



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)

\* For identification purpose only

**2017**  
**INTERIM REPORT**

## **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.**

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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 INTERIM FINANCIAL INFORMATION .....	12
REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION .....	32
MANAGEMENT DISCUSSION AND ANALYSIS .....	35
INTERIM DIVIDEND .....	41
PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES ...	41
DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES .....	41
DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES .....	42
SUBSTANTIAL SHAREHOLDERS .....	42
SHARE OPTION SCHEME .....	43
DIRECTORS' INTERESTS IN COMPETING BUSINESSES .....	43
COMPLIANCE WITH CORPORATE GOVERNANCE CODE .....	43
COMPLIANCE WITH CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS .....	43
CHANGES IN DIRECTORS' INFORMATION .....	44
AUDIT COMMITTEE .....	44
APPRECIATION .....	44

## CORPORATE INFORMATION

### Board of Directors

#### Executive Directors

Mr. Xu Liang (*Chairman*) (*appointed on 14 June 2017*)  
Mr. Li Shaofeng (*Chairman*) (*resigned on 14 June 2017*)  
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

### Executive Committee

Mr. Xu Liang (*Chairman*) (*appointed on 14 June 2017*)  
Mr. Li Shaofeng (*Chairman*) (*resigned on 14 June 2017*)  
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

### Nomination Committee

Mr. Xu Liang (*Chairman*) (*appointed on 14 June 2017*)  
Mr. Li Shaofeng (*Chairman*) (*resigned on 14 June 2017*)  
Mr. Leung Shun Sang, Tony (*Vice Chairman*)  
Mr. Kwong Che Keung, Gordon  
Prof. Japhet Sebastian Law  
Mr. Lam Yiu Kin

### Remuneration Committee

Prof. Japhet Sebastian Law (*Chairman*)  
Mr. Xu Liang (*Vice Chairman*) (*appointed on 14 June 2017*)  
Mr. Li Shaofeng (*Vice Chairman*) (*resigned on 14 June 2017*)  
Mr. Leung Shun Sang, Tony  
Mr. Kwong Che Keung, Gordon  
Mr. Lam Yiu Kin

### Compliance Officer

Mr. Chen Zheng

### Company Secretary

Ms. Kam Man Yi, Margaret

## **CORPORATE INFORMATION** *(Continued)*

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

## 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 and six months ended 30 June 2017 with comparative figures for the corresponding period in the year 2016.

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

For the six months ended 30 June 2017

	NOTES	Three months ended 30 June		Six months ended 30 June	
		2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Revenue	4	<b>33,843</b>	38,586	<b>60,676</b>	73,282
Cost of sales		<b>(14,241)</b>	(19,607)	<b>(28,978)</b>	(39,500)
Gross profit		<b>19,602</b>	18,979	<b>31,698</b>	33,782
Other income	5	<b>2,186</b>	6,968	<b>4,487</b>	8,922
Distribution costs and selling expenses		<b>(2,075)</b>	(1,092)	<b>(2,887)</b>	(1,805)
Administrative expenses		<b>(13,624)</b>	(18,875)	<b>(27,430)</b>	(35,770)
Other gains and losses	6	<b>(250)</b>	12	<b>(708)</b>	262
Profit before tax		<b>5,839</b>	5,992	<b>5,160</b>	5,391
Income tax expense	7	<b>(939)</b>	(2,163)	<b>(1,238)</b>	(3,716)
Profit for the period	8	<b>4,900</b>	3,829	<b>3,922</b>	1,675
<b>Other comprehensive income (expenses):</b>					
<b>Item that will not be reclassified to profit or loss:</b>					
Exchange differences on translation of financial statements from functional currency to presentation currency		<b>17,407</b>	(27,630)	<b>25,285</b>	(19,994)
<b>Items that may be reclassified subsequently to profit or loss:</b>					
Decrease in fair value of available-for-sale investment		<b>(20,936)</b>	(3,210)	<b>(20,936)</b>	(3,210)
Cumulative loss reclassified from equity to profit or loss on disposal of available-for-sale investment		<b>16,879</b>	–	<b>16,879</b>	–
		<b>(4,057)</b>	(3,210)	<b>(4,057)</b>	(3,210)
Other comprehensive income (expenses) for the period		<b>13,350</b>	(30,840)	<b>21,228</b>	(23,204)
Total comprehensive income (expenses) for the period		<b>18,250</b>	(27,011)	<b>25,150</b>	(21,529)

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

For the six months ended 30 June 2017

	NOTE	Three months ended 30 June		Six months ended 30 June	
		2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Profit for the period attributable to:					
Owners of the Company		<b>3,487</b>	3,776	<b>912</b>	735
Non-controlling interests		<b>1,413</b>	53	<b>3,010</b>	940
		<b>4,900</b>	3,829	<b>3,922</b>	1,675
Total comprehensive income(expenses) for the period attributable to:					
Owners of the Company		<b>16,367</b>	(25,375)	<b>21,478</b>	(21,248)
Non-controlling interests		<b>1,883</b>	(1,636)	<b>3,672</b>	(281)
		<b>18,250</b>	(27,011)	<b>25,150</b>	(21,529)
		<b>HK cents</b>	HK cents	<b>HK cents</b>	HK cents
Earnings per share	10				
Basic		<b>0.23</b>	0.25	<b>0.06</b>	0.05

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2017

	NOTES	30 June 2017 HK\$'000 (unaudited)	31 December 2016 HK\$'000 (audited)
<b>Non-current assets</b>			
Property, plant and equipment	11	199,249	199,086
Investment properties	12	422,465	409,263
Prepaid lease payments		4,930	4,837
Interest in an associate	13	24	–
Restricted bank deposit	14	30,227	17,797
		<b>656,895</b>	630,983
<b>Current assets</b>			
Productions work in progress		34,641	19,416
Amounts due from customers for contract work		165	2,455
Trade receivables	15	23,619	20,085
Other receivables and deposits	16	11,224	9,252
Prepaid lease payments		127	123
Available-for-sale investment	17	–	20,936
Structured deposits	18	163,665	19,007
Bank balances and cash		119,399	274,528
		<b>352,840</b>	365,802
<b>Current liabilities</b>			
Advances from customers		5,310	4,733
Amounts due to customers for contract work		–	101
Trade payables	19	928	2,426
Other payables and accruals	20	82,048	77,682
Tax liabilities		8,781	10,719
Derivative financial instrument	21	–	16,879
Deferred income		248	512
		<b>97,315</b>	113,052
<b>Net current assets</b>		<b>255,525</b>	252,750
<b>Total assets less current liabilities</b>		<b>912,420</b>	883,733



## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

At 30 June 2017

	NOTE	30 June 2017 HK\$'000 (unaudited)	31 December 2016 HK\$'000 (audited)
<b>Non-current liabilities</b>			
Deferred income		2,596	121
Deferred tax liabilities		39,448	38,386
		<u>42,044</u>	<u>38,507</u>
<b>Net assets</b>		<u>870,376</u>	<u>845,226</u>
<b>Capital and reserves</b>			
Share capital	22	15,183	15,183
Reserves		833,362	811,884
Equity attributable to owners of the Company		848,545	827,067
Non-controlling interests		21,831	18,159
<b>Total equity</b>		<u>870,376</u>	<u>845,226</u>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2017

	Attributable to owners of the Company										Non-controlling interests HK\$'000	Total HK\$'000
	Share capital HK\$'000	Share premium reserve HK\$'000	Capital contribution reserve HK\$'000 (Note a)	Contributed surplus reserve HK\$'000 (Note b)	Statutory reserve HK\$'000 (Note c)	Investment revaluation reserve HK\$'000	Exchange reserve HK\$'000	Special reserve HK\$'000 (Note d)	Retained earnings HK\$'000	Sub-total HK\$'000		
At 1 January 2017 (audited)	15,183	75,856	445	245,881	4,316	4,057	(39,305)	(1,209)	521,843	827,067	18,159	845,226
Profit for the period	-	-	-	-	-	-	-	-	912	912	3,010	3,922
Exchange differences on translation of financial statements from functional currency to presentation currency	-	-	-	-	-	-	24,623	-	-	24,623	662	25,285
Decrease in fair value of available-for-sale investment	-	-	-	-	-	(20,936)	-	-	-	(20,936)	-	(20,936)
Cumulative loss reclassified from equity to profit or loss on disposal of available-for-sale investment	-	-	-	-	-	16,879	-	-	-	16,879	-	16,879
Other comprehensive (expenses) income for the period	-	-	-	-	-	(4,057)	24,623	-	-	20,566	662	21,228
Total comprehensive (expenses) income for the period	-	-	-	-	-	(4,057)	24,623	-	912	21,478	3,672	25,150
At 30 June 2017 (unaudited)	15,183	75,856	445	245,881	4,316	-	(14,682)	(1,209)	522,755	848,545	21,831	870,376
At 1 January 2016 (audited)	15,183	75,856	445	245,881	1,953	5,565	13,796	(1,209)	586,364	943,834	53,411	997,245
Profit for the period	-	-	-	-	-	-	-	-	735	735	940	1,675
Exchange differences on translation of financial statements from functional currency to presentation currency	-	-	-	-	-	-	(18,773)	-	-	(18,773)	(1,221)	(19,994)
Decrease in fair value of available-for-sale investment	-	-	-	-	-	(3,210)	-	-	-	(3,210)	-	(3,210)
Other comprehensive expenses for the period	-	-	-	-	-	(3,210)	(18,773)	-	-	(21,983)	(1,221)	(23,204)
Total comprehensive (expenses) income for the period	-	-	-	-	-	(3,210)	(18,773)	-	735	(21,248)	(281)	(21,529)
At 30 June 2016 (unaudited)	15,183	75,856	445	245,881	1,953	2,355	(4,977)	(1,209)	587,099	922,586	53,130	975,716

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

*For the six months ended 30 June 2017*

*Notes:*

- (a) Capital contribution reserve represents accumulated effect of imputed interest on amount due to other related party.
- (b) Contributed surplus reserve represents (1) the difference between the nominal value of share capital of the Company and the aggregate amount of nominal value of share capital of subsidiaries acquired by the Company through an exchange of shares pursuant to a group reorganisation, which was completed on 31 December 2002, amounting to approximately HK\$40,271,000 and; (2) the transfer of the share premium reserve of approximately HK\$589,670,000 as at 31 December 2007 to contributed surplus reserve which was applied to eliminate the deficit of the Company of approximately HK\$384,060,000 as at 31 December 2007, in accordance to a special resolution passed by shareholders of the Company at the special general meeting of the Company held on 6 June 2008.
- (c) As stipulated by the rules and regulations in the People's Republic of China (the "PRC", for the purpose of this Interim Financial Information, 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 proceeds 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 proceeds 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 2017

	<b>Six months ended</b>	
	<b>30 June</b>	
	<b>2017</b>	2016
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
<b>Operating activities</b>		
Operating cash flow before movements in working capital	<b>10,616</b>	10,407
Increase in productions work in progress	<b>(13,506)</b>	(5,547)
Increase in restricted bank deposit	<b>(11,681)</b>	(6,694)
Other operating cash flows	<b>(3,712)</b>	7,597
	<b>(18,283)</b>	5,763
<b>Investing activities</b>		
Purchases of structured deposits	<b>(862,656)</b>	(454,922)
Purchases of property, plant and equipment	<b>(2,613)</b>	(1,905)
Redemption of structured deposits	<b>720,999</b>	437,134
Settlement of construction cost payables	–	(10,833)
Other investing cash flows	<b>2,776</b>	2,335
	<b>(141,494)</b>	(28,191)
<b>Net decrease in cash and cash equivalents</b>	<b>(159,777)</b>	(22,428)
<b>Cash and cash equivalents at beginning of the period</b>	<b>274,528</b>	137,317
Effect of foreign exchange rate changes	<b>4,648</b>	(307)
<b>Cash and cash equivalents at end of the period, comprising bank balances and cash</b>	<b>119,399</b>	114,582

## NOTES TO THE INTERIM FINANCIAL INFORMATION

*For the six months ended 30 June 2017*

### 1. BASIS OF PREPARATION

The condensed consolidated financial statements for the six months ended 30 June 2017 (the “Interim Financial Information”) 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 (the “HKICPA”) 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 Interim Financial Information 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 disclosed below, the accounting policies and methods of computation used in the Interim Financial Information for the six months ended 30 June 2017 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2016.

In the current interim period, the Group has applied, for the first time, certain amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA that are mandatorily effective for the current interim period.

### 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.

## NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2017

### 3. SEGMENT INFORMATION (Continued)

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

#### Six months ended 30 June 2017 (unaudited)

	CG creation and production HK\$'000	CG training HK\$'000	Cultural park HK\$'000	Consolidated HK\$'000
Revenue	<u>35,042</u>	<u>2,799</u>	<u>22,835</u>	<u>60,676</u>
Segment result	<u>3,536</u>	<u>190</u>	<u>10,444</u>	<u>14,170</u>
Unallocated income				<u>354</u>
Unallocated expenses				<u>(9,364)</u>
Profit before tax				<u>5,160</u>

#### Six months ended 30 June 2016 (unaudited)

	CG creation and production HK\$'000	CG training HK\$'000	Cultural park HK\$'000	Consolidated HK\$'000
Revenue	<u>48,082</u>	<u>3,153</u>	<u>22,047</u>	<u>73,282</u>
Segment result	<u>14,999</u>	<u>(5,138)</u>	<u>4,591</u>	<u>14,452</u>
Unallocated income				<u>196</u>
Unallocated expenses				<u>(9,257)</u>
Profit before tax				<u>5,391</u>

Segment revenue reported above represents revenue generated from external customers.

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

#### Segment assets

	30 June 2017 HK\$'000 (unaudited)	31 December 2016 HK\$'000 (audited)
CG creation and production	<u>475,322</u>	461,180
CG training	<u>4,947</u>	2,860
Cultural park	<u>470,870</u>	445,335
Total segment assets	<u>951,139</u>	<u>909,375</u>

## NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2017

### 4. REVENUE

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

	Three months ended 30 June		Six months ended 30 June	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Revenue from contracts for CG creation and production (Note)	6,901	12,895	8,702	21,489
Rental and building management service fee income	25,027	23,894	49,175	48,640
CG training fee	1,915	1,797	2,799	3,153
	<b>33,843</b>	<b>38,586</b>	<b>60,676</b>	<b>73,282</b>

Note: During the six months ended 30 June 2017, an amount of approximately HK\$4,497,000 was attributable to revenue from the release of an animated film based on an agreed sharing percentage of the box office receipts. No animated film was released during the six months ended 30 June 2016.

### 5. OTHER INCOME

	Three months ended 30 June		Six months ended 30 June	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Interest income	1,873	1,085	2,776	2,135
Government grants (Note)	244	5,871	1,642	6,728
Others	69	12	69	59
	<b>2,186</b>	<b>6,968</b>	<b>4,487</b>	<b>8,922</b>

Note: During the six months ended 30 June 2017, government grants included subsidies and awards of HK\$1,304,000 (six months ended 30 June 2016: HK\$2,883,000) received from the relevant authorities in PRC which are incentive payments to the Group whereby no future related cost is required or expected to be made.

In addition, an amount of HK\$338,000 (six months ended 30 June 2016: HK\$3,845,000) is related to government grants on computer equipment acquisition and specific projects which are amortised to profit or loss during the period on a straight-line basis over the estimated useful life of the acquired assets or upon the completion of the relevant projects.

## NOTES TO THE INTERIM FINANCIAL INFORMATION *(Continued)*

For the six months ended 30 June 2017

### 6. OTHER GAINS AND LOSSES

	Three months ended 30 June		Six months ended 30 June	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Cumulative loss reclassified from equity to profit or loss on disposal of available-for-sale investment	(16,879)	–	(16,879)	–
Changes in fair value of structured deposits	(148)	190	297	440
Allowance for doubtful debts	(102)	–	(1,005)	–
Gain (Loss) on fair value changes of derivative financial instrument	16,879	(201)	16,879	(201)
Gain on disposal of property, plant and equipment	–	23	–	23
	<b>(250)</b>	<b>12</b>	<b>(708)</b>	<b>262</b>



## NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2017

### 7. INCOME TAX EXPENSE

	Three months ended		Six months ended	
	30 June		30 June	
	2017	2016	2017	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
PRC Enterprise Income Tax ("EIT"):				
Current tax	1,048	2,619	1,403	3,975
Underprovision in prior years	8	42	8	42
	<b>1,056</b>	2,661	<b>1,411</b>	4,017
Deferred tax	(117)	(498)	(173)	(301)
Income tax expense	<b>939</b>	2,163	<b>1,238</b>	3,716

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

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the EIT rate of the Group's PRC subsidiaries is 25% from 1 January 2008 onwards, except for the subsidiary 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 was expired 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. In addition, according to the Circular of State Council for the Enterprise income tax policies on the advanced technology service enterprise ("ATSE") (Caishui [2014] No. 59), one of the PRC subsidiaries was able to enjoy a preferential tax rate at 15% from 2015 till 2017 as it was qualified as ATSE. For the six months ended 30 June 2017, the relevant tax rates for the Group's subsidiaries in the PRC was ranged from 15% to 25% (six months ended 30 June 2016: 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 INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2017

### 8. PROFIT FOR THE PERIOD

	Three months ended		Six months ended	
	30 June		30 June	
	2017	2016	2017	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Profit for the period has been arrived at after charging (crediting):				
Amortisation of prepaid lease payments	31	32	62	64
Depreciation of property, plant and equipment	4,354	6,054	8,723	13,180
Less: amounts included in contract costs	(6)	(616)	(45)	(1,352)
amounts included in productions work in progress	(457)	(234)	(878)	(634)
	<u>3,891</u>	<u>5,204</u>	<u>7,800</u>	<u>11,194</u>
Advertising expenses (included in distribution costs and selling expenses)	1,186	390	1,227	589
Net exchange loss (gain)	6	(56)	11	(41)
Total staff costs	19,954	24,017	40,383	49,900
Less: amounts included in contract costs	-	(4,415)	(263)	(8,691)
amounts included in productions work in progress	(3,317)	(2,247)	(6,648)	(4,890)
	<u>16,637</u>	<u>17,355</u>	<u>33,472</u>	<u>36,319</u>
Contract costs recognised as an expense				
Staff costs	4,435	8,331	8,926	17,078
Others	817	1,895	2,979	2,150
	<u>5,252</u>	<u>10,226</u>	<u>11,905</u>	<u>19,228</u>

## NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2017

### 9. DIVIDENDS

The board of Directors does not recommend the payment of an interim dividend for the six months ended 30 June 2017 (six months ended 30 June 2016: nil).

### 10. 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	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
<b>Earnings</b>				
Profit for the period attributable to owners of the Company for the purpose of basis earnings per share	<b>3,487</b>	3,776	<b>912</b>	735
	<b>'000</b>	'000	<b>'000</b>	'000
<b>Number of shares</b>				
Number of ordinary shares in issue for the purpose of basic earnings per share	<b>1,518,256</b>	1,518,256	<b>1,518,256</b>	1,518,256

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

### 11. PROPERTY, PLANT AND EQUIPMENT

	Carrying values	
	2017 HK\$'000	2016 HK\$'000
At 1 January (audited)	<b>199,086</b>	233,148
Exchange realignment	<b>6,273</b>	(4,900)
Additions	<b>2,613</b>	1,905
Depreciation for the period	<b>(8,723)</b>	(13,180)
Disposals	-	(177)
At 30 June (unaudited)	<b>199,249</b>	216,796

## NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2017

### 12. INVESTMENT PROPERTIES

	Completed properties		Properties interest under construction		Total	
	2017	2016	2017	2016	2017	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January (audited)	409,263	437,590	-	86,483	409,263	524,073
Exchange realignment	13,202	(9,702)	-	(1,917)	13,202	(11,619)
	<u>422,465</u>	<u>427,888</u>	<u>-</u>	<u>84,566</u>	<u>422,465</u>	<u>512,454</u>
At 30 June (unaudited)	422,465	427,888	-	84,566	422,465	512,454

The investment properties represent the Group's interest held under an operating lease on a property project based on 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 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 rental payments 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 purpose. As at 30 June 2017, Phase I of the Pearl River Film Cultural Park was completed and included as completed properties as further described below.

## NOTES TO THE INTERIM FINANCIAL INFORMATION *(Continued)*

*For the six months ended 30 June 2017*

### 12. INVESTMENT PROPERTIES *(Continued)*

The properties interest 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 is stated at cost which mainly includes capitalised lease expenses and construction costs as the fair value cannot be reliably measured as at 30 June 2016. The original period during which construction was to be completed in accordance with the Framework Agreement has expired. Pearl River Film Production has initiated legal proceedings against Guangdong Cultural Park in the Intermediate People's Court of Guangzhou City of Guangdong Province of the PRC (中國廣東省廣州市中級人民法院) ("Guangzhou Intermediate People's Court") in respect of an alleged breach of the Framework Agreement governing the lease and reconstruction of the related land (the "Alleged Breach") and compensation of damages. Guangdong Cultural Park denied Pearl River Film Production's accusations and the responsibility of the Alleged Breach and filed a counterclaim against Pearl River Film Production in Guangzhou Intermediate People's Court in May 2016 to demand Pearl River Film Production to continue executing the Framework Agreement and compensation of damages (please refer to Note 26 for details).

Guangdong Cultural Park has received the civil judgment issued on 11 October 2016 by Guangzhou Intermediate People's Court (the "Civil Judgment"), which declared that the Framework Agreement governing the lease and reconstruction of the Pearl River Film Cultural Park was terminated as of 22 March 2016 and Guangdong Cultural Park shall pay late payment surcharges for the overdue rental of approximately RMB2,722,000 (equivalent to approximately HK\$3,172,000) and Pearl River Film Production, the landlord of the Pearl River Film Cultural Park, is entitled to keep the construction deposit of RMB20,000,000 (equivalent to approximately HK\$23,310,000) paid by Guangdong Cultural Park. All other claims made by Pearl River Film Production and the counterclaim made by Guangdong Cultural Park were dismissed.

In November 2016, Guangdong Cultural Park lodged an appeal with the Guangzhou Intermediate People's Court requesting for an order that the Civil Judgment be set aside and that judgment be entered in favour of Guangdong Cultural Park with costs (the "Appeal").

During the year ended 31 December 2016, in light of the Civil Judgment, the Group recognised an impairment loss on properties interest under construction and wrote off the construction deposit in respect of the Pearl River Film Cultural Park which amounted to approximately HK\$84,467,000 and HK\$23,310,000, respectively.

The first court hearing of the Appeal was conducted on 30 March 2017. Subsequent to the first court hearing of the Appeal, both of the Plaintiff's and Guangdong Cultural Park's lawyers had further submitted supplementary documents as requested by Higher People's Court of Guangdong Province of the PRC (中國廣東省高級人民法院) ("Guangdong Higher People's Court").

## NOTES TO THE INTERIM FINANCIAL INFORMATION *(Continued)*

*For the six months ended 30 June 2017*

### **12. INVESTMENT PROPERTIES** *(Continued)*

The completed properties represent Phase I of the Pearl River Film Cultural Park which is a prime shopping mall are stated at the fair value as at 30 June 2017 and 31 December 2016. The fair value as at 30 June 2017 and 31 December 2016 has been arrived at on the basis of a valuation carried out on the respective dates by Assets Appraisal Limited ("Asset Appraisal"), independent qualified professional valuer not connected with the Group.

Guangdong Cultural Park continues to operate the completed properties. Therefore, for the completed properties and its related rental business representing Phase I of the Pearl River Film Cultural Park, the Group has continued to account for these assets as investment properties which are stated at their fair value of approximately HK\$422,465,000 as at 30 June 2017 and record the rentals receivable from lessees as the Group's revenue of approximately HK\$22,835,000 for the six months period ended, on the assumption that the legal contractual right to receive the rental income from the lessees and the rental payable to Pearl River Film Production will remain unchanged and the terms and conditions of the Framework Agreement governing Phase I of the Pearl River Film Cultural Park will continue to be enforceable.

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 with the assumptions as described above and the allocation basis of the monthly rental payments between Phase I and Phase II of Pearl River Film Cultural Park in the future years would remain the same as if the Framework Agreement is executing continuously.

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 there has been no change in fair value of investment properties for the six months ended 30 June 2017. In estimating the fair value of the properties, the highest and best use of the properties is their current use.

Key inputs used in valuing the investment properties include discount rate which ranges from 6.6% to 7.1% (31 December 2016: 6.5% to 7%), risk premium of 3.5% (31 December 2016: 3.5%) and market rental ranges from RMB47 to RMB525 (31 December 2016: RMB44 to RMB500) per square metre per month or land yield rate of 5% (31 December 2016: 5%). An increase in the discount rate or risk premium would result in a decrease in fair value measurement of the investment properties and vice versa. An increase in the market rental or land yield rate would result in an increase in fair value measurement of the investment properties, and vice versa.

## NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2017

### 12. INVESTMENT PROPERTIES (Continued)

Details of the Group's investment properties and information about the fair value hierarchy as at 30 June 2017 and 31 December 2016 are as follows:

	Level 3 HK\$'000	Fair value as at 30 June 2017 HK\$'000
Pearl River Film Cultural Park Phase I	422,465	422,465
		Fair value as at 31 December 2016 HK\$'000
	Level 3 HK\$'000	2016 HK\$'000
Pearl River Film Cultural Park Phase I	409,263	409,263

There was no transfer between different levels during the period.

### 13. INTEREST IN AN ASSOCIATE

	30 June 2017 HK\$'000 (unaudited)	31 December 2016 HK\$'000 (audited)
Cost of interest in an associate-unlisted	24	–
Share of result of an associate	–	–
	24	–

Details of the Group's associate at the end of the reporting periods are as follow:

Name of associate	Place of incorporation/ principal place of business	Proportion of ownership interest held by the Group		Proportion of voting rights held by the Group		Principal activity
		2017	2016	2017	2016	
環球數碼媒體科技(澳門)有限公司 G.D.C Institute of Digital Media Technology (Macau) Limited ("IDMT (Macau)")	Macau	49%	–	49%	–	Inactive

No summarised financial information in respect of the Group's associate is set out as IDMT (Macau) remains inactive during the six months period ended 30 June 2017.

## NOTES TO THE INTERIM FINANCIAL INFORMATION *(Continued)*

For the six months ended 30 June 2017

### 14. RESTRICTED BANK DEPOSIT

During the year ended 31 December 2016, Guangzhou Intermediate People's Court granted an order to preserve the bank deposit of Guangdong Cultural Park and the bank account was frozen on 6 May 2016 pursuant to the legal proceedings against Guangdong Cultural Park in respect of the Alleged Breach (please refer to Note 26 for details). The restricted bank deposit is interest free and it has been classified as non-current asset as the ultimate outcome of the related lawsuits cannot be assessed at this stage.

### 15. TRADE RECEIVABLES

	<b>30 June 2017 HK\$'000 (unaudited)</b>	31 December 2016 HK\$'000 (audited)
Trade receivables	<b>23,619</b>	20,085

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 presented based on the invoice date:

	<b>30 June 2017 HK\$'000 (unaudited)</b>	31 December 2016 HK\$'000 (audited)
Within three months	<b>20,224</b>	17,142
Three to six months	<b>666</b>	645
Over six months	<b>2,729</b>	2,298
	<b>23,619</b>	20,085



## NOTES TO THE INTERIM FINANCIAL INFORMATION *(Continued)*

For the six months ended 30 June 2017

### 16. OTHER RECEIVABLES AND DEPOSITS

	<b>30 June 2017 HK\$'000 (unaudited)</b>	31 December 2016 HK\$'000 (audited)
Deposits	1,038	887
Other receivables and prepayments	<b>10,186</b>	8,365
	<b>11,224</b>	9,252

### 17. AVAILABLE-FOR-SALE INVESTMENT

	<b>30 June 2017 HK\$'000 (unaudited)</b>	31 December 2016 HK\$'000 (audited)
Equity interest in GDC Technology Limited ("GDC Tech") <i>(Note)</i>	–	20,936

*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 sales 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, 26 February 2015 and 28 June 2017 and the circular of the Company dated 30 December 2014.

As at 31 December 2014, this available-for-sale investment was 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 investment of HK\$25,986,000 is recognised under investment revaluation reserve.

On 26 February 2015, all the conditions precedent had been fulfilled and pursuant to the sales 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. Pursuant to the sales 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 sales and purchase agreement.

## NOTES TO THE INTERIM FINANCIAL INFORMATION *(Continued)*

For the six months ended 30 June 2017

### 17. AVAILABLE-FOR-SALE INVESTMENT *(Continued)*

*Note: (Continued)*

As at 31 December 2016, the fair value of this available-for-sale investment 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\$1,508,000 is recognised under investment revaluation reserve. Approximately HK\$20,936,000 is reclassified to current assets based on the terms of sales and purchase agreement that the remaining 5,955,955 GDC Tech shares shall be sold and transferred to Huayi Brothers in first half of 2017.

On 28 June 2017, all the conditions precedent had been fulfilled and pursuant to the sales and purchase agreement, the remaining 5,955,955 GDC Tech shares were disposed of to Huayi Brothers at the nominal consideration of US\$1 after the adjustment with regards to the terms and conditions of the sales and purchase agreement and a fair value loss of approximately HK\$20,936,000 is recognised under investment revaluation reserve. The cumulative loss amounted to approximately HK\$16,879,000 previously accumulated in the investment revaluation reserve is reclassified to profit or loss. The related derivative financial instrument, which was initially recognised at fair value on 26 February 2015 when the derivative contract was entered into and carried at its fair value at the end of the subsequent reporting periods, was derecognised on 28 June 2017 with details set out in Note 21.

### 18. STRUCTURED DEPOSITS

	<b>30 June 2017</b>	31 December 2016
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(audited)
Principal-protected financial products	<b>163,665</b>	19,007

The structured deposits as at 30 June 2017 and 31 December 2016 are principal-protected deposits issued by banks in the PRC. As at 30 June 2017, the principal-protected deposits carry expected interest rate ranging from 3.2% to 4.19% (31 December 2016: 2.6%) 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 based on the prices the counterparty banks would pay to redeem at 30 June 2017 and 31 December 2016, approximate to their carrying values at 30 June 2017 and 31 December 2016.

All structured deposits have been redeemed in early July 2017. The change in fair value up to the date of redemption is not significant.

## NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2017

### 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:

	<b>30 June 2017 HK\$'000 (unaudited)</b>	31 December 2016 HK\$'000 (audited)
Within three months	<b>68</b>	1,528
Three to twelve months	<b>5</b>	50
Over one year	<b>855</b>	848
	<b>928</b>	2,426

The average credit period on purchases of goods is 60 days. The Group has financial risk management policies in place to ensure that all payables are paid within the credit time frame.

### 20. OTHER PAYABLES AND ACCRUALS

	<b>30 June 2017 HK\$'000 (unaudited)</b>	31 December 2016 HK\$'000 (audited)
Accruals	<b>13,581</b>	17,052
Accrued rental payable and late payment surcharge ( <i>Note a</i> )	<b>22,160</b>	14,302
Construction cost payables	<b>2,403</b>	2,634
Other tax payables	<b>1,716</b>	1,669
Receipt in advance ( <i>Note b</i> )	<b>17,281</b>	16,741
Rental deposits from tenants	<b>14,456</b>	14,229
Others	<b>10,451</b>	11,055
	<b>82,048</b>	77,682

Note:

- (a) As at 30 June 2017, accrued rental payable represents the accrued monthly payments for the property leasing right of the Pearl River Film Cultural Park of approximately HK\$19,024,000 (31 December 2016: HK\$11,264,000), which was overdue since March 2016.

In addition, an amount of approximately HK\$3,136,000 (31 December 2016: HK\$3,038,000) is related to accrued late payment surcharge for the overdue rental of the Pearl River Film Cultural Park for the period from 1 October 2015 to 21 March 2016 as imposed by the Civil Judgement (please refer to Note 26 for details).

## NOTES TO THE INTERIM FINANCIAL INFORMATION *(Continued)*

For the six months ended 30 June 2017

### 20. OTHER PAYABLES AND ACCRUALS *(Continued)*

*Note: (Continued)*

- (b) In December 2016, a subsidiary of the Group has entered into a memorandum of understanding with an independent third party and received an advance payment of RMB15,000,000. As at 30 June 2017, the advance payment amounted to approximately HK\$17,281,000 (31 December 2016: approximately HK\$16,741,000). The advance payment is unsecured, non-interest bearing and has no fixed repayment terms. The advance payment received by a subsidiary of the Group will be used as the working capital for the potential joint development of a CG creation and production centre in Foshan.

### 21. DERIVATIVE FINANCIAL INSTRUMENT

On 26 February 2015, all the conditions precedent had been fulfilled and pursuant to the sales 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 sales 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 31 December 2016 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 the underlying projected financial performance of GDC Tech and the price adjustment formula set out in the sales and purchase agreement. At the end of the reporting period, the derivative financial instrument was stated at a fair value of HK\$16,879,000. The derivative financial instrument was reclassified as current liability based on the terms of the sales and purchase agreement that the remaining 5,955,955 GDC Tech shares shall be sold and transferred to Huayi Brothers in first half of 2017.

On 28 June 2017, all the conditions precedent had been fulfilled and pursuant to the sales and purchase agreement, the remaining 5,955,955 GDC Tech shares were disposed of to Huayi Brothers at the nominal consideration of US\$1 after the adjustment with regards to the terms and conditions of the sales and purchase agreement. The derivative financial instrument was derecognised and a gain on fair value changes of derivative financial instrument amounted to HK\$16,879,000 was recognised in other gains and losses.

The details of fair value measurement of the derivative financial instrument is disclosed in Note 24.

## NOTES TO THE INTERIM FINANCIAL INFORMATION *(Continued)*

For the six months ended 30 June 2017

### 22. SHARE CAPITAL

Share capital as at 30 June 2017 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.

### 23. CAPITAL COMMITMENTS

	<b>30 June 2017 HK\$'000 (unaudited)</b>	31 December 2016 HK\$'000 (audited)
Capital expenditure contracted for but not provided in the Interim Financial Information in respect of investment properties	<b>8,054</b>	7,802

### 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 INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2017

### 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	30 June 2017	Fair value as at 31 December 2016	Fair value hierarchy	Valuation techniques and key inputs	Relationship of unobservable inputs to fair value
Available-for-sale investment	N/A	Unlisted equity securities: HK\$20,936,000	Level 3	Market Approach Valuation multiples of similar companies	The higher the valuation multiples, the higher the fair value
Derivative financial instrument	N/A	Derivative financial instrument: HK\$16,879,000	Level 3	Future income flows which are estimated based on financial performance of GDC Tech and the price adjustment formula in the sales and purchase agreement	The more the future income flows, the higher the fair value
Structured deposits	Bank deposits in the PRC with non-closely related embedded derivative: HK\$163,665,000	Bank deposits in the PRC with non-closely related embedded derivative: HK\$19,007,000	Level 3	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

There were no transfers between levels in the current period.

*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.

As at 31 December 2016, unrealised fair value loss of HK\$1,508,000 was recognised in other comprehensive income relating to available-for-sale investment held at the end of the reporting period and was reported as changes of "investment revaluation reserve". All available-for-sale investment were disposed of as at 30 June 2017.

As at 31 December 2016, unrealised fair value loss of HK\$201,000 was recognised in profit or loss relating to derivative financial instrument held at the end of the report period and was reported in "other gains and losses". All derivative financial instrument were derecognised as at 30 June 2017.

Unrealised fair value gain of HK\$297,000 (31 December 2016: HK\$35,000) is recognised in profit or loss relating to the changes in fair value of structured deposits. Fair value gain on structured deposits are included in "other gains and losses".

## NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2017

### 24. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (Continued)

*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 Interim Financial Information approximate their fair values.

### 25. RELATED PARTY TRANSACTIONS

#### Compensation of key management personnel

The remuneration of the Directors and other key management personnel during the six months ended 30 June 2017 is as follows:

	Three months ended 30 June		Six months ended 30 June	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Short-term benefits	2,465	2,428	4,930	4,856
Post-employment benefits	91	90	182	180
	<b>2,556</b>	<b>2,518</b>	<b>5,112</b>	<b>5,036</b>

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. LITIGATIONS

On 11 April 2016, Guangdong Cultural Park received a notice of response to action (應訴通知書) (the "Notice of Response to Action") from the Guangzhou Intermediate People's Court dated 6 April 2016. It was set out in the Notice of Response to Action that Pearl River Film Production as the plaintiff (the "Plaintiff") has initiated legal proceedings against Guangdong Cultural Park in respect of an Alleged Breach. The Plaintiff has demanded to terminate the Framework Agreement and claimed, among others, for compensation of damages in the form of economic loss in the amount of approximately RMB75,779,000 resulting from the Alleged Breach.

On 19 April 2016, pursuant to the application from the Plaintiff, the Guangzhou Intermediate People's Court granted an order to preserve the bank deposit of Guangdong Cultural Park's bank account at Industrial and Commercial Bank of China ("Bank Account"). The Bank Account was frozen on 6 May 2016. As at 30 June 2017, the restricted bank deposit amounted to approximately HK\$30,227,000 (31 December 2016: approximately HK\$17,797,000).

## NOTES TO THE INTERIM FINANCIAL INFORMATION *(Continued)*

*For the six months ended 30 June 2017*

### **26. LITIGATIONS** *(Continued)*

The first court hearing commenced on 24 May 2016 and the second court hearing was held on 3 June 2016. At the second court hearing, the Guangzhou Intermediate People's Court permitted the parties to attempt settlement negotiations for one month. On 30 June 2016, the PRC legal advisors of Guangdong Cultural Park sought an extension of the settlement negotiations period until 3 August 2016.

In light of the above legal proceedings, Guangdong Cultural Park denied the Plaintiff's accusations and the responsibility of the Alleged Breach and filed a counterclaim against the Plaintiff to demand the Plaintiff to continue to execute the Framework Agreement and to compensate Guangdong Cultural Park's damages in the form of economic loss which is amounted to RMB100,000,000. On 26 May 2016, the Guangzhou Intermediate People's Court accepted the counterclaim filing by the Guangdong Cultural Park against the Plaintiff. The first hearing of the counterclaim was held on 2 August 2016 and the PRC legal advisors of Guangdong Cultural Park sought a further extension of the settlement negotiations period for one month in respect of both Alleged Breach and the counterclaim.

On 17 October 2016, Guangdong Cultural Park received a Civil Judgment from the Guangzhou Intermediate People's Court dated 11 October 2016. According to the Civil Judgment, the Guangzhou Intermediate People's Court declared that the Framework Agreement was terminated as of 22 March 2016. The Civil Judgment also stated that Guangdong Cultural Park shall pay late payment surcharges for the overdue rental of approximately RMB2,722,000 during the period from 1 October 2015 to 21 March 2016 and that Pearl River Film Production is entitled to keep the RMB20,000,000 construction deposit paid by Guangdong Cultural Park. All other claims made by Pearl River Film Production were dismissed and the counterclaim made by Guangdong Cultural Park was dismissed.

In November 2016, Guangdong Cultural Park lodged an appeal with the Guangzhou Intermediate People's Court urging for an order that the civil judgment be set aside and that judgment be entered in favour of Guangdong Cultural Park with costs which was accepted by Guangdong Higher People's Court on 9 February 2017. The first court hearing of the Appeal was conducted on 30 March 2017. Subsequent to the first court hearing of the Appeal, both of the Plaintiff's and Guangdong Cultural Park's lawyers had further submitted supplementary documents as requested by Guangdong Higher People's Court. As at the date of approval of this Interim Financial Information, the Appeal is still in progress and no conclusion has been reached, whilst the completed properties of the Pearl River Film Cultural Park is currently still operated by Guangdong Cultural Park.



## REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

# 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 were engaged to review the interim financial information of Global Digital Creations Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 5 to 31, which comprise the condensed consolidated statement of financial position as of 30 June 2017 and the related condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on the Growth Enterprise Market of 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 “HKICPA”). The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information 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

Except as explained in the following paragraphs, 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 HKICPA. A review of this interim financial information 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 INTERIM FINANCIAL INFORMATION

*(Continued)*

### Basis for Disclaimer of Conclusion

As disclosed in Note 12 to the interim financial information, according to the framework agreement, the Group has completed properties representing Phase I of 珠影文化產業園 (the “Pearl River Film Cultural Park”) which amounted to HK\$422,465,000 as at 30 June 2017 and has properties interest under construction to redevelop Phase II of the Pearl River Film Cultural Park in respect of which the original period during which construction was to be completed in accordance with the framework agreement governing the lease of the related land has expired.

As further disclosed in Note 26 to the interim financial information, 珠江電影製片有限公司 (“Pearl River Film Production”) as the plaintiff (the “Plaintiff”) has initiated legal proceedings against 廣東環球數碼創意產業有限公司 (“Guangdong Cultural Park”), a subsidiary of the Company, in respect of an alleged breach of the framework agreement governing the lease and reconstruction of the related land (the “Alleged Breach”). The Plaintiff has claimed for compensation of damages in the form of economic loss resulting from the Alleged Breach and also demanded to terminate the framework agreement. Guangdong Cultural Park has also filed a counterclaim against the Plaintiff to demand the Plaintiff to continue executing the framework agreement and compensate Guangdong Cultural Park’s damages in the form of economic loss.

Guangdong Cultural Park received the civil judgment issued on 11 October 2016 by 中國廣東省廣州市中級人民法院 (the “Civil Judgment”), which declared that the framework agreement governing the lease and reconstruction of the Pearl River Film Cultural Park was terminated as of 22 March 2016 and Guangdong Cultural Park shall pay late payment surcharges for the overdue rental of approximately RMB2,722,000 (equivalent to approximately HK\$3,172,000) and Pearl River Film Production, the landlord of the Pearl River Film Cultural Park, is entitled to keep the construction deposit of RMB20,000,000 (equivalent to approximately HK\$23,310,000) paid by Guangdong Cultural Park. All other claims made by Pearl River Film Production and the counterclaim made by Guangdong Cultural Park were dismissed.

In November 2016, Guangdong Cultural Park lodged an appeal with 中國廣東省廣州市中級人民法院 urging for an order that the civil judgment be set aside and that judgment be entered in favour of Guangdong Cultural Park with costs (the “Appeal”).

## REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

*(Continued)*

### Basis for Disclaimer of Conclusion *(Continued)*

During the year ended 31 December 2016, in light of the Civil Judgment, the Group recognised an impairment loss on properties interest under construction and wrote off the construction deposit in respect of the Pearl River Film Cultural Park which amounted to approximately HK\$84,467,000 and HK\$23,310,000, respectively. Guangdong Cultural Park continues to operate the completed properties. Therefore, for the completed properties and its related rental business representing Phase I of the Pearl River Film Cultural Park, the Group has continued to account for these assets as investment properties which are stated at their fair value of approximately HK\$422,465,000 as at 30 June 2017 and record the rentals receivable from lessees as the Group's revenue of approximately HK\$22,835,000 for the six-month period then ended, on the assumption that the legal contractual right to receive the rental income from the lessees and the rental payable to Pearl River Film Production will remain unchanged and the terms and conditions of the framework agreement governing Phase I of the Pearl River Film Cultural Park will continue to be enforceable.

The first court hearing of the Appeal was conducted on 30 March 2017. Subsequent to the first court hearing of the Appeal, both of the Plaintiff's and Guangdong Cultural Park's lawyers had further submitted supplementary documents as requested by 中國廣東省高級人民法院.

As of the date of our review report, the Appeal is still in progress and no conclusion has been reached. Depending on the ultimate outcome of the Appeal, there may be significant impacts on multiple elements of the Group's interim financial information. Amongst other impacts, the Group might be required to derecognise the investment properties, derecognise rental income already reflected as revenue and make provisions for compensation in respect of damages and other costs. However, the ultimate outcome of the Appeal cannot be assessed at this stage. In view of the significant uncertainty relating to the ultimate outcome of the Appeal and its pervasive impact, we disclaim our conclusion in this respect. This also caused us to disclaim our opinion on the consolidated financial statements in respect of the year ended 31 December 2016.

### Disclaimer of Conclusion

Because of the significance of the matters described in the Basis for Disclaimer of Conclusion paragraphs, we have not been able to obtain sufficient appropriate evidence to form a conclusion on the interim financial information. Accordingly, we do not express a conclusion on this interim financial information.

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 2017 and 2016 and the relevant explanatory notes disclosed in this interim financial information have not been reviewed in accordance with HKSRE 2410.

### **Deloitte Touche Tohmatsu**

*Certified Public Accountants*

Hong Kong

4 August 2017

## MANAGEMENT DISCUSSION AND ANALYSIS

### FINANCIAL REVIEW

For the six months ended 30 June 2017, the Group recorded revenue of HK\$60,676,000, representing a decrease of 17% when compared with that of HK\$73,282,000 for the corresponding period in 2016. During the period under review, revenue of the CG creation and production division decreased by HK\$13,040,000 when compared with that of the corresponding period in 2016. The decrease was mainly attributable to a significant decrease in revenue generated from contracts for international project production. On the other hand, during the second quarter of 2017, the re-launch of “Happy Little Submarine V: Magic Box of Time”, an original animated film, generated revenue of HK\$4,497,000 from box office receipt for the Group.

Cost of sales for the six months ended 30 June 2017 amounted to HK\$28,978,000, representing a decrease of HK\$10,522,000 when compared with that of HK\$39,500,000 for the corresponding period in 2016. The decrease was mainly attributable to a decrease in direct production costs in relation to revenue generated from contracts for production. Direct production costs for original projects incurred during the period under review will be recognised as costs of sales in the same period when the relevant income of original projects is recognised.

Other income for the six months ended 30 June 2017 amounted to HK\$4,487,000, representing a decrease of HK\$4,435,000 when compared with that of HK\$8,922,000 for the six months ended 30 June 2016. The decrease was mainly attributable to a decrease of HK\$5,086,000 in government grants.

Distribution costs and selling expenses for the six months ended 30 June 2017 amounted to HK\$2,887,000, representing an increase of HK\$1,082,000 when compared with that of HK\$1,805,000 for the corresponding period in 2016. The increase was mainly attributable to the marketing expenses incurred for the film “Happy Little Submarine V: Magic Box of Time”.

Administrative expenses for the six months ended 30 June 2017 amounted to HK\$27,430,000, representing a decrease of HK\$8,340,000 when compared with that of HK\$35,770,000 for the corresponding period in 2016. For the corresponding period in 2016, administrative expenses were incurred due to the closure of training businesses in Shanghai and Guangzhou, and professional fee incurred in connection with the litigation relating to the Guangdong Cultural Park. As no such expenses were incurred during the corresponding period in 2017, administrative expenses for the period under review decreased accordingly. Since the first quarter of 2016, administrative expenses have included the rental cost of phase II of the Pearl River Film Cultural Park. As at the date of this report, Guangdong Cultural Park and Pearl River Film Production have not yet reached a final consensus in relation to the future collaboration arrangement of Pearl River Film Cultural Park. Therefore, the Group continued to adopt a prudent approach by recognizing all rental expenses in accordance with the Framework Agreement in profit or loss in the period in which they are incurred, among which, the rental cost allocated to phase I was recognized in cost of sales, while the rental cost allocated to phase II was recognized in administrative expenses.

## MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

### FINANCIAL REVIEW *(Continued)*

Other gains and losses for the six months ended 30 June 2017 were net losses of HK\$708,000 (six months ended 30 June 2016: net gains of HK\$262,000). The net losses for the period under review were mainly attributable to the allowance for doubtful receivables of HK\$1,005,000.

Overall, profit attributable to owners of the Company for the Group for the six months ended 30 June 2017 amounted to HK\$912,000, representing an increase of 24% when compared with that of HK\$735,000 for the corresponding period last year.

### BUSINESS REVIEW AND OUTLOOK

#### *CG Creation and Production*

The revenue of the Group's CG creation and production division was mainly generated from production services of animated films and television dramas, box office receipts and copyrights of original animated films, copyrights of animated television dramas, businesses of the derivatives of animation brands, productions of display videos for exhibitions and property rental income.

During the first half of 2017, the CG creation and production division mainly focused on the production of the original film and television drama projects. As for international project production services, the number of projects decreased as compared with that of the corresponding period of last year. For original film and television drama projects, three animated films and a sequel of a television drama are in progress and the pre-production planning of several animated films and television dramas have commenced. "Toy Guardians", a themed animated movie, will be screened countrywide in early August during this summer holiday time slot. The pre-production of the "Happy Little Submarine" series and "Smart Shunliu", animated films, and the sequel of "Smart Shunliu – Eagle Boy", a television drama, has been completed. During the second quarter of 2017, the division participated in the Beijing International Film Festival and the Annecy International Animated Film Festival of France. In the Beijing International Film Festival, the division announced various animated film projects, including "Happy Little Submarine" and "Smart Shunliu" film series and various works of different genres, which are expected to be completed and screened in the next five years. In the Annecy International Animated Film Festival of France, the division exhibited the above films, and received a number of enquiries regarding investment and creation cooperation afterwards. "Happy Little Submarine V: Magic Box of Time", which was screened two years ago, was rescreened during the 1 June International Children's Day 2017 time slot, and achieved the highest patronage rate among films on the International Children's Day. The film achieved better results than new imported films from the USA, Japan and India as well as domestic films released around the same time, which strengthened the confidence for the sixth film of the "Happy Little Submarine" series planned to be released next year.

## MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

### BUSINESS REVIEW AND OUTLOOK *(Continued)*

#### *CG Creation and Production (Continued)*

In order to strengthen the collaboration among the entire production chain including the development of animation stories, co-production investment, promotion and distribution, and brand licensing, the Group completed the reform of the creative team during the first quarter of 2017, including the establishment of five animation studios, as well as enhancing the professional standards and the competitiveness with regard to the planning and development of original films, the production of high-quality animated films, and the creation of the animated television dramas, so as to enrich the contents of the original animations and increase the value of the creative team. On the technology aspect, the Group follows the industry trend in making innovative upgrades on the content creation process of animated films and television dramas by actively promoting real-time rendering, and strengthening the research and development in the application technology of augmented reality (AR) and virtual reality (VR).

During the first half of 2017, the CG creation and production division received several honorable titles and awards, including “2016 Top Ten Outstanding Enterprises in Shenzhen’s Cultural Creative Industry” (「深圳市文化創意產業2016年度十佳優秀企業」), “2016 Top Ten Operators in Shenzhen’s Cultural Creative Industry” (「深圳市文化創意產業2016年度十佳經營者」), “2016 Top Ten Originators in Shenzhen’s Cultural Creative Industry” (「深圳市文化創意產業2016年度十佳原創人」), “Outstanding Work in China Golden Rooster and Hundred Flowers Film Festival – the 2nd International Micro Film Exhibition” (「中國金雞百花電影節第二屆國際微電影展映優秀作品」), “3rd Prize of the 30-minute category in the Exhibition of Micro Film about the Core Values of Socialism” (「社會主義核心價值觀主題微電影征集展示活動30分鐘類三等優秀作品」), and “Guangdong Provincial Copyright Industrial Demonstration Base” (「廣東省版權興業示範基地」). In addition, the division acquired the shares of an associate company in Macau during the first half of 2017 and entered into a Strategic Cooperation Agreement with Macau Academy of Cinematic Arts of Macau University of Science and Technology, in the hope of establishing a comprehensive strategic relationship between colleges and corporations by both parties in the aspects of training and project cooperation of animated films and animated television dramas in the future.

Looking ahead, the division will work proactively in the development of original film production, as well as strive to obtain international and domestic project production services. Through utilizing production capacity and human resources, the division is expected to achieve the best overall effectiveness and sustainable development.

## MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

### BUSINESS REVIEW AND OUTLOOK *(Continued)*

#### *CG Training*

During the first half of 2017, the business team of the CG training division carried out constant attempts in all aspects in an effort to improve the division. In March, they commenced the student enrollment for VR profession and intended to start a new round of teaching reform. The focuses of the reform are to improve competitiveness in respect of teaching quality, employment recommendation and student services. The preliminary result was positive and is reflected through improvement in the employment rate and the basic salary of students. The training division continued to maintain good communication and seek opportunities for cooperation with renowned universities and colleges. The division has entered into placement training agreements with several relevant professional universities and colleges, aiming to cultivate more talents with artistic accomplishments and advanced practical skills. Although income of the division during the first half of the year was slightly lower than expected, the respective costs were also controlled. Looking into the second half of the year, the division will focus on the promotion of online courses. Meanwhile, the division will provide ongoing services for students who have completed the course by means of lifelong employment recommendation or venture investment cooperation projects, targeting to develop the training business into a cooperation and innovative platform for CG talents so as to enlarge its market share in the vocational training.

#### *Cultural Park*

The Cultural Park division was operated by Guangdong Cultural Park, an indirectly non-wholly owned subsidiary of the Company. During the first half of 2017, we continued to operate the Cultural Park, which generated stable income from rental and management fees, on the assumption that the legal contractual right to receive the rental income from the lessees and the rental payable to Pearl River Film Production will remain unchanged and the terms and conditions of the Framework Agreement governing phase I of the Pearl River Film Cultural Park will continue to be enforceable. The division also continued to stringently control costs and strengthen internal control, in order to achieve the highest business effectiveness.

On 17 October 2016, Guangdong Cultural Park received a civil judgement from the Intermediate People's Court of Guangzhou City of Guangdong Province of the PRC (中國廣東省廣州市中級人民法院) (the "Guangzhou Intermediate People's Court") which declared the termination of the Framework Agreement and its Supplemental Agreements entered into between Guangdong Cultural Park and Pearl River Film Production. Guangdong Cultural Park lodged an appeal (the "Appeal") in November 2016 and the first court hearing of the Appeal was conducted on 30 March 2017, but has not yet received any reply from the Higher People's Court of Guangdong Province of the PRC (中國廣東省高級人民法院) as of the date of this report. Details in relation to the litigations are set out in the announcements of the Company dated 12 April 2016, 21 October 2016 and 16 December 2016, and the section headed "Litigations" in this report. In the event that the Appeal is unsuccessful and/or the terms of the New Framework Agreement concluded are not in favour of the division, such as the rental payable to Pearl River Film Production increases significantly and/or the term of the New Framework Agreement is shortened significantly, there will be a material adverse impact on the fair value of the Pearl River Film Cultural Park phase I as recorded in the consolidated financial statements of the Group and the future revenue of the division.

## MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

### LITIGATIONS

The Group is involved in litigations during the period. Details of the litigations are disclosed in Note 26 to the interim financial information of this report.

### LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2017, the Group had bank balances and cash of HK\$119,399,000 (31 December 2016: HK\$274,528,000), which were mainly denominated in Renminbi, United States dollars and Hong Kong dollars, restricted bank deposit of HK\$30,227,000 (31 December 2016: HK\$17,797,000) as well as structured deposits of HK\$163,665,000 (31 December 2016: HK\$19,007,000).

As at 30 June 2017 and 31 December 2016, the Group had no borrowings or overdrafts. The Group's current ratio was 3.6 (31 December 2016: 3.2), which was calculated based on current assets of HK\$352,840,000 and current liabilities of HK\$97,315,000.

The Group adheres to prudent financial management, and currently has sufficient cash on hand and bank balances. The management believes that the Group's financial resources are sufficient to meet its future working capital requirements.

### CAPITAL STRUCTURE

The equity attributable to owners of the Company amounted to HK\$848,545,000 as at 30 June 2017 (31 December 2016: HK\$827,067,000). The increase was attributable to exchange differences of HK\$24,623,000 on translation of financial statements attributable to owners of the Company from functional currency to presentation currency and profit attributable to owners of the Company of HK\$912,000 for the six months ended 30 June 2017, partially offset by the decrease in investment revaluation reserve of HK\$4,057,000.

### MATERIAL ACQUISITIONS, DISPOSALS AND SIGNIFICANT INVESTMENT

On 28 November 2014, GDC Holdings Limited, a wholly-owned subsidiary of the Company ("GDC Holdings"), and Huayi Brothers International Investment Limited (the "Purchaser"), an independent third party of the Company, entered into the sale and purchase agreement (the "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 Technology Limited ("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 Sale and Purchase Agreement ("GDC Tech Shares") at an initial consideration of US\$0.4778 per GDC Tech Share (subject to adjustment) (the "Disposal").

All the conditions precedent had been fulfilled pursuant to the terms and conditions of the Sale and Purchase Agreement and the first completion in respect of the Disposal took place on 26 February 2015. Following the first completion, the GDC Tech Shares which the Group holds reduced to 5,955,955 shares and the Group's shareholding in GDC Tech reduced to approximately 2.28%. The second completion in respect of the Disposal took place on 28 June 2017, pursuant to the consideration adjustment mechanism under the Sale and Purchase Agreement, the initial consideration per GDC Tech Share was adjusted and 5,955,955 GDC Tech Shares were transferred to the Purchaser at the nominal consideration of US\$1. After the second completion, the Group ceased to hold any equity interest in GDC Tech.



## **MANAGEMENT DISCUSSION AND ANALYSIS** *(Continued)*

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

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, 26 February 2015 and 28 June 2017 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 2017.

### **CHARGE ON ASSETS**

As at 30 June 2017, there were no charges on any of the Group's assets for loans and bank facilities.

### **FOREIGN EXCHANGE EXPOSURE**

Currently, the Group earns revenue mainly in Renminbi 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 has not implemented any foreign currency hedging policy at the moment. However, if necessary, the Group will consider using forward exchange contracts to hedge against foreign currency exposure. As at 30 June 2017, the Group had no significant exposure under foreign exchange.

### **CONTINGENT LIABILITIES**

Save for the litigations disclosed in Note 26 to the interim financial information, the Group had no significant contingent liabilities as at 30 June 2017.

### **EMPLOYEES**

As at 30 June 2017, the Group employed 404 (31 December 2016: 398) full time employees (other than employees of the Group's associates). 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 2017, 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 individuals.

## INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2017 (six months ended 30 June 2016: 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 2017.

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

As at 30 June 2017, 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 2017, 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 2017 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 2017, the following persons or corporations, other than the Directors or chief executives of the Company as disclosed above, had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO:

### Long positions in the shares of the Company

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

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

Save as disclosed above, as at 30 June 2017, 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 2017, none of the Directors of the Company 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 is considered to compete or is likely to compete, either directly or indirectly, with businesses of the Group.

## **COMPLIANCE WITH CORPORATE GOVERNANCE CODE**

The code provision A.6.7 of the Corporate Governance Code contained in Appendix 15 of the GEM Listing Rules (“the Code”) requires that independent non-executive directors and other non-executive directors shall attend general meetings and develop a balanced understanding of the view of shareholders. Prof. Japhet Sebastian Law, the independent non-executive Director of the Company was unable to attend the annual general meeting of the Company held on 26 May 2017 as he was out of Hong Kong.

Save as disclosed above, the Company has complied with all the code provisions in the Code throughout the six months ended 30 June 2017.

## **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 2017.

## CHANGES IN DIRECTORS' INFORMATION

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

- 1) Mr. Xu Liang, the executive director and the chairman of the Company was designated as a chairman, executive director and managing director of Shougang Concord Grand (Group) Limited on 14 June 2017.
- 2) Mr. Kwong Che Keung, Gordon, the independent non-executive director of the Company, resigned as an independent non-executive director of COSCO SHIPPING Holding Co., Ltd. (formerly known as "China COSCO Holdings Company Limited") and CITIC Telecom International Holdings Limited on 25 May 2017 and 1 June 2017, respectively.
- 3) Mr. Lam Yiu Kin, the independent non-executive director of the Company, resigned as an independent non-executive director of Mason Group Holdings Limited (formerly known as "Mason Financial Holdings Limited") on 24 May 2017 and appointed as an independent non-executive director of CITIC Telecom International Holdings Limited on 1 June 2017.

## AUDIT COMMITTEE

The Group's interim results for the six months ended 30 June 2017 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 2017 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 2017.

## 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  
**Xu Liang**  
Chairman

Hong Kong, 4 August 2017