



INTERACTIVE ENTERTAINMENT CHINA CULTURAL
TECHNOLOGY INVESTMENTS LIMITED
互娛中國文化科技投資有限公司

(formerly known as China Mobile Games and Cultural Investment Limited)
(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)
(Stock Code: 8081)



FIRST
QUARTERLY
REPORT
2016

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 high 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 and no assurance is given that there will be a liquid market in the securities traded on GEM.

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*This report, for which the directors (the “**Directors**”, and each a “**Director**”) of Interactive Entertainment China Cultural Technology Investments 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.*

This report will remain on the “Latest Company Announcements” page of the GEM website at <http://www.hkgem.com> for a minimum period of seven days from the date of its publication and on the Company’s website at <http://www.iechina.com.hk>.

RESULTS

The board (the “**Board**”) of Directors (the “**Directors**”) of the Company announces the unaudited condensed consolidated results of the Company and its subsidiaries (together the “**Group**”) for the three months ended 31 March 2016 (the “**Results**”), together with the unaudited comparative figures for the corresponding period in 2015 as follows:

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

For the three months ended 31 March 2016

	Notes	Three months ended 31 March	
		2016 HK\$'000	2015 HK\$'000
Continuing operations			
Revenue	2	98,644	45,930
Cost of inventories sold/services		(41,035)	(6,866)
Other gains and losses	3	(96,003)	5,840
Other revenue and income		708	128
Employee benefits expenses		(38,703)	(26,101)
Depreciation		(5,474)	(4,483)
Other operating expenses		(22,881)	(11,981)
Impairment loss on available-for-sale investments		(14,269)	–
Share of results of associates		4,282	2,742
Finance costs		(9,418)	(182)
(Loss) profit before income tax		(124,149)	5,027
Income tax expense	4	(455)	(151)
		(124,604)	4,876
Discontinued operation			
Profit for the period from a discontinued operation	7	15,617	6,097
(Loss) profit for the period		(108,987)	10,973

		Three months ended 31 March	
	Note	2016 HK\$'000	2015 HK\$'000
Other comprehensive income (loss)			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of:			
– Financial statements of overseas subsidiaries		4,101	25
– Financial statements of overseas associates		1,114	130
Fair value loss on available-for-sale investments		(5,084)	(11,305)
Impairment loss on available-for-sale investments		14,269	–
Other comprehensive income (loss) for the period		14,400	(11,150)
Total comprehensive loss for the period		(94,587)	(177)
(Loss) profit for the period attributable to:			
Shareholders of the Company		(115,741)	6,778
Non-controlling interests		6,754	4,195
		(108,987)	10,973
Total comprehensive loss for the period attributable to:			
Shareholders of the Company		(101,561)	(4,381)
Non-controlling interests		6,974	4,204
		(94,587)	(177)
(Loss) earnings per share			
	6		(Restated)
For continuing and discontinued operations			
– Basic (HK\$)		(0.12)	0.02
– Diluted (HK\$)		(0.12)	0.02
For continuing operations			
– Basic (HK\$)		(0.13)	0.01
– Diluted (HK\$)		(0.13)	0.01

Notes to the unaudited condensed consolidated financial statements:

1. BASIS OF PREPARATION

The Results have been prepared in accordance with Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "HKFRSs") and the disclosure requirements of the GEM Listing Rules.

The Results have been prepared under the historical cost basis, except for certain financial instruments which are measured at fair values. The principal accounting policies used in the preparation of these Results are consistent with those applied in the preparation of audited annual financial statements for the year ended 31 December 2015 with addition for the new and revised HKFRSs which are effective for the Group's financial year beginning on 1 January 2016. The adoption of these new and revised HKFRSs has no material effect on these Results.

The Group has not early adopted the new and revised HKFRSs that have been issued but are not yet effective.

2. REVENUE

Revenue represents the aggregate of the net amounts received and receivable from third parties. An analysis of the Group's revenue is as follows:

	Three months ended 31 March	
	2016 HK\$'000	2015 HK\$'000
Continuing operations		
Income from mobile internet cultural business and provision of IT services	40,717	–
Income from provision of hospitality and related services in Australia	10,125	–
Income from provision of medical diagnostic and health check services	46,976	45,930
Loans interest income and related income	826	–
	98,644	45,930

3. OTHER GAINS AND LOSSES

	Three months ended	
	31 March	
	2016	2015
	HK\$'000	HK\$'000
Continuing operations		
Realised gain on financial assets at fair value through profit or loss	–	5,711
Unrealised (loss) gain on financial assets at fair value through profit or loss	(95,966)	129
Loss on written-off of property, plant and equipment	(37)	–
	(96,003)	5,840

4. INCOME TAX EXPENSE

	Three months ended	
	31 March	
	2016	2015
	HK\$'000	HK\$'000
Continuing operations		
Current tax:		
– Hong Kong Profits Tax	183	151
Deferred tax:		
– Current period	272	–
	455	151

The provision for Hong Kong Profits Tax is calculated at 16.5% of the net estimated assessable profits for both periods. The Group's subsidiaries operating in the People's Republic of China and Australia are subject to the tax rates at 15% or 25% and 30% respectively.

5. INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend in respect of the three months ended 31 March 2016 (2015: Nil).

6. (LOSS) EARNINGS PER SHARE

The calculation of basic and diluted (loss) earnings per share for the period is based on the following data:–

	Three months ended	
	31 March	
	2016	2015
	HK\$'000	HK\$'000
From continuing and discontinued operations		
(Loss) earnings:		
(Loss) profit for the period attributable to shareholders of the Company	(115,741)	6,778
	Three months ended	
	31 March	
	2016	2015
		(Restated)
Number of shares :		
Weighted average number of ordinary shares in issue for the purpose of calculation of basic (loss) earnings per share	963,808,040	351,653,728
Effect of diluted potential ordinary shares as a result of the share options granted	–	–
Weighted average number of ordinary shares in issue for the purpose of calculation of diluted (loss) earnings per share	963,808,040	351,653,728

The computation of diluted loss per share for the three months ended 31 March 2016 and diluted earnings per share for the three months ended 31 March 2015 does not assume the conversion of the Company's outstanding share options because the adjusted exercise price of those share options are higher than the average market price of the shares.

The weighted average number of ordinary shares in issue for the three months ended 31 March 2015 for the purpose of calculation of basic and diluted earnings per share has been adjusted and restated for share consolidation which became effective on 22 December 2015, the rights issue of the Company which was completed on 11 April 2016 and the bonus issue of the Company which was approved by the shareholders of the Company on 9 May 2016.

	Three months ended 31 March	
	2016 HK\$'000	2015 HK\$'000
From continuing operations		
(Loss) earnings:		
(Loss) profit for the period attributable to shareholders of the Company	(115,741)	6,778
Less: Profit for the period from a discontinued operation attributable to shareholders of the Company	(7,993)	(2,922)
(Loss) profit for the period from continuing operations for the purpose of calculation of basic and diluted (loss) earnings per share	(123,734)	3,856

The denominators used are the same as those detailed above for both basic and diluted (loss) earnings per share.

	Three months ended 31 March	
	2016 HK\$'000	2015 HK\$'000
From a discontinued operation		
Earnings:		
Profit for the period from a discontinued operation attributable to shareholders of the Company	7,993	2,922

The denominators used are the same as those detailed above for both basic and diluted earnings per share.

	Three months ended 31 March	
	2016	2015
From a discontinued operation		
Earnings per share:		
– Basic (HK\$)	0.01	0.01
– Diluted (HK\$)	0.01	0.01

7. DISCONTINUED OPERATION

On 7 December 2015, the Group and LEO Group Co., Ltd. (“LEO”) entered into a sale and purchase agreement (“SP Agreement”), pursuant to which LEO agreed to acquire, and the Group agreed to sell, the Group’s 51.46% equity interest of 上海智趣廣告有限公司 (in English, for identification purpose only, Shanghai Zhiqu Advertisement Co., Ltd) (“Zhiqu”) at a total consideration of RMB237,010,000 (“Zhiqu Disposal”). Upon completion of the Zhiqu Disposal, Zhiqu will cease to be a subsidiary of the Group. The SP Agreement and the transactions contemplated thereunder were approved by the shareholders of the Company at the special general meeting of the Company held on 29 February 2016 and is subject to approval by the China Securities Regulatory Commission as at the date of this report. Details of the Zhiqu Disposal are set out in the Company’s announcement dated 8 December 2015 and the Company’s circular dated 11 February 2016.

Subject to completion of the Zhiqu Disposal, the Group will no longer carry on the business of provision of integral marketing services.

The results from a discontinued operation for the period are as follows:–

	Three months ended	
	31 March	
	2016 HK\$'000	2015 HK\$'000
Revenue	148,551	59,530
Cost of services	(128,097)	(50,024)
Other revenue and income	1,774	44
Employee benefits expenses	(1,204)	(747)
Depreciation	(10)	(3)
Other operating expenses	(926)	(163)
Share of results of an associate	–	(384)
Profit before income tax	20,088	8,253
Income tax expense	(4,471)	(2,156)
Profit for the period from a discontinued operation	15,617	6,097
Profit for the period from a discontinued operation attributable to:-		
Shareholders of the Company	7,993	2,922
Non-controlling interests	7,624	3,175
	15,617	6,097

8. UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to shareholders of the Company											
	Share Capital HK\$'000	Share premium HK\$'000	Contributed surplus HK\$'000	Capital reduction reserve HK\$'000	Share options reserve HK\$'000	Translation reserve HK\$'000	Other reserve HK\$'000	Investment revaluation reserve HK\$'000	(Accumulated losses)/ retained earnings HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total HK\$'000
At 1.1.2015 (audited)	24,961	226,016	-	81,470	4,844	(156)	(63)	-	(11,060)	326,012	5,669	331,681
Profit for the period	-	-	-	-	-	-	-	-	6,778	6,778	4,195	10,973
Other comprehensive loss for the period	-	-	-	-	-	146	-	(11,305)	-	(11,159)	9	(11,150)
Total comprehensive loss for the period	-	-	-	-	-	146	-	(11,305)	6,778	(4,381)	4,204	(177)
Acquisition of a subsidiary	-	-	-	-	-	-	-	-	-	-	(374)	(374)
Change in ownership in a subsidiary that does not result in a loss of control	-	-	-	-	-	-	(1,012)	-	-	(1,012)	12,894	11,882
Share-based payments	-	-	-	-	2,235	-	-	-	-	2,235	-	2,235
At 31.3.2015 (unaudited)	24,961	226,016	-	81,470	7,079	(10)	(1,075)	(11,305)	(4,282)	322,854	22,393	345,247
At 1.1.2016 (audited)	6,841	-	701,518	-	17,400	(3,182)	(1,173)	16,182	82,104	819,690	34,314	854,004
Loss for the period	-	-	-	-	-	-	-	-	(115,741)	(115,741)	6,754	(108,987)
Other comprehensive income for the period	-	-	-	-	-	4,995	-	9,185	-	14,180	220	14,400
Total comprehensive loss for the period	-	-	-	-	-	4,995	-	9,185	(115,741)	(101,561)	6,974	(94,587)
Acquisition of additional interest in a subsidiary	-	-	-	-	-	-	(947)	-	-	(947)	947	-
Share-based payments	-	-	-	-	3,988	-	-	-	-	3,988	-	3,988
At 31.3.2016 (unaudited)	6,841	-	701,518	-	21,388	1,813	(2,120)	25,367	(33,637)	721,170	42,235	763,405

9. EVENTS AFTER REPORTING PERIODS

- (i) On 14 January 2016, the Company proposed rights issue (“**Rights Issue**”) of 3,420,670,215 rights shares at the subscription price of HK\$0.155 per rights share on the basis of five rights shares for every one share held on the record date (i.e. 10 March 2016). Completion of the Rights Issue took place on 11 April 2016. The net proceeds from the Rights Issue were approximately HK\$515 million. Further details of the Rights Issue are set out in the announcements of the Company dated 14 January 2016, 29 February 2016, 8 April 2016 and 11 April 2016, the circular of the Company dated 11 February 2016 and the prospectus of the Company dated 11 March 2016.
- (ii) On 15 April 2016, the Group entered into a contract of sale of real estate in relation to the acquisition of land and buildings in Australia and a contract of sale and purchase of business in relation to the acquisition of resort business and related assets at an aggregate consideration of AUD24,600,000. The acquisition is expected to be completed in second quarter of 2016. Further details are set out in the announcement of the Company dated 15 April 2016.
- (iii) In April 2016, the Group disposed of certain available-for-sale investments i.e. an aggregate of 8,570,000 ordinary shares in Universe International Holdings Limited (“**Universe International**”), the shares of which are listed on the Stock Exchange (Stock Code: 1046), at aggregate cash consideration of approximately HK\$7,883,000 on the Stock Exchange. Further details are set out in the announcement of the Company dated 27 April 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

Business and Financial Review

During the three months ended 31 March 2016, the principal activities of the Group were (i) mobile internet cultural business and provision of IT services; (ii) provision of hospitality and related services in Australia; (iii) provision of medical diagnostic and health check services; (iv) provision of integral marketing services; (v) money lending business; and (vi) assets investments business.

During the period under review, the Group recorded revenue from continuing and discontinued operations of approximately HK\$247,195,000 (2015: HK\$105,460,000), representing an increase of approximately 134% as compared to the corresponding period in 2015. The Group recorded a substantial net loss attributable to the shareholders of the Company ("**Shareholders**") of approximately HK\$115,741,000 during the period under review as compared to the net profit attributable to the Shareholders in the corresponding period in 2015 of approximately HK\$6,778,000, mainly attributable to (a) unrealised losses arising on change in fair value of the Group's financial assets at fair value through profit or loss of approximately HK\$95,966,000 for the three months ended 31 March 2016, which is non-cash in nature and will not have any cash flow burden to the Group; (b) increase in finance costs of the Group from approximately HK\$182,000 for the three months ended 31 March 2015 to approximately HK\$9,418,000 for the three months ended 31 March 2016; and (c) reclassification of fair value loss on available-for-sale investments of approximately HK\$14,269,000 for the three months ended 31 March 2016 from other comprehensive loss to profit or loss in respect of the shares in Universe International, certain of which were disposed of by the Group in April 2016.

Mobile Internet Cultural Business and Provision of IT Services

To realise the Group's pan-entertainment strategy and develop in line with the trend of "mobile internet+", the Group has gradually expanded its business blueprint to encompass industries in the fields of cultural lifestyle of mobile internet, including mobile-online education platform, mobile-online games, O2O interactive entertainment and other mobile internet's cultural lifestyle related businesses, and has taken the mobile internet as its core and valued business.

1. Development of online education platform

To incorporate the "mobile internet+" concept to children education, one of the industries in the spotlight, the Group is currently undergoing the development and building of online children education platforms. Since March 2015, the Group has cooperated with 上海賽果文化傳播有限公司 (Shanghai Saiguo Cultural Media Limited*) ("**Shanghai Saiguo**") to undertake a knowledge quizzes competition among the students in China hosted by 全國少年兒童「雙有」活動組委會 (organizing committee of the China Shuangyou Event for the Youth and Children*). The Group has designed and developed the web version and mobile application of the program namely "我是小小中國通－絲路文化之旅" (I Am Little Chinese Hand – Silk Road Cultural Tour*) to be used in the competition. Such program was launched on the web and mobile system "Android" in May 2015 and "iOS" platform in July 2015.

* English translated name is for identification only

In response to the event “我是小小中國通 – 少年兒童中華文明傳承計劃” (I Am Little China Hand – Youth Children Chinese Civilization Inheritance programme*) hosted by 中國下一代教育基金會 (China Next Generation Education Foundation), a new application, namely “我是小小中國通 – 十萬零一個為什麼” (I Am Little Chinese Hand – One Hundred Thousand and One Questions*), was being developed by the Group. The new application is an online education platform including knowledge quizzes in different aspects such as sinology, astronomy, geography, intangible cultural heritage, folkways, English language, technology and animations, targeting at national primary and secondary school students and has been listed as a national key project by the Chinese Academy of Education & Sciences in 2016. The first phase of the development of the application has been completed in March 2016.

2. *Provision of professional IT contract and maintenance services*

In order to build up strong foundation for better adopting its “mobile internet+” business strategy, the Group acquired EPRO BVI Limited and its subsidiaries (“**EPRO BVI Group**”) on 31 August 2015. EPRO BVI Group is principally engaged in provision of professional information technology contract and maintenance services in China and Hong Kong and is a CMMi5 accessed information technology and software outsourcing provider that tailor-made professional IT solutions for sizable corporate clients and government departments.

During the period under review, EPRO BVI Group recorded a revenue of approximately HK\$40,717,000 (2015: Nil) and contributed segment profit of approximately HK\$1,490,000 (2015: Nil). The Directors are reviewing the operations of EPRO BVI Group to formulate a long term development plan.

3. *Mobile-online game business*

The Group began its mobile-online game business in 2014 and acquired an aggregate of 28.8% issued share capital of Mighty Eight Investments Limited (together with its subsidiaries and controlled companies “**Something Big Group**”) which is the pioneer in design, development, marketing and distribution and operation of mobile-online games. During the period under review, the Group shared the profits from Something Big Group amounted to approximately HK\$4,911,000 (2015: HK\$2,410,000). The increase is mainly attributable to increase in Group’s interest in Something Big Group from 24% to 28.8% since May 2015 and the launch of a new mobile-online game, namely “NBA Heroes” in 2015.

* English translated name is for identification only

Hospitality and Related Services in Australia

In November 2015, the Group acquired two granges in Australia which offer winery accommodation and conference centres services, including certain associated land, surrounding or adjacent farmland, and the related businesses (i.e. the accommodation facility business and all assets used in connection with that business and the assignment of operating licence). One of the granges, Lancefield property, includes a piece of freehold land of approximately 403,100 square metres in Lancefield, Victoria, Australia and the building on the land is an established hotel, restaurant, vineyard and conference facility which basically includes fifty-two accommodation rooms, five conference rooms, four guest lounges and 'various breakout rooms'. The other one is the Hepburn Springs property, includes a piece of freehold land of approximately 9,713 square metres located at Hepburn Springs, Victoria, Australia and the building erected on such land is an established hotel, restaurant and conference facility split over three levels which basically includes forty-three accommodation rooms plus four conference rooms. During the period under review, the Group recorded revenue of approximately HK\$10,125,000 (2015: Nil) and segment profit of approximately HK\$2,134,000 (2015: Nil).

The Group is considering to further develop the Group's business in Australia. In April 2016, the Group entered into a contract of sale of real estate in relation to the acquisition of land of approximately 29 hectares located at Yarra Glen, Victoria, Australia and the building erected on such land, which is a resort with facilities including a restaurant, conference and meeting facilities and recreation facilities, and a contract of sale and purchase of business in relation to the acquisition of resort business and related assets at an aggregate consideration of AUD24,600,000. The acquisition is expected to be completed in second quarter of 2016.

The Directors believes the new segment in hospitality business will further diversify the Group's investments and bring about more diversified revenue and income streams.

Medical Diagnostic and Health Check Services

The Group had offered a wide spectrum of quality healthcare services to the general public in Hong Kong through its nine health check centres, two testing laboratories and a laboratory for manufacturing of PET Radiopharmaceuticals operated by Luck Key Investment Limited and its subsidiaries ("Luck Key", together with its subsidiaries, "Luck Key Group"). During the period under review, the Group's health check business recorded revenue amounted to approximately HK\$46,976,000 (2015: HK\$45,930,000) and a segment loss of approximately HK\$1,629,000 (2015: profit of approximately HK\$1,846,000) which was mainly due to the increase in operating cost incurred. Given the rising operating cost and unstable market condition, the Directors will strive to improve the operational efficiency of its health check business so as to enhance its competitiveness in the market and profitability.

Provision of Integral Marketing Services – Discontinued operation

During the period under review, revenue generated from the provision of integral marketing services amounted to approximately HK\$148,551,000 (2015: HK\$59,530,000) and a segment profit of approximately HK\$20,088,000 (2014: HK\$8,253,000) was recorded, which was mainly attributable to the provision of integrated digital marketing services by Zhiqu.

In December 2015, the Group entered into a sale and purchase agreement and agreed to dispose of its 51.46% interest in Zhiqu at a consideration of approximately RMB237 million. The disposal of Zhiqu represents a lucrative opportunity to the Group to realise its investment in the integral marketing services business so as to enable the Group to re-allocate more financial resources on its mobile internet cultural business, particularly in online education business, which will be one of the Group's business focus to realise the pan-entertainment and "mobile internet+" business strategy, and development in the hospitality business in Australia. Upon the completion of disposal of Zhiqu, the Group will no longer carry on the business of provision of integral marketing services.

The disposal of Zhiqu is approved by the Shareholders at the special general meeting of the Company held on 29 February 2016 and is subject to approval by the China Securities Regulatory Commission as at the date of this report.

Money Lending Business

During the period under review, the Group's loan portfolios comprised of unsecured loans granted to individual customers and the revenue from loan interests was approximately HK\$826,000 (2015: Nil). The average interest rate charged by the Group during the period under review was 11% per annum. The Group has been paying close attention to the market conditions for capturing business opportunities in the money lending segment and will expand the business to generate steady returns.

Assets Investments Business

The Group's securities investment portfolio mainly comprises investments in listed companies. During the period under review, the Group recorded a segment loss of approximately HK\$118,604,000 (2015: profit of approximately HK\$6,314,000) mainly attributable to a substantial unrealised loss arising on change in fair value of the Group's financial assets at fair value through profit or loss. The unrealised loss was mainly attributable to the fair value loss of the investment in Convoy Financial Holdings Limited, the shares of which are listed on the Stock Exchange (Stock Code: 1019), of approximately HK\$82,783,000 (2015: Nil). In addition to financial assets at fair value through profit or loss, the Group recorded an unrealised fair value loss on available-for-sale investments of approximately HK\$5,084,000 (2015: HK\$11,305,000) during the period under review as other comprehensive loss, out of which of approximately HK\$14,269,000 (2015: Nil) had been reclassified from other comprehensive loss to the statement of profit or loss in respect of the shares in Universe International. The Group have disposed of certain shares in Universe International in April 2016 to realise its investments in Universe International. The Group will adopt a prudent investment strategy and create value for the Shareholders.

In order to diversify the Group's business, the Group entered into certain sale and purchase agreements to acquire certain investment properties in Hong Kong, details of which are set out in the Company's announcement dated 28 October 2015. It is expected that these acquisitions will bring new income to the Group and generate steady revenue after completion. The acquisitions are expected to be completed on or before 31 May 2016.

PROSPECTS

The world has entered the era of internet and the hi-tech industry is booming on its way. Business related to internet lifestyle will gradually interweave into daily life of ordinary people. The Group is dedicated to expand by investing more resources on the development of mobile internet cultural business, in particular, the online education platform, to push forward the pan-entertainment and "mobile internet+" business strategy. On the other hand, the Group is also considering to carry out improvements on the current facilities of the hotels and construct more rooms and new facilities so as to increase the attractiveness and capacity of the hotels for bringing in more income to the Group and further expand the Group's hospitality business in Australia.

Looking ahead, the Group is looking forward to all potential opportunities to expand the current business and diversify the investments. The Group will continue to work tirelessly and energetically to accomplish its plan in the future development to achieve its business target and maximise the returns to the Shareholders.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES

As at 31 March 2016, the interests and short positions of the Directors and chief executive of the Company 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, Chapter 571 of the Laws of Hong Kong (“SFO”)) as recorded in the register required to be kept under 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors of the Company as referred to in Rules 5.48 to 5.67 of the GEM Listing Rules, were as follows:

(i) Long position in the shares of the Company

Name of Director	Capacity	Number of ordinary shares	Approximate Percentage (Note 1)
Zhang Xiongfeng	Interest through controlled corporation	410,480,426 (Note 2)	10.00%

Notes:

1. This is based on the total ordinary shares of the Company (“Shares”) in issue immediately following the completion of the Rights Issue, i.e. 4,104,804,258 Shares.
2. Being interest in Shares held by Turbo Pointer Limited, which is wholly and beneficially owned by Mr. Zhang Xiongfeng. As such, Mr. Zhang Xiongfeng is deemed to be interested in all the 410,480,426 Shares held by Turbo Pointer Limited by virtue of the SFO. Mr. Zhang Xiongfeng is also the director of Turbo Pointer Limited.

(ii) Long position in the underlying shares of the Company

Name of Director	Capacity	Number of underlying ordinary shares	Approximate Percentage (Note 1)
Zhang Xiongfeng	Beneficial owner	47,293,536 (Note 3)	1.15%
Zhang Peiao	Beneficial owner	6,478,512 (Note 4)	0.16%

Notes:

3. These are 47,293,536 Shares to be issued upon exercise of the unlisted physically settled share options conditionally granted to Mr. Zhang Xiongfeng on 19 January 2016 pursuant to the share option scheme of the Company adopted by the Company pursuant to an ordinary resolution of all the then shareholders passed on 10 November 2010 ("**Share Option Scheme**") with the vesting date of the said options on 31 May 2016 and can be exercised by Mr. Zhang Xiongfeng between 1 June 2016 and 11 November 2020 at the subscription price of HK\$0.2326 per Share. The grant of such options was approved by the Shareholders at the annual general meeting of the Company held on 9 May 2016. With effect from 11 April 2016, the number of Shares to be allotted and issued upon exercise of such options was adjusted to 56,703,487 Shares and the subscription price was adjusted to HK\$0.194 per Share as a result of the Rights Issue, details of which are set out in the Company's announcement dated 8 April 2016.
4. These are 6,478,512 Shares to be issued upon exercise of the unlisted physically settled share options conditionally granted to Mr. Zhang Peiao on 19 January 2016 pursuant to the Share Option Scheme with the vesting date of the said options on 31 May 2016 and can be exercised by Mr. Zhang Peiao between 1 June 2016 and 11 November 2020 at the subscription price of HK\$0.2326 per Share. The grant of such options was approved by the Shareholders at the annual general meeting of the Company held on 9 May 2016. With effect from 11 April 2016, the number of Shares to be allotted and issued upon exercise of such options was adjusted to 7,767,535 Shares and the subscription price was adjusted to HK\$0.194 per Share as a result of the Rights Issue, details of which are set out in the Company's announcement dated 8 April 2016.

Save as disclosed above, as at 31 March 2016, none of the Directors or chief executives of the Company had, or was deemed to have, any interests or short positions in the shares, underlying shares and 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 under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors of the Company as referred to in Rules 5.48 to 5.67 of the GEM Listing Rules.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTEREST

As at 31 March 2016, the following persons (other than Directors or chief executive of the Company) had, or were deemed to have, 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:

Name of Shareholder	Capacity	Number of ordinary shares	Approximate Percentage
Turbo Pointer Limited	Beneficial owner	410,480,426 (L) (Note 2)	10.00% (Note 1)
Astrum Capital Management Limited (Note 4)	Other	3,095,933,904 (L) (Note 3)	75.42% (Note 1)
		1,850,000,000 (S) (Note 3)	45.07% (Note 1)

Name of Shareholder	Capacity	Number of ordinary shares	Approximate Percentage
Major Harvest Investments Limited (“ Major Harvest ”) (Note 4)	Interest of controlled corporation	3,095,933,904 (L) (Note 4)	75.42% (Note 1)
		1,850,000,000 (S) (Note 4)	45.07% (Note 1)
Autumn Ocean Limited (“ Autumn Ocean ”) (Note 4)	Interest of controlled corporations	3,095,933,904 (L) (Note 4)	75.42% (Note 1)
		1,850,000,000 (S) (Note 4)	45.07% (Note 1)
Pan Chik (“ Mr. Pan ”) (Note 4)	Interest of controlled corporations	3,095,933,904 (L) (Note 4)	75.42% (Note 1)
		1,850,000,000 (S) (Note 4)	45.07% (Note 1)
Liu Ming Lai Lorna (“ Madam Liu ”) (Note 4)	Interest of spouse	3,095,933,904 (L) (Note 4)	75.42% (Note 1)
		1,850,000,000 (S) (Note 4)	45.07% (Note 1)
Convoy Securities Limited (Note 6)	Other	680,000,000 (L) (Note 5)	16.57% (Note 1)
		680,000,000 (S) (Note 5)	16.57% (Note 1)
Convoy Financial Holdings Limited (Note 6)	Interest of controlled corporations	680,000,000 (L) (Note 6)	16.57% (Note 1)
		680,000,000 (S) (Note 6)	16.57% (Note 1)
Jun Yang Securities Company Limited (Note 8)	Other	422,000,000 (L) (Note 7)	10.28% (Note 1)
		422,000,000 (S) (Note 7)	10.28% (Note 1)
Jun Yang Financial Holdings Limited (Note 8)	Interest of controlled corporations	625,994,000 (L) (Note 8)	15.25% (Note 1)
		422,000,000 (S) (Note 8)	10.28% (Note 1)
China New Economy Fund Limited (“ CNEFL ”) (Note 9)	Beneficial owner	61,500,000 (L) (Note 9)	(Note 10)
Fordjoy Holdings Company Limited (“ Fordjoy ”) (Note 11)	Other	250,000,000 (L) (Note 11)	6.09% (Note 1)
Trendluck Limited (“ Trendluck ”) (Note 11)	Other	250,000,000 (L) (Note 11)	6.09% (Note 1)

Name of Shareholder	Capacity	Number of ordinary shares	Approximate Percentage
Yuen Shu Ming ("Mr. Yuen") (Note 11)	Interest of controlled corporations	250,000,000(L) (Note 11)	6.09% (Note 1)
Hang Fat Capital Limited ("Hang Fat") (Note 12)	Other	240,000,000(L) (Note 12)	5.85% (Note 1)
Fastek Investments Limited ("Fastek") (Note 13)	Beneficial owner	779,996,400(L) (Note 13)	19.00% (Note 1)
Rosy Lane Investments Limited ("Rosy Lane") (Note 13)	Interest of controlled corporation	779,996,400(L) (Note 13)	19.00% (Note 1)
Hong Kong Education (Int'l) Investments Limited ("HK EDU INTL") (Note 13)	Interest of controlled corporations	779,996,400(L) (Note 13)	19.00% (Note 1)

Notes:

1. This is based on the total Shares in issue immediately following the completion of the Rights Issue, i.e. 4,104,804,258 Shares.
2. Being interest in Shares held by Turbo Pointer Limited, which is wholly and beneficially owned by Mr. Zhang Xiongfeng. As such, Mr. Zhang Xiongfeng is deemed to be interested in all the 410,480,426 Shares held by Turbo Pointer Limited by virtue of the SFO. Mr. Zhang Xiongfeng is also the director of Turbo Pointer Limited.
3. Based on the notice of disclosure of interests of Astrum filed with the Stock Exchange dated 24 February 2016, such Shares were held by Astrum.
4. Based on the notices of disclosure of interests of each of Major Harvest, Autumn Ocean, Mr. Pan and Madam Liu filed with the Stock Exchange all dated 24 February 2016, such Shares were held by Astrum, which is wholly-owned by Major Harvest. Major Harvest is owned as to 80% by Autumn Ocean, which is in turn wholly-owned by Mr. Pan. Madam Liu is the spouse of Mr. Pan. As such, each of Major Harvest, Autumn Ocean, Mr. Pan and Madam Liu is deemed to be interested in the Shares held by Astrum by virtue of the SFO.
5. Based on the notice of disclosure of interests of the Convoy Securities Limited filed with the Stock Exchange dated 6 April 2016, such Shares were held by the Convoy Securities Limited.
6. Based on the notice of disclosure of interests of Convoy Financial Holdings Limited filed with the Stock Exchange dated 6 April 2016, such Shares were held by Convoy Securities Limited, which is wholly-owned by Wonderful Job Limited. Wonderful Job Limited is wholly-owned by Convoy (BVI) Limited, which is in turn wholly-owned by Convoy Financial Holdings Limited. As such, Convoy Financial Holdings Limited is deemed to be interested in the Shares held by the Convoy Securities Limited by virtue of the SFO.
7. Based on the notice of disclosure of interests of the Jun Yang Securities Company Limited filed with the Stock Exchange dated 6 April 2016, such Shares were held by the Jun Yang Securities Company Limited.

8. Based on the notice of disclosure of interests of Jun Yang Financial Holdings Limited filed with the Stock Exchange dated 6 April 2016, such Shares were held (i) as to 422,000,000 Shares in long position and 422,000,000 Shares in short position by the Jun Yang Securities Company Limited, which is wholly-owned by Golden Moral Investments Limited; and (ii) as to 203,994,000 Shares in long position by Classictime Investments Limited. Each of Golden Moral Investments Limited and Classictime Investments Limited is wholly-owned by Jung Yang Financial Holdings Limited. As such, Jun Yang Financial Holdings Limited is deemed to be interested in the Shares held by each of the Jun Yang Securities Company Limited and Classictime Investments Limited by virtue of the SFO.
9. Based on the notice of disclosure of interests of CNEFL filed with the Stock Exchange dated 21 January 2016, such Shares were held by CNEFL.
10. Such Shares held by CNEFL represented (i) approximately 8.99% of the issued share capital of the Company as at 31 March 2016 (i.e. 684,134,043 Shares); and (ii) approximately 1.50% of the issued share capital of the Company as enlarged by the allotment and issue of the Rights Shares (i.e. 4,104,804,258 Shares).
11. Based on the notices of disclosure of interests of each of Fordjoy, Trendluck and Mr. Yuen filed with the Stock Exchange all dated 24 February 2016, such Shares were held by Fordjoy Securities and Futures Limited, which is wholly-owned by Fordjoy Investment Limited, which is in turn wholly-owned by Fordjoy. Fordjoy is owned as to 76% by Trendluck, which is wholly-owned by Mr. Yuen. As such, each of Fordjoy, Trendluck and Mr. Yuen is deemed to be interested in the Shares held by Fordjoy Securities and Futures Limited by virtue of the SFO.
12. Based on the notice of disclosure of interests of Hang Fat filed with the Stock Exchange on 22 February 2016, such Shares were held by Hang Fat.
13. Based on the notices of disclosure of interests of Fastek, Rosy Lane and HK EDU INTL with the Stock Exchange all dated 30 March 2016, such Shares were held by Fastek, which is wholly-owned by Rosy Lane, which is in turn wholly-owned by HK EDU INTL. As such, each of Rosy Lane and HK EDU INTL is deemed to be interested in the Shares held by Fastek by virtue of the SFO.
14. (L) denotes a long position whilst the letter (S) denotes a short position.

SHARE OPTION SCHEME

Under the terms of Share Option Scheme, the Board is authorised, at its absolute discretion, to grant options to eligible participants including any employee, contracted celebrity, advisor, consultant, service provider, agent, customer, partner or joint-venture partner of the Group (including any director, whether executive or non-executive and whether independent or not, of the Group) who is in full-time or part-time employment with the Group at the time when an option is granted to such employee, or any person who, in the sole discretion of the Board, have contributed or may contribute to the Group.

The purpose of the Share Option Scheme is to provide incentives and help the Group in retaining its existing employees and recruiting additional employees and to provide them with a direct economic interest in attaining the long term business objectives of the Company.

Details of the share options under the Share Option Scheme during the period under review and outstanding as at 31 March 2016 are as follows:

Grantees	Date of grant	Vesting date	Exercise price per Share before completion of the Rights Issue	Adjusted exercise price per Share after completion of the Rights Issue ¹	Exercisable period	Outstanding as at 1 January 2016	Cancelled during the period	Granted during the period	Outstanding as at 31 March 2016	Outstanding after completion of the Rights Issue ¹
Director – Zhang Xiangfeng	19 June 2014	31 December 2015	HK\$1.4	HK\$1.168	1 January 2016 – 30 June 2016	5,716,357	(5,716,357)	-	-	-
	22 June 2015	30 June 2016	HK\$2.11	HK\$1.760	1 July 2016 – 31 December 2016	22,674,671	(22,674,671)	-	-	-
	19 January 2016	30 May 2016	HK\$0.2326	HK\$0.194	1 June 2016 – 11 November 2020	-	-	(Note 1)	(Note 1)	(Note 1)
Director – Zhang Peiao	19 June 2014	31 December 2015	HK\$1.4	HK\$1.168	1 January 2016 – 30 June 2016	3,810,904	(3,810,904)	-	-	-
	22 June 2015	30 June 2016	HK\$2.11	HK\$1.760	1 July 2016 – 31 December 2016	2,667,608	(2,667,608)	-	-	-
	19 January 2016	30 May 2016	HK\$0.2326	HK\$0.194	1 June 2016 – 11 November 2020	-	-	(Note 2)	(Note 2)	(Note 2)
Employee	19 June 2014	31 December 2015	HK\$1.4	HK\$1.168	1 January 2016 – 30 June 2016	1,905,455	-	-	1,905,455	2,283,937
	22 June 2015	30 June 2016	HK\$2.11	HK\$1.760	1 July 2016 – 31 December 2016	1,333,805	-	-	1,333,805	1,599,050
	19 January 2016	30 May 2016	HK\$0.2326	HK\$0.194	1 June 2016 – 11 November 2020	-	-	3,239,256	3,239,256	3,883,768
Others	19 June 2014	31 December 2015	HK\$1.4	HK\$1.168	1 January 2016 – 30 June 2016	7,621,808	-	-	7,621,808	9,135,728
						45,730,608	(34,869,540)	3,239,256	14,100,324	16,902,483

Notes:

- On 19 January 2016, share options entitling the holder thereof to subscribe for an aggregate of 47,293,536 Shares were conditionally granted to Mr. Zhang Xiongfeng. The grant of such options was approved by the Shareholders at the annual general meeting of the Company held on 9 May 2016, further details of which are set out in the circular of the Company dated 5 April 2016 and the announcement of the Company dated 9 May 2016. With effect from 11 April 2016, the number of Shares to be allotted and issued upon exercise of such options was adjusted to 56,703,487 Shares as a result of the Rights Issue, details of which are set out in the Company's announcement dated 8 April 2016.
 - On 19 January 2016, share options entitling the holder thereof to subscribe for an aggregate of 6,478,512 Shares were conditionally granted to Mr. Zhang Peiao. The grant of such options was approved by the Shareholders at the annual general meeting of the Company held on 9 May 2016, further details of which are set out in the circular of the Company dated 5 April 2016 and the announcement of the Company dated 9 May 2016. With effect from 11 April 2016, the number of Shares to be allotted and issued upon exercise of such options was adjusted to 7,767,535 Shares as a result of the Rights Issue, details of which are set out in the Company's announcement dated 8 April 2016.
- * The exercise price of the outstanding share options of the Company (“**Outstanding Options**”) granted and the total number of the Shares comprised in the Outstanding Options which may be allotted and issued upon exercise of all such Outstanding Options have been adjusted with effect from 11 April 2016 as a result of the Rights Issue, details of which are set out in the Company's announcement dated 8 April 2016.

Save as disclosed above, as at 31 March 2016, there were no shareholders of the Company (other than Directors or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company, which would fall to be disclosed to the Company as recorded in the register required to be kept under Section 336 of the SFO.

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

There were no purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company's listed securities during the three months ended 31 March 2016.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

None of the Directors nor their respective close associates had an interest in a business, apart from the businesses of the Group, which competes or may compete, either directly or indirectly, with the businesses of the Group during the period under review.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

During the three months ended 31 March 2016, the Company had adopted a code of conduct regarding Directors' securities transactions 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. The Company had also made specific enquiry of all Directors and the Company was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding Directors' securities transactions during the period under review.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company is committed to achieving and upholding good corporate governance practices that promote greater transparency and quality of disclosure as well as more effective internal control.

Pursuant to code provision A.4.2 of the Corporate Governance Code contained in Appendix 15 of the GEM Listing Rules ("**CG Code**"), all Directors appointed to fill a casual vacancy should be subject to election by the Shareholders at the first general meeting after appointment. Ms. Lin Ting, an independent non-executive Director appointed on 7 December 2015, did not retire from office and was not subject to re-election by the Shareholders at the first special general meeting of the Company after her appointment held on 29 February 2016, due to inadvertent oversight. Save as disclosed above, the Company has complied with the code provisions set out in the CG Code during the three months ended 31 March 2016.

AUDIT COMMITTEE

An audit committee of the Company (the “**Audit Committee**”) was established with written terms of reference in compliance with the Rules 5.28 and 5.29 of the GEM Listing Rules and Code Provision C.3.3. The Audit Committee must consist of a minimum of three members, all of whom must be non-executive Directors, at least one of whom must have appropriate professional qualification or accounting or related financial management expertise. There are three members in the Audit Committee comprising three independent non-executive Directors, namely Mr. Wong Siu Keung, Joe, Ms. Lin Ting and Mr. Wong Ching Yip. Mr. Wong Siu Keung, Joe, is the chairman of the Audit Committee. The primary duties of the Audit Committee are mainly to review the Company’s financial information, reporting process, internal control procedures, risk management system, audit plan, relationship with external auditors and to review arrangements to enable employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

The Group’s unaudited condensed consolidated results for the three months ended 31 March 2016 (and this report) have been reviewed by the Audit Committee, which is of the opinion that the preparation of such results complied with the applicable accounting standards, the GEM Listing Rules and that adequate disclosure have been made.

On behalf of the Board

Interactive Entertainment China Cultural Technology Investments Limited
Zhang Xiongfeng

Chairman

Hong Kong, 10 May 2016

As at the date of this report, the Board comprises (i) three executive Directors, namely Mr. Zhang Xiongfeng, Mr. Zhang Peiao and Mr. Hung Kenneth and (ii) three independent non-executive Directors, namely Mr. Wong Siu Keung, Joe, Ms. Lin Ting and Mr. Wong Ching Yip.