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 RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2013

## CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

**GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.**

**Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the main board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.**

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*This announcement, for which the directors (the "Directors") of Global Digital Creations Holdings Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.*

* *For identification purpose only*

## INTERIM RESULTS

The board of Directors of the Company (the "Board") hereby announces 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 | | **873** | 345 | **381** | (4,816) |
| Profit (loss) before tax | | **12,657** | 2,364 | **23,097** | (12,960) |
| Income tax expense | *7* | **(5,651)** | – | **(6,103)** | – |
| Profit (loss) for the period | *8* | **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) |

| | 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 | *10* | | | | |
| 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 | 11 | **289,888** | 291,456 |
| Investment properties | 12 | **514,692** | 504,835 |
| Prepaid lease payments | | **5,973** | 5,967 |
| Available-for-sale investment | 13 | **85,026** | 85,018 |
| Other receivables and deposits | 14 | **25,316** | 25,000 |
| | | **920,895** | 912,276 |
| **Current assets** | | | |
| Programmes | | **–** | 322 |
| Productions work in progress | | **1,332** | 2,769 |
| Amounts due from customers for contract work | | **6,618** | 6,166 |
| Trade receivables | 15 | **37,125** | 15,243 |
| Other receivables and deposits | | **10,937** | 11,691 |
| Prepaid lease payments | | **139** | 138 |
| Held-for-trading investments | | **32,438** | 32,756 |
| Structured deposits | | **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 | 16 | **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 | | **32,911** | 30,000 |
| | | **149,051** | 170,254 |

| | NOTE | 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 | | **98,734** | 115,000 |
| | | **144,361** | 160,793 |
| **Net assets** | | **987,719** | 959,492 |
| **Capital and reserves** | | | |
| Share capital | *17* | **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 | Share premium reserve | Capital contribution reserve | Contributed surplus reserve | Statutory reserve | Share options reserve | Exchange reserve | Special reserve | Retained profits | Attributable to owners of the Company | Non-controlling interests | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| At 1 January 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 |

***Notes:***

**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.

## 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.

## 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.

3. **SEGMENT INFORMATION** *(Continued)*

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** |

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.

3. **SEGMENT INFORMATION** *(Continued)*

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 |

4. **REVENUE**

An analysis of the Group's revenue 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) |
| 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 | **5,955** | – | **14,108** | 2,804 |
| Dividend income from available-for-sale investments | **6,912** | 10,834 | **13,823** | 10,834 |
| Compensation income | **–** | – | **4,750** | – |
| Others | **41** | 46 | **233** | 46 |
| | **15,125** | 14,731 | **38,681** | 19,496 |

## 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. 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: | | | | |
| The People's Republic of China ((the "PRC"), for the purpose of this announcement, does not include Hong Kong, Macau and Taiwan) Enterprise Income Tax | **5,651** | – | **6,103** | – |

## 8. 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 |

## 9. 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).

## 10. 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.

## 11. 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 |

## 12. 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 |

## 13. 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 |

## 14. OTHER RECEIVABLES AND DEPOSITS

| | **30 June 2013** | 31 December 2012 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| | **(unaudited)** | (audited) |
| Deposits | **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 |

## 15. 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 |

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.

## 15. TRADE RECEIVABLES *(Continued)*

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 |

## 16. 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 *HK$'000* (unaudited)** | 31 December 2012 *HK$'000* (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.

## 17. 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.

## 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).

## 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.

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 the PRC'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.

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 the PRC. 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 the PRC 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.

At the same time, CG training segment adheres to the principle of "innovate proactively, sow extensively and reap abundantly". We shall consolidate 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.

## 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 HK10,030,000.

## 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.

## 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.

# 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' 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.

## 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

*As at the date of this announcement, the Board comprises Mr. Li Shaofeng (Chairman and Executive Director), Mr. Chen Zheng (Chief Executive Officer and Executive Director), Mr. Jin Guo Ping (Vice President and Executive Director), Mr. Leung Shun Sang, Tony (Non-executive Director), Mr. Kwong Che Keung, Gordon (Independent non-executive Director), Prof. Japhet Sebastian Law (Independent non-executive Director) and Mr. Chan Chun Chung (Independent non-executive Director).*

*This announcement will remain on the "Latest Company Announcements" page of the GEM website at www.hkgem.com for at least 7 days from the date of its posting and on the Company's website at www.gdc-world.com.*