	2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)
Short-term benefits	2,401	2,490	4,803	4,982
Post-employment benefits	91	64	182	129
	2,492	2,554	4,985	5,111

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.

26. LITIGATION

On 5 August 2013, a writ of summons (the "Writ of Summons") was issued at the High Court of Hong Kong against GDC Holdings Limited (the "Defendant"), a wholly-owned subsidiary of the Company, for specific performance or damages in lieu in relation to an agreement entered into between the plaintiff, the Defendant and the Company on 6 September 2011 (the "Agreement"). The plaintiff alleged that one of the clauses in the Agreement required the Defendant to acquire certain amount of shares of GDC Tech from the plaintiff subject to the occurrence of certain events.

The Defendant filed a defence ("Defence") on 22 November 2013 denying the plaintiff's allegations and asserting "various affirmative defences. The amount involved in the claim is USD790,900. The Defendant has reached an agreement with the plaintiff to settle the dispute out of court without compensation and the agreement to resolve the dispute was signed by both parties on 4 July 2014. On 11 July 2014, the High Court granted a consent order to dismiss the whole of the plaintiff's claim in this action.

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Deloitte.
德勤

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 29, which comprise the condensed consolidated statement of financial position as of 30 June 2015 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 2015 and 2014 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

10 August 2015

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL OVERVIEW

For the six months ended 30 June 2015, the Group recorded a turnover of approximately HK\$102,352,000 (six months ended 30 June 2014: HK\$102,443,000). The Group's revenue from the CG creation and production division decreased by approximately 9%, offsetting an increase of approximately 29% from the Cultural Park division, comparing with those for the same period last year.

Cost of sales for the six months ended 30 June 2015 amounted to HK\$59,195,000, representing a decrease of approximately 6% when compared with that of HK\$63,071,000 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 comparing to two animated films in the same period last year.

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 last year. The gross profit margin of CG creation and production division remained stable at approximately 32%.

Other income for the six months ended 30 June 2015 amounted to HK\$5,220,000 (six months ended 30 June 2014: HK\$26,887,000) which mainly included government grants of HK\$1,919,000 (six months ended 30 June 2014: HK\$5,553,000) and interest income of HK\$3,143,000 (six months ended 30 June 2014: HK\$3,458,000). Dividend income from available-for-sale investment for the six months ended 30 June 2015 was nil (six months ended 30 June 2014: HK\$17,683,000).

Distribution costs and selling expenses for the six months ended 30 June 2015 amounted to HK\$11,652,000 (six months ended 30 June 2014: HK\$15,092,000), representing a decrease of approximately 23%. 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.

Administrative expenses for the six months ended 30 June 2015 amounted to HK\$31,046,000 (six months ended 30 June 2014: HK\$30,126,000), representing a slight increase of approximately 3%.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

FINANCIAL OVERVIEW *(Continued)*

Finance costs for the six months ended 30 June 2015 was HK\$2,355,000 (six months ended 30 June 2014: HK\$3,661,000) being interest on bank borrowings for the construction of the headquarters building in Shenzhen. The decrease 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 subsequently early repaid in July 2015.

Other gains and losses for the six months ended 30 June 2015 amounted to HK\$25,018,000 of net gains (six months ended 30 June 2014: HK\$11,009,000 of net gains) which mainly included an increase in fair value of held-for-trading investments of HK\$6,265,000 (six months ended 30 June 2014: HK\$10,528,000) and gain on disposal of available-for-sale investments of HK\$20,789,000 (six months ended 30 June 2014: nil) upon the 1st completion of the disposal of 23,823,822 GDC Technology Limited ("GDC Tech") shares on 26 February 2015, partially offset by a loss on fair value changes of derivative financial instrument of HK\$2,117,000 (six months ended 30 June 2014: nil).

As a whole, the Group recorded a profit of HK\$21,461,000 for the six months ended 30 June 2015 attributable to owners of the Company, representing a decrease of approximately 34% when comparing with that of HK\$32,645,000 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 six months ended 30 June 2015 amounted to HK\$70,878,000, representing a decrease of HK\$6,804,000 when compared with the corresponding period in the year 2014 of HK\$77,682,000.

During the first half of 2015, the CG creation and production division completed three international animated television drama projects. Currently, we are working on two international animated television drama and one film project, including one 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. In the second half of this year, the division will soon begin the production of a new television drama and other new television drama and film projects are under negotiation.

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. At the same time, there were a total of three domestically-produced animated films and five imported films which included one renowned Japanese’s animated film, yet the box office receipt of “Happy Little Submarine V: Magic Box of Time” exceeded RMB30,000,000, ranking first among all domestically-produced films released around the same time slot even though the box office receipt was less than last year and contributing an income of HK\$15,264,000 to the Group. Our licensed product, “Happy Little Submarine” mobile game will launch into the market after the release of the film. Meanwhile, the development of its spin-off toys are in progress. In addition, the Group has finished the production of several episodes 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. 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 during the first half of 2015 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 the 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 understanding 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, while continuing to enhance its competitiveness in the industry by reducing costs through technology and process innovation.

CG Training

The revenue from CG training division for the six months ended 30 June 2015 amounted to HK\$8,969,000, representing an increase of approximately 22% as compared with the revenue for the corresponding period in 2014 of HK\$7,376,000, with obvious improvement in revenue from Shenzhen campus.

In the first half of 2015, the division held course introduction seminars at the ten institutions that started cooperating with us recently, 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. The third quarter is marking the peak enrolment season for major institutions. It is expected that the competition within industry will become more intense and impose more pressure on the training team. The marketing team of the CG training division is now strengthening various external promotion channels, aiming at the comprehensive promotion coverage on media, platforms, online, offline and institutions recruiting channels, so to meet the enrolment target for the third quarter of the year. The training team will consistently improve the way of teaching, develop new professional courses and strengthen interaction with enterprises and institutions. Apart from improving teaching modes from time to time, in order to keep our courses abreast with the development in the industry and to enhance their value, the CG training division also from time to time enriches the content of our courses, which reflects our dedication to perfection.

Cultural Park

The Cultural Park is located along the railway 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 by far successfully invited a number of well-known brands to set up business there, allowing the Cultural Park to achieve a higher profile. In the first half of 2015, 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. The rental revenue in the first half of this year increased approximately 29% as compared with the same period last year, through reviewing the tenant portfolio, expanding outdoor leasing areas of the concourse so as to increase revenue from leasing effectively. On the other hand, the research and discussion for 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.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2015, the Group had bank balances and cash of HK\$174,854,000 (31 December 2014: HK\$98,043,000) and structured deposits of HK\$155,329,000 (31 December 2014: HK\$130,788,000), which were mainly denominated in Renminbi, Hong Kong dollars and United States dollars. The increase in the sum of bank balances and cash and structured deposits was mainly the result of sales proceeds from disposal of available-for-sale investments of approximately HK\$88,303,000 during the review period.

As at 30 June 2015, the Group's borrowings amounted to a total bank borrowings of HK\$57,500,000, of which HK\$47,500,000 were repayable within twelve months from 30 June 2015 and HK\$10,000,000 were repayable after twelve months from 30 June 2015. The bank borrowings were mainly denominated in Renminbi and bore interest at the People's Bank of China Renminbi Lending Rate per annum. All the bank borrowings have been subsequently early repaid in July 2015.

The Group's gearing ratio (calculated as borrowings divided by equity attributable to owners of the Company) as at 30 June 2015 was approximately 6% (31 December 2014: 8%). As at 30 June 2015, the Group had a current ratio of 2.6 (31 December 2014: 2.6) based on current assets of HK\$393,504,000 (31 December 2014: HK\$420,434,000) and current liabilities of HK\$152,347,000 (31 December 2014: HK\$161,347,000).

CAPITAL STRUCTURE

The equity attributable to owners of the Company amounted to HK\$993,364,000 as at 30 June 2015 (31 December 2014: HK\$993,109,000). The increase was mainly attributable to profit for the six months ended 30 June 2015 attributable to owners of the Company of HK\$21,461,000, partially offset by decrease in investment revaluation reserve of approximately HK\$20,789,000 upon the 1st completion of the disposal of 23,823,822 GDC Tech shares on 26 February 2015.

MATERIAL ACQUISITIONS, DISPOSALS AND SIGNIFICANT INVESTMENT

On 28 November 2014, GDC Holdings Limited ("GDC Holdings"), a wholly-owned subsidiary of the Company, and the Huayi Brothers International Investment Limited (the "Purchaser"), an independent third party of the Company, entered into the sale and purchase agreement ("Sale and Purchase Agreement"), pursuant to which the Purchaser has conditionally agreed to acquire and GDC Holdings has conditionally agreed to sell all the shares of GDC Tech held by GDC Holdings (i.e. 29,779,777 shares), representing approximately 11.38% of the issued share capital of GDC Tech as at the date of execution of the Agreement) ("GDC Tech Shares") at an initial consideration of US\$0.4778 per GDC Tech Share (subject to adjustment) (the "Disposal").

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

MATERIAL ACQUISITIONS, DISPOSALS AND SIGNIFICANT INVESTMENT *(Continued)*

All the conditions precedent had been fulfilled pursuant to the terms and conditions of the Sale and Purchase Agreement and the 1st completion in respect of the Disposal took place on 26 February 2015. Following the 1st completion, the GDC Tech Shares which the Group holds reduced from 29,779,777 shares to 5,955,955 shares and the Group's shareholding in GDC Tech reduced from approximately 11.38% to 2.28%. Pursuant to the Sale and Purchase Agreement, the remaining GDC Tech Shares shall be sold and transferred to the Purchaser at the 2nd completion, subject to the terms and conditions of the Sale and Purchase Agreement.

Further details of the Disposal are set out in the announcements of the Company dated 16 October 2014, 14 November 2014, 28 November 2014, 19 December 2014, 24 December 2014 and 26 February 2015 and the circular of the Company dated 30 December 2014.

Save as disclosed above, the Group did not have any material acquisitions, disposals and significant investment during the six months ended 30 June 2015.

CHARGE ON ASSETS

As at 30 June 2015, the Group had charges on the Group's building, plant and machinery and prepaid lease payments with an aggregate carrying value of HK\$229,558,000 pledged to a bank to secure a bank borrowing with an outstanding amount of HK\$57,500,000. As at 30 June 2015, the Group had no unutilised banking facility.

FOREIGN EXCHANGE EXPOSURE

Currently, the Group earns revenue mainly in Renminbi, Euro dollars and United States dollars, 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 2015, the Group had no significant exposure under foreign exchange.

CONTINGENT LIABILITIES

The Group had no significant contingent liabilities as at 30 June 2015.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

EMPLOYEES

As at 30 June 2015, the Group employed 491 (31 December 2014: 524) 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 2015, 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 2015. (six months ended 30 June 2014: 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 2015.

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

As at 30 June 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 June 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 six months ended 30 June 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 June 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 <i>(Note)</i>	40.78%
Wheeling Holdings Limited ("Wheeling")	Interests of controlled corporations	619,168,023 <i>(Note)</i>	40.78%
Shougang Concord Grand (Group) Limited ("Shougang Grand")	Interests of controlled corporations	619,168,023 <i>(Note)</i>	40.78%
Upper Nice Assets Ltd. ("Upper Nice")	Beneficial owner	619,168,023 <i>(Note)</i>	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 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. No share option was granted since its adoption, The Share Option Scheme shall be valid and effective for a period of 10 years.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

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

COMPLIANCE WITH CORPORATE GOVERNANCE CODE *(Continued)*

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 six months ended 30 June 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 six months ended 30 June 2015.

CHANGE IN DIRECTORS' INFORMATION

Pursuant to Rule 17.50A(1) of the GEM Listing Rules, the change in information of Directors are as follows:

Mr. Lam Yiu Kin was appointed as independent non-executive director of Shougang Concord Century Holdings Limited and Mason Financial Holdings Limited on 1 August 2015.

AUDIT COMMITTEE

The Group's interim results for the six months ended 30 June 2015 were unaudited. However, the Company has engaged the Company's auditor, Messrs. Deloitte Touche Tohmatsu (the "Auditor") to assist the Company's audit committee (the "Audit Committee") to review the 2015 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 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, 10 August 2015