

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

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This report, for which the directors (the "Director(s)") 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 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.

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CORPORATE INFORMATION

Board of Directors	Executive Directors
	Ms. Cheng Xiaoyu (Chairman and Managing Director)
	Mr. Xu Liang
	Mr. Xiao Yong <i>(appointed on 24 June 2019)</i>
	Mr. Jin Guo Ping (Deputy Managing Director)
	(retired on 23 May 2019)
	Non-executive Director
	Mr. Chen Zheng (Deputy Chairman)
	Independent Non-executive Directors
	Mr. Kwong Che Keung, Gordon
	Prof. Japhet Sebastian Law
	Mr. Lam Yiu Kin
	Mr. Zheng Xiaodong (appointed on 24 June 2019)
Executive Committee	Ms. Cheng Xiaoyu <i>(Chairman)</i>
	Mr. Xu Liang
	Mr. Xiao Yong (appointed on 24 June 2019)
	Mr. Jin Guo Ping (retired on 23 May 2019)
Audit Committee	Mr. Kwong Che Keung, Gordon (Chairman)
	Prof. Japhet Sebastian Law
	Mr. Lam Yiu Kin
Nomination Committee	Ms. Cheng Xiaoyu <i>(Chairman)</i>
	Mr. Xu Liang
	Mr. Kwong Che Keung, Gordon
	Prof. Japhet Sebastian Law
	Mr. Lam Yiu Kin
Remuneration Committee	Prof. Japhet Sebastian Law (Chairman)
	Ms. Cheng Xiaoyu (Vice Chairman)
	Mr. Xu Liang
	Mr. Kwong Che Keung, Gordon
	Mr. Lam Yiu Kin

CORPORATE INFORMATION (Continued)

Compliance Officer	Ms. Cheng Xiaoyu
Company Secretary	Ms. Kam Man Yi, Margaret
Authorised Representatives	Ms. Cheng Xiaoyu Ms. Kam Man Yi, Margaret
Auditor	Deloitte Touche Tohmatsu
Bermuda Principal Share Registrar and Transfer Office	Conyers Corporate Services (Bermuda) Limited Clarendon House 2 Church Street Hamilton HM 11 Bermuda
Hong Kong Branch Share Registrar and Transfer Office	Tricor Standard Limited Level 54, Hopewell Centre 183 Queen's Road East Hong Kong
Registered Office	Clarendon House 2 Church Street Hamilton HM 11 Bermuda
Head Office and Principal Place of Business in Hong Kong	Unit 2112, 21/F, K. Wah Centre 191 Java Road North Point Hong Kong
Stock Code	8271
Website	www.gdc-world.com

INTERIM RESULTS

The board of Directors of the Company (the "Board") hereby reports the unaudited condensed consolidated financial results of the Company and its subsidiaries (the "Group") for the three and six months ended 30 June 2019 with comparative figures for the corresponding period in the year 2018.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2019

	NOTES	Three months e 2019 <i>HK\$'000</i> (unaudited)	nded 30 June 2018 <i>HK\$'000</i> (unaudited) (restated)	Six months en 2019 <i>HK\$′000</i> (unaudited)	ded 30 June 2018 <i>HK\$'000</i> (unaudited) (restated)
Continuing operations Revenue Goods and services Rental	4	15,926 11,770	34,192 11,839	21,886 23,747	40,293 23,285
Total revenue		27,696	46,031	45,633	63,578
Cost of sales and services		(19,774)	(23,414)	(27,697)	(42,503)
Gross profit Other income Distribution costs and selling expenses Administrative expenses	5	7,922 5,159 (643) (9,370)	22,617 3,921 (1,739) (9,510)	17,936 9,998 (1,203) (17,447)	21,075 9,649 (2,390) (18,712)
Change in fair value of investment properties Other gains Impairment losses, net Other expenses Finance costs	13 6 18	(1,066) 48 (230) (5,144) (274)	_ 389 _ _ _	(1,066) 184 (230) (8,985) (274)	1,110 _ _ _
(Loss) profit before tax Income tax expense	7	(3,598) (79)	15,678 (6,877)	(1,087) (2,377)	10,732 (6,863)
(Loss) profit for the period from continuing operations	9	(3,677)	8,801	(3,464)	3,869
Discontinued operations Profit for the period from discontinued operations	8		3,019		7,154
(Loss) profit for the period		(3,677)	11,820	(3,464)	11,023
Other comprehensive expense for the period Item that will not be reclassified to profit or loss: Exchange differences on translation to presentation currency		(8,222)	(45,863)	(323)	(11,446)
Total comprehensive expense for the period		(11,899)	(34,043)	(3,787)	(423)

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

For the six months ended 30 June 2019

		Three months e 2019	nded 30 June 2018	Six months ended 30 Ju 2019			
	NOTE	<i>HK\$'000</i> (unaudited)	HK\$'000 (unaudited) (restated)	<i>HK\$′000</i> (unaudited)	2018 <i>HK\$'000</i> (unaudited) (restated)		
(Loss) profit for the period attributable to owners of the Company:		(0.000)	0.000	(504)			
 from continuing operations from discontinued operations 		(2,068)	8,886 2,053	(504)	4,014 4,669		
		(2,068)	10,939	(504)	8,683		
(Loss) profit for the period attributable to non-controlling interests:							
 from continuing operations from discontinued operations 		(1,609)	(85) 966	(2,960)	(145) 2,485		
		(1,609)	881	(2,960)	2,340		
		(3,677)	11,820	(3,464)	11,023		
Total comprehensive (expense) income for the period attributable to:							
Owners of the Company Non-controlling interests		(13,912) 2,013	(33,422) (621)	(1,005) (2,782)	(2,342) 1,919		
		(11,899)	(34,043)	(3,787)	(423)		
(Loss) earnings per share From continuing and discontinued	11	HK cents	HK cents	HK cents	HK cents		
operations Basic		(0.14)	0.72	(0.03)	0.57		
From continuing operations Basic		(0.14)	0.59	(0.03)	0.26		

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2019

	NOTES	30 June 2019 <i>HK\$'000</i> (unaudited)	31 December 2018 <i>HK\$'000</i> (audited)
Non-current assets Property, plant and equipment Right-of-use assets Investment properties Interest in an associate Restricted bank deposits	12 13 14 15	6,583 2,908 234,926 - 10,245	5,831 236,237
	-	254,662	242,068
Current assets Productions work in progress Trade receivables Other receivables and deposits Amount due from an associate Structured deposit Bank balances and cash	16 17 19 -	7,600 11,228 3,319 943 22,949 255,723 301,762	5,207 8,631 4,058 1,185 273,133 292,214
Current liabilities Advances from customers Trade payables Other payables and accruals Tax liabilities Lease liabilities Contract liabilities Deferred income	20 21	375 211,784 11,868 1,660 4,032 2,503 232,222	893 3 185,940 12,478 - 5,295 2,521 207,130
Net current assets	-	69,540	85,084
Total assets less current liabilities	_	324,202	327,152

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL

POSITION (Continued)

At 30 June 2019

	NOTE	30 June 2019 <i>HK\$′000</i> (unaudited)	31 December 2018 <i>HK\$'000</i> (audited)
Non-current liabilities			
Deferred tax liabilities		15,987	16,317
Lease liabilities		1,281	
		17,268	16,317
Net assets		306,934	310,835
Capital and reserves			
Share capital	22	15,183	15,183
Reserves		417,489	419,238
Equity attributable to owners of the Company		432,672	434,421
Non-controlling interests		(125,738)	(123,586)
Total equity		306,934	310,835

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2019

	Attributable to owners of the Company											
	Share capital HK\$'000	Share premium reserve HK\$'000	contribution reserve	Contributed surplus reserve HK\$'000 (Note b)	Statutory reserve HK\$'000 (Note c)	Property revaluation reserve HK\$'000	Exchange reserve HK\$'000	Special reserve HK\$'000 (Note d)	Retained earnings HK\$'000	Sub-total HK\$'000	Non- controlling interests HK\$'000	Total HK\$'000
At 1 January 2019 (audited)	15,183	75,856	445	245,881	6,635	45,787	(22,385)	(1,209)	68,228	434,421	(123,586)	310,835
Loss for the period Exchange differences on translation to presentation	-	-	-	-	-	-	-	-	(504)	(504)	(2,960)	(3,464)
currency -							(501)			(501)	178	(323)
Other comprehensive (expense) income for the period							(501)			(501)	178	(323)
Total comprehensive expense for the period	-	-	-	-	-	-	(501)	-	(504)	(1,005)	(2,782)	(3,787)
Acquisition of additional interest in a PRC subsidiary								(744)		(744)	630	(114)
At 30 June 2019 (unaudited)	15,183	75,856	445	245,881	6,635	45,787	(22,886)	(1,953)	67,724	432,672	(125,738)	306,934
At 1 January 2018 (audited)	15,183	75,856	445	245,881	4,462		17,653	(1,209)	492,402	850,673	25,082	875,755
Profit for the period Exchange differences on translation	-	-	-	-	-	-	-	-	8,683	8,683	2,340	11,023
to presentation currency		_					(11,025)	-		(11,025)	(421)	(11,446)
Other comprehensive expense for the period							(11,025)			(11,025)	(421)	(11,446)
Total comprehensive (expense) income for the period							(11,025)		8,683	(2,342)	1,919	(423)
At 30 June 2018 (unaudited)	15,183	75,856	445	245,881	4,462		6,628	(1,209)	501,085	848,331	27,001	875,332

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

For the six months ended 30 June 2019

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 HK\$40,271,000 and; (2) the transfer of the share premium reserve of HK\$589,670,000 as at 31 December 2007 to contributed surplus reserve which was applied to eliminate the deficit of the Company of HK\$384,060,000 as at 31 December 2007, in accordance to a special resolution passed by shareholders of the Company at the special general meeting of the Company held on 6 June 2008.
- (c) As stipulated by the rules and regulations in the People's Republic of China (the "PRC", for the purpose of these condensed consolidated financial statements, does not include Hong Kong, Macau and Taiwan), the subsidiaries of the Company established in the PRC are required to appropriate 10% of their after- tax profit (after offsetting prior years' losses) to a general reserve fund until the balance of the fund reaches 50% of their registered capital thereafter any further appropriation is optional and is determinable by the companies' boards of directors.
- (d) The special reserve represents (1) the difference between the 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 HK\$39,000 and; (2) the differences between the payments and the carrying amount of the net liabilities attributable to the additional interest in the PRC subsidiaries acquired from non-controlling shareholders during the year ended 31 December 2014 and the six months ended 30 June 2019 amounting to HK\$1,248,000 and HK\$744,000, respectively.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2019

	Six months ended 30 June		
	2019	2018	
	HK\$'000	HK\$'000	
	(unaudited)	(unaudited)	
Operating activities			
Operating cash flow before movements in working capital	2,759	26,363	
(Increase) decrease in restricted bank deposit	(10,245)	47,333	
(Increase) decrease in productions work in progress	(3,101)	2,908	
Increase in trade receivables	(2,882)	(16,585)	
Decrease (increase) in other receivables and deposits	748	(2,854)	
Increase in other payables and accruals	23,448	583	
(Decrease) increase in contract liabilities	(845)	4,644	
Withholding tax paid	-	(6,825)	
Other operating cash flows	(3,699)	2,839	
Net cash from operating activities	6,183	58,406	
Investing activities			
Purchases of structured deposits	(411,045)	(566,585)	
Purchases of property, plant and equipment	(2,882)	(808)	
Redemption of structured deposits	387,670	324,079	
Repayment of amount due from an associate	244	-	
Other investing cash flows	3,504	3,569	
Net cash used in investing activities	(22,509)	(239,745)	
Financing activities			
Repayments of lease liabilities	(805)	-	
Acquisition of additional interest in a PRC subsidiary	(114)		
Cash used in financing activities	(919)		
Net decrease in cash and cash equivalents	(17,245)	(181,339)	
Cash and cash equivalents at beginning of the period	273,133	294,687	
Effect of foreign exchange rate changes	(165)	2,968	
Cash and cash equivalents at end of the period,			
comprising bank balances and cash	255,723	116,316	

For the six months ended 30 June 2019

1. BASIS OF PREPARATION

The condensed consolidated financial statements of Global Digital Creations Holdings Limited (the "Company") and its subsidiaries (collectively referred as the "Group") for the six months ended 30 June 2019 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 GEM of The Stock Exchange of Hong Kong Limited (the "GEM Rules").

In prior years, the Group was involved in the culture, entertainment and related commercial property investment ("Cultural Park") operation principally through 廣東環球數碼創意產業有限公司 ("Guangdong Cultural Park"), a non-wholly owned subsidiary of the Company, and provision of computer graphic ("CG") and animation training ("CG Training") through 深圳市南山區環球數碼培訓 學校, a wholly owned subsidiary of the Company. As a result of the derecognition of the investment properties of Phase I of 珠影文化產業園 (the "Pearl River Film Cultural Park") as set out in note 13, the Cultural Park operation was discontinued with effect from 1 December 2018. In addition, in view of the shrinkage of the business and loss incurred, the CG Training operation was discontinued since October 2018 and the Group had leased the relevant building space to an independent third party to earn rental income in December 2018 (details as disclosed in note 13).

Accordingly, the condensed consolidated statement of profit or loss and other comprehensive income for the three months and six months ended 30 June 2018 have been restated to re-present the Cultural Park operation and CG Training operation as discontinued operations. Details are set out in note 8.

2. PRINCIPAL ACCOUNTING POLICIES

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

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards ("HKFRSs"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2019 are the same as those presented in the Group's annual financial statements for the year ended 31 December 2018.

For the six months ended 30 June 2019

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 January 2019 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle

Except as described below, the application of the new and amendments to HKFRSs in the current period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

2.1 Impacts and changes in accounting policies of application on HKFRS 16 *Leases* ("HKFRS 16")

The Group has applied HKFRS 16 for the first time in the current interim period. HKFRS 16 superseded HKAS 17 *Leases* ("HKAS 17") and the related interpretations.

2.1.1 Key changes in accounting policies resulting from application of HKFRS 16

The Group applied the following accounting policies in accordance with the transition provisions of HKFRS 16.

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

For the six months ended 30 June 2019

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

- 2.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases ("HKFRS 16") (Continued)
 - 2.1.1 Key changes in accounting policies resulting from application of HKFRS 16 (Continued)

As a lessee

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Except for those that are classified as investment properties and measured under fair value model, right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets that do not meet the definition of investment properties as a separate line item on the condensed consolidated statement of financial position. The right-of-use assets that meet the definition of investment property are presented within "investment properties".

For the six months ended 30 June 2019

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

- 2.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases ("HKFRS 16") (Continued)
 - 2.1.1 Key changes in accounting policies resulting from application of HKFRS 16 (Continued)

As a lessee (Continued)

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 *Financial Instruments* ("HKFRS 9") and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets. The amounts of such adjustments are considered insignificant.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

Taxation

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 *Income Taxes* requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

For the six months ended 30 June 2019

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

2.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases ("HKFRS 16") (Continued)

2.1.1 Key changes in accounting policies resulting from application of HKFRS 16 (Continued)

As a lessor

Allocation of consideration to components of a contract

Effective on 1 January 2019, the Group applies HKFRS 15 *Revenue from Contracts with Customers* ("HKFRS 15") to allocate consideration in a contract to lease and nonlease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

Refundable rental deposits

Refundable rental deposits received are accounted under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

2.1.2 Transition and summary of effects arising initial application of HKFRS 16

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019. Any difference at the date of initial application is recognised in the opening retained earnings and comparative information has not been restated.

For the six months ended 30 June 2019

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

- 2.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases ("HKFRS 16") (Continued)
 - 2.1.2 Transition and summary of effects arising initial application of HKFRS 16 (Continued)

As a lessee (Continued)

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

- relied on the assessment of whether leases are onerous by applying HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* as an alternative of impairment review;
- ii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application; and
- used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension and termination options.

On transition, the Group has made the following adjustments upon application of HKFRS 16: $\label{eq:KFRS}$

At 1 January 2019, the Group recognised lease liabilities of HK\$3,746,000 and right-ofuse assets at amounts equal to the related lease liability by applying HKFRS 16.C8(b)(ii) transition.

For the six months ended 30 June 2019

2. **PRINCIPAL ACCOUNTING POLICIES** (Continued)

- 2.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases ("HKFRS 16") (Continued)
 - 2.1.2 Transition and summary of effects arising initial application of HKFRS 16 (Continued)

As a lessee (Continued)

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rate of the relevant group entity at the date of initial application. The lessee's incremental borrowing rate applied is 4.5%.

	At 1 January 2019 <i>HK\$'000</i>
Operating lease commitments disclosed as at 31 December 2018	3,945
Lease liabilities discounted at relevant incremental borrowing rate relating to operating leases recognised upon application of HKFRS 16 as at 1 January 2019	3,746
Analysed as: Current Non-current	1,629 2,117
	3,746

The carrying amount right-of-use assets at 1 January 2019 comprises the following:

	Right-of-use assets HK\$'000
Right-of-use assets relating to operating leases recognised upon	0.740
application of HKFRS 16	3,746
By class:	
Land and buildings	3,716
Office equipment	30
	3,746

For the six months ended 30 June 2019

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

- 2.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases ("HKFRS 16") (Continued)
 - 2.1.2 Transition and summary of effects arising initial application of HKFRS 16 (Continued)

As a lessor

In accordance with the transitional provisions in HKFRS 16, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with HKFRS 16 from the date of initial application and comparative information has not been restated.

- (a) Upon application of HKFRS 16, new lease contracts entered into but commence after the date of initial application relating to the same underlying assets under existing lease contracts are accounted as if the existing leases are modified as at 1 January 2019. The application has had no impact on the Group's condensed consolidated statement of financial position at 1 January 2019. However, effective from 1 January 2019, lease payments relating to the revised lease term after modification are recognised as income on straight-line basis over the extended lease term.
- (b) Before application of HKFRS 16, refundable rental deposits from tenants received were considered as rights and obligations under leases to which HKAS 17 applied. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right-of-use assets and were adjusted to reflect the discounting effect at transition. Accordingly, HK\$1,785,000 was adjusted to refundable rental deposits received on advance lease payments.
- (c) Effective on 1 January 2019, the Group has applied HKFRS 15 to allocate consideration in the contract to each lease and non-lease components. The change in allocation basis has had no material impact on the condensed consolidated financial statements of the Group for the current period.

For the six months ended 30 June 2019

2. **PRINCIPAL ACCOUNTING POLICIES** (Continued)

- 2.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases ("HKFRS 16") (Continued)
 - 2.1.2 Transition and summary of effects arising initial application of HKFRS 16 (Continued)

As a lessor (Continued)

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

	Note	Carrying amounts previously reported at 31 December 2018 <i>HK\$</i> °000	Adjustments <i>HK\$</i> `000	Carrying amounts under HKFRS 16 at 1 January 2019 <i>HK\$'000</i>
Non-current asset				
Right-of-use assets		-	3,746	3,746
Current liabilities				
Lease liabilities		-	1,629	1,629
Other payables and accruals — Advance lease payments	(b)	_	1,785	1,785
- Rental deposits from tenants		8,067	(1,785)	6,282
Non-current liability				
Lease liabilities			2,117	2,117

Note: For the purpose of reporting cash flows from operating activities under indirect method for the six months ended 30 June 2019, movements in working capital have been computed based on opening statement of financial position as at 1 January 2019 as disclosed above.

The following tables summarise the impacts of applying HKFRS 16 as a lessor on the Group's condensed consolidated statement of financial position as at 30 June 2019 and its condensed consolidated statement profit or loss and other comprehensive income and cash flows for the current interim period for each of the line items affected. Line items that were not affected by the changes have not been included.

For the six months ended 30 June 2019

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

- 2.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases ("HKFRS 16") (Continued)
 - 2.1.2 Transition and summary of effects arising initial application of HKFRS 16 (Continued)

As a lessor (Continued)

Impact on the condensed consolidated statement of financial position

	Note	As reported HK\$'000	Adjustments HK\$'000	Amounts without application of HKFRS 16, as a lessor HK\$'000
Current liabilities				
Other payables and accruals				
— Advance lease payments		1,489	(1,489)	-
 Rental deposits from tenants 	(d)	5,595	1,588	7,183
Capital and reserve				
Retained earnings		67,724	(99)	67,625

Impact on the condensed consolidated statement of profit and loss and other comprehensive income

	Note	As reported HK\$'000	Adjustments HK\$'000	Amounts without application of HKFRS 16, as a lessor HK\$'000
Continuing operations Revenue				
— Rental	(d)	23,747	(296)	23,451
Finance costs	(d)	(274)	197	(77)
Loss before tax		(1,087)	(99)	(1,186)

For the six months ended 30 June 2019

2. **PRINCIPAL ACCOUNTING POLICIES** (Continued)

- 2.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases ("HKFRS 16") (Continued)
 - 2.1.2 Transition and summary of effects arising initial application of HKFRS 16 (Continued)

As a lessor (Continued)

Impact on the condensed consolidated statement of cash flows

	Note	As reported	Adjustments	Amounts without application of HKFRS 16, as a lessor
		HK\$'000	HK\$'000	HK\$'000
Operating cash flow before				
movements in working capital Increase in other payables and		2,759	(99)	2,660
accruals	(d)	23,448	99	23,547

Note:

(d) The adjustments relate to reduction in rental income and finance costs of HK\$296,000 and HK\$197,000, respectively, if the discounting effects for refundable rental deposits from tenants were not adjusted.

3. SEGMENT INFORMATION

Information reported to the Managing Director 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. For the six months ended 30 June 2018, segment information reported to the CODM was analysed on the basis of the major types of goods or services delivered or provided by the Group's operating divisions: (1) CG creation and production; (2) CG Training; and (3) Cultural Park.

Since Cultural Park and CG Training operations have become discontinued operations during the year ended 31 December 2018 (details as disclosed in note 8), the Group focuses its operations on (1) CG creation and production; and (2) property leasing and building management services. As a result, the segment information reported to the CODM for the six months ended 30 June 2018 has been represented.

Specifically, the Group's reportable and operating segments under HKFRS 8 *Operating Segments* are as follows:

- CG creation and production CG creation and production, exhibition of television series and movies
- Property leasing and building management services property rental income and building management service fee income

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

For the six months ended 30 June 2019

3. SEGMENT INFORMATION (Continued)

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

Six months ended 30 June 2019 (unaudited)

Continuing operations

	CG creation and production <i>HK\$'000</i>	Property leasing and building management services <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Revenue	15,749	29,884	45,633
Segment results	(4,973)	21,243	16,270
Unallocated other income Unallocated expenses			318 (17,675)
Loss before tax from continuing operations			(1,087)

Six months ended 30 June 2018 (unaudited) (re-presented)

Continuing operations

	CG creation and production <i>HK\$'000</i>	Property leasing and building management services HK\$'000	Consolidated HK\$'000
Revenue	34,095	29,483	63,578
Segment results	4,045	15,457	19,502
Unallocated other income Unallocated expenses			468 (9,238)
Profit before tax from continuing operations			10,732

Segment results represent the profit earned by or loss incurred from each segment without allocation of certain other income, central administration costs and other expenses from Pearl River Film Cultural Park.

Segment revenue reported above represents revenue generated from external customers.

For the six months ended 30 June 2019

3. SEGMENT INFORMATION (Continued)

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

Segment assets

	30 June 2019 <i>HK\$'000</i> (unaudited)	31 December 2018 <i>HK\$'000</i> (audited)
CG creation and production	267,131	243,258
Property leasing and building management services	251,512	257,297
Total segment assets	518,643	500,555
Unallocated assets		
— Bank balances and cash	21,502	27,836
— Others	6,025	1,653
Assets relating to discontinued operations	10,254	4,238
	556,424	534,282

For the six months ended 30 June 2019

4. REVENUE

Disaggregation of revenue from continuing operations:

	Three m	onths ended 30 . Property leasing and	June 2019	Six mo	nths ended 30 Ju Property leasing and	ıne 2019
	CG creation and	building management		CG creation and	building management	
Segments	production	services	Total	production	services	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Types of goods or services						
Revenue from CG production	3,482	-	3,482	5,383	-	5,383
Revenue from television series and						
movies	9,282	-	9,282	10,366	-	10,366
Management services fee		3,162	3,162		6,137	6,137
Revenue from continuing operations from contracts						
with customers	12,764	3,162	15,926	15,749	6,137	21,886
Rental income		11,770	11,770		23,747	23,747
Total	12,764	14,932	27,696	15,749	29,884	45,633
Geographical markets						
The PRC	12,697	3,162	15,859	15,517	6,137	21,654
Hong Kong	67		67	232		232
Total revenue from continuing operations from contracts						
with customers	12,764	3,162	15,926	15,749	6,137	21,886
Timing of revenue recognition						
At a point in time	9,282	_	9,282	10,366	_	10,366
Over time	3,482	3,162	6,644	5,383	6,137	11,520
Total revenue from continuing operations from contracts with customers	12,764	3,162	15,926	15,749	6,137	21,886
	,. 01					

For the six months ended 30 June 2019

4. **REVENUE** (Continued)

Disaggregation of revenue from continuing operations: (Continued)

	Three months ended 30 June 2018 Property			Six months ended 30 June 2018 Property			
	CG creation and	leasing and building management		CG creation and	leasing and building management		
Segments	production	services	Total	production	services	Total	
	HK\$'000 (unaudited)	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
	(restated)	(unaudited)	(unaudited) (restated)	(unaudited) (restated)	(unaudited)	(unaudited) (restated)	
Types of goods or services							
Revenue from CG production	7,274	-	7,274	9,187	-	9,187	
Revenue from television series	00 700		00 700	04.000		04.000	
and movies	23,738	-	23,738	24,908	-	24,908	
Management services fee		3,180	3,180		6,198	6,198	
Revenue from continuing operations from contracts							
with customers	31,012	3,180	34,192	34,095	6,198	40,293	
Rental income	-	11,839	11,839	-	23,285	23,285	
Total	31,012	15,019	46,031	34,095	29,483	63,578	
						00,070	
Geographical markets							
The PRC	30,400	3,180	33,580	32,507	6,198	38,705	
France	-	-	-	536	-	536	
Hong Kong	181	-	181	461	-	461	
Korea	431	-	431	431	-	431	
Hungary				160		160	
Total revenue from continuing operations from contracts							
with customers	31,012	3,180	34,192	34,095	6,198	40,293	
Timing of revenue recognition							
At a point in time	23,738	_	23,738	24,908	_	24,908	
Over time	7,274	3,180	10,454	9,187	6,198	15,385	
Total revenue from continuing							
operations from contracts		0.455			0.455	10.005	
with customers	31,012	3,180	34,192	34,095	6,198	40,293	

For the six months ended 30 June 2019

5. OTHER INCOME

		nths ended June	Six months ended 30 June		
	2019 2018 2019 HK\$'000 HK\$'000 HK\$'000 (unaudited) (unaudited) (unaudited) (restated) (unaudited) (unaudited)	\$'000 HK\$'000 HK\$'000 lited) (unaudited) (unaudited)		HK\$'000 HK\$'000 HK\$'000 (unaudited) (unaudited) (unaudited) (u	2018 <i>HK\$'000</i> (unaudited)
Continuing operations Government grants <i>(Note)</i>	3,062	(restated)	6,163	(restated) 5,872	
Interest income Others	1,789 308	1,907 268	3,516 319	3,404 373	
	5,159	3,921	9,998	9,649	

Note: During the six months ended 30 June 2019, government grants included subsidies and awards of HK\$6,148,000 (six months ended 30 June 2018: HK\$5,804,000) received from the relevant authorities in the PRC which is an incentive payment to the Group whereby no future related cost is required or expected to be made.

In addition, an amount of HK\$15,000 (six months ended 30 June 2018: HK\$68,000) 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.

6. OTHER GAINS

	Three mon 30 J	iths ended une	Six months ended 30 June		
	2019 <i>HK\$'000</i> (unaudited)	2018 <i>HK\$'000</i> (unaudited) (restated)	2019 <i>HK\$'000</i> (unaudited)	2018 <i>HK\$'000</i> (unaudited) (restated)	
Continuing operations Changes in fair value of structured deposits Gain on disposal of property, plant and equipment	-	389	- 184	1,110	
	48	389	184	1,110	

For the six months ended 30 June 2019

7. INCOME TAX EXPENSE

	Three months ended 30 June		Six months ended 30 June	
	2019 <i>HK\$'000</i> (unaudited)	2018 <i>HK\$'000</i> (unaudited) (restated)	2019 <i>HK\$'000</i> (unaudited)	2018 <i>HK\$'000</i> (unaudited) (restated)
Continuing operations PRC Enterprise Income Tax ("EIT"): Current tax Overprovision in prior periods	1,332 (947)		3,642 (947)	-
	385	-	2,695	-
PRC withholding tax on distributed profits from a PRC subsidiary <i>(Note)</i> Deferred tax	(306)	6,825 52	(318)	6,825 38
	79	6,877	2,377	6,863

Note: During the six months ended 30 June 2018, a PRC subsidiary of the Company had declared an one-off and non-recurring special dividend to the Company and withholding tax amounted to HK\$6,825,000 has been paid to the PRC tax bureau. According to the EIT Law and Implementation Regulation of the EIT Law, withholding income tax at a rate of 10% would be imposed on dividends relating to profits earned in year 2008 onwards to foreign investors for the companies established in the PRC. Such dividend tax rate may be further reduced by applicable tax treaties or arrangement. According to the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income, the withholding tax rate on dividends paid by a PRC resident enterprise to a Hong Kong resident enterprise is further reduced to 5% if the Hong Kong resident enterprise.

In the opinion of the directors of the Company (the "Directors") and the directors of the PRC subsidiaries, the PRC subsidiaries has no intention and are not probable to declare dividend in the foreseeable future and deferred taxation has not been provided in respect of temporary difference attributable to the remaining retained earnings of the PRC subsidiaries as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

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.

For the six months ended 30 June 2019

7. INCOME TAX EXPENSE (Continued)

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 the State Administration of Taxation on the issues concerning implementation of the preferential income tax for hi-tech enterprise (Guoshui Han [2009] No. 203), one of the PRC subsidiaries is able to enjoy a preferential tax rate at 15% from 2017 to 2020 as it is qualified as hi-tech enterprise. For the six months ended 30 June 2019, the relevant tax rates for the Group's subsidiaries in the PRC ranged from 15% to 25% (six months ended 30 June 2018: 15% to 25%).

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

8. DISCONTINUED OPERATIONS

The (loss) profit for the period from the discontinued operations (as described in note 1) is set out below. Accordingly, the comparative figures in the condensed consolidated statement of profit or loss and other comprehensive income for the three months and six months ended 30 June 2018 have been restated to re-present the CG Training and Cultural Park as discontinued operations.

CG Training

	Three months ended 30 June		Six months ended 30 June	
	2019 <i>HK\$'000</i> (unaudited)	2018 <i>HK\$'000</i> (unaudited)	2019 <i>HK\$'000</i> (unaudited)	2018 <i>HK\$'000</i> (unaudited)
Revenue from services Cost of services Other income Distribution costs and selling expenses Administrative expenses		1,556 (795) 5 (348) (372)		2,465 (1,632) 7 (401) (985)
Profit (loss) for the period from discontinued operation		46		(546)

For the six months ended 30 June 2019

8. **DISCONTINUED OPERATIONS** (Continued)

CG Training (Continued)

Profit (loss) for the period from discontinued operation has been arrived at after charging:

	Three months ended 30 June		Six months ended 30 June	
	2019	2018	2019	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Total staff costs	-	981	-	2,050
Depreciation of property, plant and equipment		38		76

Cash flows for the period:

	Six months ended 30 June		
	2019 2		
	HK\$'000	HK\$'000	
	(unaudited)	(unaudited)	
Net cash inflow from operating activities		1,094	
Net cash inflow from investing activities		7	
Net cash inflow		1,101	

For the six months ended 30 June 2019

8. **DISCONTINUED OPERATIONS** (Continued)

Cultural Park

	Three months ended 30 June		Six months ended 30 June	
	2019	2018	2019	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Revenue				
Services	_	1,932	_	3,853
Rental		10,479		21,033
Total revenue	_	12,411	_	24,886
Cost of services		(2,796)		(5,611)
Other income		183		185
Distribution costs and selling expenses		(37)		(47)
Administrative expenses		(1,200)		(2,374)
Rental expenses		(1,200)		(5,424)
Change in fair value of investment		(2,070)		(3,424)
properties	_	(2,580)	_	(2,580)
Other gains and losses		(655)		(1,326)
Profit before tax	_	2,648	_	7,709
Income tax credit (expense)		325		(9)
Profit for the period from				
discontinued operation		2,973		7,700

For the six months ended 30 June 2019

8. **DISCONTINUED OPERATIONS** (Continued)

Cultural Park (Continued)

Profit for the period from discontinued operation has been arrived at after charging:

	Three months ended 30 June		Six months ended 30 June	
	2019	2018	2019	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Total staff costs Depreciation of property, plant and	-	1,357	-	2,976
equipment		47		97

Cash flows for the period:

	Six months ended 30 June		
	2019		
	HK\$'000	HK\$'000	
	(unaudited)	(unaudited)	
Net cash inflow from operating activities		61,331	
Net cash outflow from investing activities		(6)	
Net cash outflow from financing activities		(59,807)	
Net cash inflow		1,518	

For the six months ended 30 June 2019

9. (LOSS) PROFIT FOR THE PERIOD

	Three months ended 30 June			
	2019 <i>HK\$'000</i> (unaudited)	2018 <i>HK\$'000</i> (unaudited) (restated)	2019 <i>HK\$'000</i> (unaudited)	2018 <i>HK\$'000</i> (unaudited) (restated)
(Loss) profit for the period from continuing operations has been arrived at after charging (crediting):				
Write-down of productions work in progress (included in cost of sales and services)	1,387	-	1,387	-
Amortisation of prepaid lease payments	-	34	-	68
Depreciation of property, plant and equipment Less: amounts included in contract assets amounts included in productions	1,042 (313)	4,493 (551)	2,116 (435)	9,095 (831)
work in progress	(180)	(140)	(730)	(568)
	549	3,802	951	7,696
Depreciation of right-of-use assets Exchange (gain) loss, net	838 (1)	- 4	838 (145)	_ (30)
Total staff costs Less: amounts included in contract assets amounts included in productions	14,164 (2,361)	14,016 (5,431)	28,495 (3,228)	28,712 (9,758)
work in progress	(2,974)	(1,355)	(6,733)	(4,451)
	8,829	7,230	18,534	14,503

10. DIVIDENDS

The board of Directors does not recommend the payment of an interim dividend for the six months ended 30 June 2019 (six months ended 30 June 2018: nil).

For the six months ended 30 June 2019

11. (LOSS) EARNINGS PER SHARE

From continuing operations

The calculation of the basic (loss) 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	
	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
	(unaudited)	(unaudited) (restated)	(unaudited)	(unaudited) (restated)
(Loss) earnings (Loss) profit for the period attributable to the owners of the Company for the purpose of basic (loss) earnings				
per share Less: profit for the period from	(2,068)	10,939	(504)	8,683
discontinued operations		2,053		4,669
(Loss) earnings for the purpose of basic (loss) earnings per share from				
continuing operations	(2,068)	8,886	(504)	4,014
	<i>'000</i>	'000	<i>'</i> 000	'000
Number of shares Number of ordinary shares for the purpose of basic (loss) earnings per				
share	1,518,256	1,518,256	1,518,256	1,518,256

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

For the six months ended 30 June 2019

11. (LOSS) EARNINGS PER SHARE (Continued)

From continuing and discontinued operations

The calculation of the basic (loss) 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	
	2019 <i>HK\$'000</i> (unaudited)	2018 <i>HK\$'000</i> (unaudited)	2019 <i>HK\$'000</i> (unaudited)	2018 <i>HK\$'000</i> (unaudited)
(Loss) profit for the period attributable to the owners of the Company for the purpose of basic (loss) earnings per share	(2,068)	10,939	(504)	8,683

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

From discontinued operations

For the three months ended 30 June 2018, basic earnings per share for the discontinued operations is HK\$0.13 cents earnings per share. For the six months ended 30 June 2018, basic earnings per share for the discontinued operations is HK\$0.31 cents earnings per share. The earning per share is arrived at based on the profit for the three months ended 30 June 2018 from discontinued operations of HK\$2,053,000 and profit for the six months ended 30 June 2018 from discontinued operations of HK\$4,669,000, respectively, and the denominators detailed above for basic earnings per share.

12. PROPERTY, PLANT AND EQUIPMENT

Carrying values <i>HK\$'000</i>
200,373
(12,553)
3,142
(17,624)
(167,507)
5,831
(11)
2,882
(2,117)
(2,117)
6,583

The comparative has been re-presented to show the period from 1 January 2018 to 31 December 2018 so as to disclose the major movements in 2018.
For the six months ended 30 June 2019

13. INVESTMENT PROPERTIES

	Completed properties – Phase I of the Pearl River Film Cultural Park <i>HK\$'000</i> (note a)	Commercial property HK\$'000 (note b)	Total HK\$'000
FAIR VALUE			
At 1 January 2018	439,616	-	439,616
Transfer from property, plant and equipment			
and prepaid lease payments	-	233,314	233,314
Change in fair value recognised in profit or loss	(2,481)	-	(2,481)
Loss on derecognition of investment properties	(411,412)	-	(411,412)
Exchange realignment	(25,723)	2,923	(22,800)
At 31 December 2018 (audited)	_	236,237	236,237
Change in fair value recognised in profit or loss	_	(1,066)	(1,066)
Exchange realignment		(245)	(245)
At 30 June 2019 (unaudited)		234,926	234,926

The comparative has been re-presented to show the period from 1 January 2018 to 31 December 2018 so as to disclose the major movements in 2018.

Details of the Group's investment properties and information about the fair value hierarchy as at 30 June 2019 and 31 December 2018 are as follows:

	Level 3		Fair value	
	30 June 31 December		30 June	31 December
	2019	2018	2019	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(audited)	(unaudited)	(audited)
Commercial property located in				
the PRC	234,926	236,237	234,926	236,237

There was no transfer between different levels for both periods.

All of the Group's property interests held to earn rentals are measured using the fair value model and are classified and accounted for as investment properties.

The fair values of the Group's investment properties at 30 June 2019 and 31 December 2018 have been arrived at on the basis of valuations carried out by Asset Appraisal Limited ("Asset Appraisal"), an independent qualified professional valuer not connected with the Group. Asset Appraisal is a registered firm of the Hong Kong Institute of Surveyors, and has appropriate qualifications and experience.

For the six months ended 30 June 2019

13. INVESTMENT PROPERTIES (Continued)

As at 30 June 2019 and 31 December 2018, the fair value of the commercial property was determined based on the income approach by capitalising the rental income derived from the existing tenancies with due allowance for reversionary income potential and taking into account of the contractual terms and conditions. Key inputs used in valuing the commercial property include discount rate of 10.05% (31 December 2018: 10.40%) and average rental of RMB120 (31 December 2018: RMB120) per square meter per month. An increase in the discount rate would result in a decrease in fair value of the investment properties and vice versa.

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 the PRC and adjusted to take into account the market expectation from property investors to reflect factors specific to the Group's investment properties.

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

Notes:

(a) Completed properties — Phase I of the Pearl River Film Cultural Park:

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 Guangdong Cultural Park, a non-wholly-owned subsidiary of the Company and 珠江電影製片有限公司 ("Pearl River Film Production"), a limited liability company established in the PRC and a state-owned enterprise, to redevelop the 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 31 December 2017, Phase I of the Pearl River Film Cultural Park was completed and included as completed properties as further described below.

For the six months ended 30 June 2019

13. INVESTMENT PROPERTIES (Continued)

Notes: (Continued)

(a) Completed properties — Phase I of the Pearl River Film Cultural Park: (Continued)

The property 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 1 January 2016. The amount has been fully written off in 2016. The original period during which construction was to be completed in accordance with the Framework Agreement has expired.

On 11 April 2016, Pearl River Film Production as the plaintiff (the "Plaintiff") initiated legal proceedings against Guangdong Cultural Park in respect of an alleged breach of the Framework Agreement governing the lease and reconstruction of the Pearl River Film Cultural Park (the "Alleged Breach").

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 "First 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 RMB2,722,000 (equivalent to 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 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.

On 16 March 2018, Guangdong Cultural Park received the civil judgment of 中國廣東省高級人 民法院 ("Guangdong Higher People's Court") dated 31 January 2018, which rejected the appeal lodged by Guangdong Cultural Park and upheld the First Civil Judgment. According to this civil judgment, this judgment of Guangdong Higher People's Court is the final judgment ("Final Civil Judgment").

On 7 August 2018, Guangdong Cultural Park received a legal letter dated 6 August 2018 from Pearl River Film Production's legal representative, which demanded Guangdong Cultural Park to return the entire Pearl River Film Cultural Park (both Phase I and Phase II) and claimed for compensation of related occupation fee and economic loss amounted to RMB143,076,000 (equivalent to HK\$169,521,000).

In August 2018, the Group has submitted a proposal to Pearl River Film Production with the aim to reach a consensus for Guangdong Cultural Park to continue operating Phase I of the Pearl River Film Cultural Park. No final agreement has been reached between the Group and Pearl River Film Production regarding the proposal.

For the six months ended 30 June 2019

13. INVESTMENT PROPERTIES (Continued)

Notes: (Continued)

(a) Completed properties — Phase I of the Pearl River Film Cultural Park: (Continued)

In September 2018, the corresponding appeal period for the Final Civil Judgement issued by Guangdong Higher People's Court dated 31 January 2018 was lapsed.

At the end of November 2018, Pearl River Film Production has issued a formal demand letter to Guangdong Cultural Park which demanded Guangdong Cultural Park to return the entire Pearl River Film Cultural Park (both Phase I and Phase II) and Pearl River Film Production has even attempted to take possession of the Pearl River Film Cultural Park without the consent of the Group (the "November 2018 Incident").

Guangdong Cultural Park continued to account for Phase I of the Pearl River Film Cultural Park as investment properties until 30 November 2018 and record the rentals receivable from lessees as the Group's revenue until 30 November 2018, on the basis that the legal contractual right to receive the rental income from the lessees and the rental payable to Pearl River Film Production would remain unchanged and the terms and conditions of the Framework Agreement governing Phase I of the Pearl River Film Cultural Park would continue to be enforceable.

Upon the lapse of the appeal period for the Final Civil Judgment and the recent actions taken by Pearl River Film Production, on 1 December 2018, the Group decided to derecognise the Phase I of the Pearl River Film Cultural Park as investment properties and recognised a loss on derecognition of HK\$411,412,000 of Phase I of the Pearl River Film Cultural Park. The Group has also ceased recognising all revenue derived from the Phase I of the Pearl River Film Cultural Park from 1 December 2018. For the year ended 31 December 2018, the Group has made a provision for accrued rental and settlement payables of HK\$95,148,000. As a result of the derecognition of the investment properties of Phase I of the Pearl River Film Cultural Park, the Pearl River Film Cultural Park operation was discontinued with effect from 1 December 2018. Accordingly, the results of the Pearl River Film Cultural Park Operation for the six months ended 30 June 2018 are separately presented as discontinued operations in the condensed consolidated statement of profit or loss and other comprehensive income.

In March 2019, Guangdong Cultural Park received a letter dated 7 March 2019 from Pearl River Film Production, which demanded Guangdong Cultural Park to return the entire Pearl River Film Cultural Park (both Phase I and Phase II) and claimed for related occupation fee.

For the six months ended 30 June 2019

13. INVESTMENT PROPERTIES (Continued)

Notes: (Continued)

(a) Completed properties — Phase I of the Pearl River Film Cultural Park: (Continued)

On 3 and 4 April 2019, Guangdong Cultural Park received two summonses ("Summons I" and "Summons II") both dated 3 April 2019 from 中國廣州市海珠區人民法院 (the "People's Court of Haizhu District") and 中國廣東省廣州市中級人民法院, respectively. According to Summons I, Pearl River Film Production has initiated legal proceedings against Guangdong Cultural Park and has pleaded for a court order to require Guangdong Cultural Park to return the entire Pearl River Film Cultural Park and its facilities and related documents. According to Summons II, Pearl River Film Production has initiated legal proceedings against Guangdong Cultural Park and claimed for property occupation fee of the Pearl River Film Cultural Park and the related interest amounted to RMB148,745,800 and RMB9,593,000, respectively. On 8 April 2019, both Guangdong Cultural Park and 廣州高尚商業經營管理有限公司 ("Gaoshang Property Management"), a non-wholly owned subsidiary of the Company, received a summons ("Summons III") dated 4 April 2019 from the People's Court of Haizhu District. According to Summons III, Pearl River Film Production has initiated legal proceedings against Guangdong Cultural Park and Gaoshang Property Management and claimed for property occupation fee of certain parking spaces of the Pearl River Film Cultural Park and the related interest amounted to RMB26,457,900 and RMB2,520,062, respectively.

In April 2019, Guangdong Cultural Park and Gaoshang Property Management were informed by the People's Court of Haizhu District that in relation to the legal proceedings under Summons III, the court has granted an order to allow Pearl River Film Production's application to preserve two bank accounts of Guangdong Cultural Park and Gaoshang Property Management, respectively. The bank accounts were used by the respective companies for cash receipts and payments in relation to the Pearl River Film Cultural Park and the aggregate deposits in the two bank accounts amounted to HK\$10,245,000 as at 30 June 2019.

In July 2019, Guangdong Cultural Park, as plaintiff, has filed a lawsuit against Pearl River Film Production and claimed for the compensation of damages in respect of the November 2018 Incident and the People's Court of Haizhu District issued the Notice of Case Acceptance on 5 July 2019 and granted an order on 31 July 2019 to freeze the bank deposits of Pearl River Film Production in the amount of RMB10,000,000.

(b) Commercial property:

As the self-occupied portion of the property has become an insignificant portion, the entire property (including building, the relevant leasehold improvements and plant and machinery) with total carrying value of HK\$167,507,000 and the entire prepaid lease payments with carrying value of HK\$4,758,000 were transferred to investment properties on 1 December 2018 and is measured using the fair value model. The fair value of the entire property (including building, the relevant leasehold improvements and plant and machinery) and the entire prepaid lease payments at the date of transfer was HK\$233,314,000 in aggregate, resulting in recognition of surplus on revaluation of HK\$61,049,000 and the related deferred tax liabilities amounted to HK\$15,262,000. The net difference amounted to HK\$45,787,000 was recognised in other comprehensive income and accumulated in property revaluation reserve.

For the six months ended 30 June 2019

14. INTEREST IN AN ASSOCIATE

	30 June 2019 <i>HK\$'000</i>	31 December 2018 <i>HK\$'000</i>
	(unaudited)	(audited)
Cost of investment in an associate — unlisted Share of post-acquisition results and other comprehensive income	23 (23)	23 (23)

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 intere held by the	st	Proportion of v held by the		Principal activity
		2019	2018	2019	2018	
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%	16.7%	16.7%	Provision of CG creation and production services

No summarised financial information in respect of the Group's associate is set out as the financial information of IDMT (Macau) is considered insignificant during both periods.

15. RESTRICTED BANK DEPOSITS

In April 2019, Guangdong Cultural Park and Gaoshang Property Management were informed by the People's Court of Haizhu District that in relation to the legal proceedings under Summons III, the court has granted an order to allow Pearl River Film Production's application to preserve two bank accounts of Guangdong Cultural Park and Gaoshang Property Management, respectively. The bank accounts were used by the respective companies for cash receipts and payments in relation to the Pearl River Film Cultural Park.

The restricted bank deposits are interest-free and have been classified as non-current assets as it is not expected that restricted bank deposits can be released from restriction in the coming 12 months from the end of the reporting period.

For the six months ended 30 June 2019

16. TRADE RECEIVABLES

	30 June 2019 <i>HK\$'000</i> (unaudited)	31 December 2018 <i>HK\$'000</i> (audited)
Trade receivables:		
 goods and services 	6,361	3,796
— rental	9,024	8,838
Less: allowance for credit losses	(4,157)	(4,003)
	11,228	8,631

Except for rental receivable from tenants, which is due for settlement upon issue of invoice, 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 credit losses presented based on the invoice date:

	30 June 2019 <i>HK\$'000</i> (unaudited)	31 December 2018 <i>HK\$'000</i> (audited)
Less than 90 days 91–180 days More than 180 days	11,002 	8,129 502 –
	11,228	8,631

17. OTHER RECEIVABLES AND DEPOSITS

	30 June 2019 <i>HK\$'000</i> (unaudited)	31 December 2018 <i>HK\$'000</i> (audited)
Prepayments	1,368	2,128
Other receivables	978	940
Rental and other deposits	843	848
Others	130	142
	3,319	4,058

For the six months ended 30 June 2019

18. IMPAIRMENT ASSESSMENT ON FINANCIAL ASSETS SUBJECT TO ECL MODEL

	Three months ended 30 June		Six months ended 30 June			
	2019 2018		2019		2019	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000		
	(unaudited)	(unaudited)	(unaudited)	(unaudited)		
Impairment loss recognised in respect of trade receivables	230	_	230			

The basis of determining the inputs and assumptions and the estimation techniques used in the condensed consolidated financial statements for the six months ended 30 June 2019 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2018.

19. STRUCTURED DEPOSIT

	30 June	31 December
	2019	2018
	HK\$'000	HK\$'000
	(unaudited)	(audited)
Principal-protected financial product	22,949	-

As at 30 June 2019, the principal-protected deposit was issued by bank in the PRC and carries expected interest rate at 3.3% per annum, depending on the index of a commodity. The structured deposit is measured at fair value through profit or loss on initial recognition. The Directors consider the fair value of the structured deposit, which is based on the prices the counterparty banks would pay to redeem at 30 June 2019, approximate to the carrying value at 30 June 2019.

The structured deposit has been redeemed in early July 2019. The change in fair value up to the date of redemption is not significant.

For the six months ended 30 June 2019

20. TRADE PAYABLES

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

:	30 June	31 December
	2019	2018
H	ЧК\$′000	HK\$'000
(una	udited)	(audited)
Within three months	-	3

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.

21. OTHER PAYABLES AND ACCRUALS

	30 June 2019 <i>HK\$*000</i> (unaudited)	31 December 2018 <i>HK\$'000</i> (audited)
Accruals	12,318	15,304
Accrued rental and settlement payables (note a)	151,233	128,800
Advance lease payments	1,489	-
Construction cost payables	2,352	2,354
Other tax payables	1,696	424
Receipt in advance (note b)	22,753	17,084
Rental deposits from tenants	5,595	8,067
Other deposits received from Pearl River Film Cultural		
Park's tenants	7,227	7,130
Others	7,121	6,777
	211,784	185,940

For the six months ended 30 June 2019

21. OTHER PAYABLES AND ACCRUALS (Continued)

Notes:

- (a) As at 30 June 2019, accrued rental and settlement payables represent the rental receipt derived from Phase I of the Pearl River Film Cultural Park for the period from 22 March 2016 to 30 June 2019, which amounted to HK\$140,361,000 (31 December 2018: for the period from 22 March 2016 to 31 December 2018, which amounted to HK\$120,954,000) and the related interest accrual using the prevailing People's Bank of China Renminbi Lending Rate, which amounted to HK\$10,872,000 (31 December 2018: HK\$7,846,000).
- (b) In December 2016, a subsidiary of the Company has entered into a memorandum of understanding with Brilliant Link International Limited ("Brilliant Link"), an independent third party and received an advance payment of RMB15,000,000. The advance payment is unsecured, non-interest bearing and has no fixed repayment terms.

On 17 December 2018, Institute of Digital Media Technology (Shenzhen) Limited* (環球數碼 媒體科技研究(深圳)有限公司) ("IDMT Shenzhen") and Foshan Global Digital Media Technology Co., Ltd.* (佛山環球數碼媒體科技有限公司) ("Foshan GDM"), both indirect wholly-owned subsidiaries of the Company, entered into a cooperation agreement (the "Cooperation Agreement") with Foshan Xincai Property Development Co., Ltd.* (佛山信財置業開發有限公司) ("Foshan Xincai") and Brilliant Link, both independent third parties. Pursuant to the Cooperation Agreement, (a) Foshan Xincai agreed to contribute a property located in Foshan to Foshan GDM as capital contribution in exchange for 10% equity interest in Foshan GDM; and (b) Brilliant Link agreed to contribute cash in the amount of RMB26,000,000 in aggregate to Foshan GDM in exchange for 5% equity interest in Foshan GDM. The full amount of the advance payment will form part of the cash consideration payable by Brilliant Link.

During the six months ended 30 June 2019, Foshan GDM has received an additional advance payment of RMB5,000,000 from Brilliant Link.

Details of the above are set out in announcements of the Company dated 17 December 2018 and 25 January 2019. The transactions with Foshan Xincai and Brilliant Link are not yet completed as at the date of this report.

* The English name is for identification purpose only

22. SHARE CAPITAL

Share capital as at 30 June 2019 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.

For the six months ended 30 June 2019

23. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Fair value of the Group's financial asset that is measured at fair value on a recurring basis

Some of the Group's financial asset is measured at fair value at the end of each reporting period. The following table gives information about how the fair values of this financial asset is 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).

	Fair va	llue as at	Fair value	Valuation technique	Relationship of unobservable inputs
Financial asset	30 June 2019	31 December 2018	hierarchy	and key inputs	to fair value
Structured deposit	HK\$22,949,000	-	Level 3	Income approach. The discounted cash flow method was used to capture future economic benefits to be derived from the ownership of these investments	The higher the expected yield, the higher the fair value
				Future cash flows are estimated based on observable bank interest rates of 3.3% and a discount rate that reflects the credit risk of the banks (<i>Note</i>)	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.

For the six months ended 30 June 2019

23. 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 these financial assets and financial liabilities recognised in the condensed consolidated financial statements approximate their fair values.

24. RELATED PARTY TRANSACTIONS

(a) During the six months ended 30 June 2019 and 2018, the Group entered into the following transaction with related parties.

	Three months ended 30 June		Six months ended 30 June	
	2019	2018	2019	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Consultancy fee expenses				
Shougang Holding (Hong Kong)				
Limited	720	-	1,440	-

(b) Compensation of key management personnel

The remuneration of the Directors and other key management personnel during the six months ended 30 June 2019 and 2018 is as follows:

	Three months ended 30 June		Six months ended 30 June	
	2019	2018	2019	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Short-term benefits	1,070	2,383	2,105	4,766
Post-employment benefits	24	91	48	182
	1,094	2,474	2,153	4,948

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.

25. LITIGATIONS

The details of the litigations related to the Alleged Breach of the Pearl River Film Cultural Park are set out in note 13a.

* For identification purpose only



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

INTRODUCTION

We have reviewed the condensed consolidated financial statements of Global Digital Creations Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 5 to 47, which comprise the condensed consolidated statement of financial position as of 30 June 2019 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on GEM 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 these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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 these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



BASIS FOR QUALIFIED CONCLUSION

As disclosed in note 13 to the condensed consolidated financial statements, the Group had completed properties representing Phase I of 珠影文化產業園 (the "Pearl River Film Cultural Park") which was fully derecognised during the year ended 31 December 2018. The Pearl River Film Cultural Park was previously accounted for as investment properties before the derecognition.

On 11 April 2016, 珠江電影製片有限公司 ("Pearl River Film Production") as the plaintiff (the "Plaintiff") 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 Pearl River Film Cultural Park (the "Alleged Breach").

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 "First 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 RMB2,722,000 (equivalent to HK\$3,172,000).

On 16 March 2018, Guangdong Cultural Park received the civil judgment of 中國廣東省高級人 民法院 ("Guangdong Higher People's Court") dated 31 January 2018, which rejected the appeal lodged by Guangdong Cultural Park and upheld the First Civil Judgment. According to this civil judgment, this judgment of Guangdong Higher People's Court is the final judgment ("Final Civil Judgment").

On 7 August 2018, Guangdong Cultural Park received a letter dated 6 August 2018 from Pearl River Film Production's legal representative, which demanded Guangdong Cultural Park to return the entire Pearl River Film Cultural Park (both Phase I and Phase II) and claimed for compensation of related occupation fee and economic loss amounted to RMB143,076,000 (equivalent to HK\$169,521,000). With respect to the condensed consolidated financial statements of the Group for the six-month period ended 30 June 2018, the management of the Company and Guangdong Cultural Park (the "Management") was further negotiating with Pearl River Film Production based on a proposal submitted with the aim to reach a consensus for Guangdong Cultural Park to continue operating Phase I of the Pearl River Film Cultural Park. However, due to the preliminary nature of these further actions to be carried out by the Management (the "Further Actions") at that time, the Management was unable to assess the likelihood of success of the Further Actions and form any conclusion on the final impact of this matter on the Company and Guangdong Cultural Park. These circumstances caused us to disclaim our conclusion on the condensed consolidated financial statements of the Group for the six-month period ended 30 June 2018 due to the potential significant impact of these actions on the condensed consolidated financial statements of the Group.

BASIS FOR QUALIFIED CONCLUSION (Continued)

In September 2018, the corresponding appeal period for the Final Civil Judgement issued by Guangdong Higher People's Court dated 31 January 2018 lapsed. At the end of November 2018, Pearl River Film Production issued a formal demand letter to Guangdong Cultural Park which demanded Guangdong Cultural Park to return the entire Pearl River Film Cultural Park (both Phase I and Phase II) and Pearl River Film Production also attempted to take possession of the Pearl River Film Cultural Park without the consent of the Group (the "November 2018 Incident").

Guangdong Cultural Park continued to account for Phase I of the Pearl River Film Cultural Park as investment properties until 30 November 2018 and record the rentals receivable from lessees as the Group's revenue until 30 November 2018, 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 would remain unchanged and the terms and conditions of the framework agreement governing Phase I of the Pearl River Film Cultural Park would continue to be enforceable.

Upon the lapse of the appeal period for the Final Civil Judgment and the recent actions taken by Pearl River Film Production, on 1 December 2018, the Group decided to derecognise Phase I of the Pearl River Film Cultural Park as investment properties and recognised a loss on derecognition of investment properties of Phase I of the Pearl River Film Cultural Park, which amounted to HK\$411,412,000. The Group has also ceased recognising all revenue derived from the Phase I of the Pearl River Film Cultural Park from 1 December 2018. For the year ended 31 December 2018, the Group has made a provision for the accrued rental and settlement payables which amounted to HK\$95,148,000. As a result of the derecognition of the investment properties of Phase I of the Pearl River Film Cultural Park, the Pearl River Film Cultural Park operation was discontinued with effect from 1 December 2018.

In March 2019, Guangdong Cultural Park received a letter dated 7 March 2019 from Pearl River Film Production, which demanded Guangdong Cultural Park to return the entire Pearl River Film Cultural Park (both Phase I and Phase II) and claimed for related occupation fee.

BASIS FOR QUALIFIED CONCLUSION (Continued)

On 3 and 4 April 2019, Guangdong Cultural Park received two summonses ("Summons I" and "Summons II") both dated 3 April 2019 from 中國廣州市海珠區人民法院 (the "People's Court of Haizhu District") and 中國廣東省廣州市中級人民法院, respectively. According to Summons I. Pearl River Film Production has initiated legal proceedings against Guangdong Cultural Park and has pleaded for a court order to require Guangdong Cultural Park to return the entire Pearl River Film Cultural Park and its facilities and related documents. According to Summons II, Pearl River Film Production has initiated legal proceedings against Guangdong Cultural Park and claimed for property occupation fee of the Pearl River Film Cultural Park and the related interest amounted to RMB148,745,800 and RMB9,593,000, respectively. On 8 April 2019, both Guangdong Cultural Park and 廣州高尚商業經營管理有限公司 ("Gaoshang Property Management"), a non-wholly owned subsidiary of the Company, received a summons ("Summons III") dated 4 April 2019 from the People's Court of Haizhu District. According to Summons III, Pearl River Film Production has initiated legal proceedings against Guangdong Cultural Park and Gaoshang Property Management and claimed for property occupation fee of certain parking spaces of the Pearl River Film Cultural Park and the related interest amounted to RMB26,457,900 and RMB2,520,062, respectively.

In April 2019, Guangdong Cultural Park and Gaoshang Property Management were informed by the People's Court of Haizhu District that in relation to the legal proceedings under Summons III, the court has granted an order to allow Pearl River Film Production's application to preserve two bank accounts of Guangdong Cultural Park and Gaoshang Property Management, respectively. The bank accounts were used by the respective companies for cash receipts and payments in relation to the Pearl River Film Cultural Park and the aggregate deposits in the two bank accounts amounted to HK\$10,245,000 as at 30 June 2019.

In July 2019, Guangdong Cultural Park, as plaintiff, has filed a lawsuit against Pearl River Film Production and claimed for the compensation of damages in respect of the November 2018 Incident and the People's Court of Haizhu District issued the Notice of Case Acceptance on 5 July 2019 and granted an order on 31 July 2019 to freeze the bank deposits of Pearl River Film Production in the amount of RMB10,000,000.

BASIS FOR QUALIFIED CONCLUSION (Continued)

The Group has made a provision for the accrued rental and settlement payables based on management's best estimate on the final settlement amount. In view of the fact that Guangdong Cultural Park and Pearl River Film Production have not yet reached an agreement on the settlement arrangements, we were unable to obtain sufficient appropriate evidence about the accrued rental and settlement payables amounted to HK\$151,233,000 as at 30 June 2019 (31 December 2018: HK\$128,800,000) as disclosed in note 21 to the condensed consolidated financial statements as other payables and accruals. There were no other satisfactory procedures that we could adopt to complete our review of such amounts and the relevant disclosures related to the Pearl River Film Cultural Park. Any adjustment found to be necessary to the condensed consolidated financial statements would affect the net assets as at 30 June 2019 and 31 December 2018 and the financial performance of the Group for the six-month period ended 30 June 2019.

QUALIFIED CONCLUSION

Based on our review, except for the possible effects of the matters described in the Basis for Qualified Conclusion section of our report, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

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 2019 and 30 June 2018 and the relevant explanatory notes included in these condensed consolidated financial statements have not been reviewed in accordance with HKSRE 2410.

Deloitte Touche Tohmatsu *Certified Public Accountants* Hong Kong 8 August 2019

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

For the six months ended 30 June 2019 (the "Period"), the Group recorded a loss attributable to owners of the Company of HK\$504,000 as a whole, representing a decrease of HK\$9,187,000 as compared with the profit attributable to owners of the Company of HK\$8,683,000 for the corresponding period of 2018. The Group's Cultural Park and CG training divisions were classified as discontinued operations at the end of 2018. For the six months ended 30 June 2018, profit attributable to owners of the Company from these discontinued operations was HK\$4,669,000.

Revenue from the continuing operations for the Period amounted to HK\$45,633,000, representing a decrease of HK\$17,945,000 as compared with HK\$63,578,000 for the corresponding period of 2018, which was mainly attributable to the decrease in revenue from original projects and CG production of HK\$14,542,000 and HK\$3,804,000 respectively.

Cost of sales and services from the continuing operations for the Period amounted to HK\$27,697,000, representing a decrease of HK\$14,806,000 as compared with HK\$42,503,000 for the corresponding period of 2018, which was mainly attributable to (1) the significant decrease of HK\$7,149,000 in amortized programme costs of original projects and provision for impairment; and (2) the absence of relevant provision for depreciation and amortization of prepaid lease payments (as the GDC Building located in Shenzhen (the "Shenzhen Building") were transferred to investment properties at fair value at the end of 2018), which reduced relevant cost by HK\$5,672,000 as compared with the corresponding period of last year.

Other income from the continuing operations for the Period amounted to HK\$9,998,000, representing an increase of HK\$349,000 as compared with HK\$9,649,000 for the corresponding period of 2018, which was mainly attributable to the increase in government grants of HK\$291,000.

Distribution costs and selling expenses from the continuing operations for the Period amounted to HK\$1,203,000, representing a decrease of HK\$1,187,000 as compared with HK\$2,390,000 for the corresponding period of 2018, which was mainly attributable to the decrease in promotion costs and travel expenses for the Period.

Administrative expenses from the continuing operations for the Period amounted to HK\$17,447,000 (six months ended 30 June 2018: HK\$18,712,000). The decrease in administrative expenses was mainly attributable to the decrease in staff cost, insurance premium, depreciation, amortization and office operation costs for the Period, which was partly offset by the increase in professional service fees.

FINANCIAL REVIEW (Continued)

Other gains from the continuing operations for the Period of HK\$184,000 (six months ended 30 June 2018: HK\$1,110,000) represented the gain on disposal of fixed assets.

Other expenses for the Period amounted to HK\$8,985,000, being the costs incurred by Pearl River Film Cultural Park. Since the Guangdong Higher People's Court rejected the appeal made by Guangdong Cultural Park in March 2018, Guangdong Cultural Park has conducted a series of negotiations with Pearl River Film Production as the judgment had not indicated the subsequent arrangement of Phase I of Pearl River Film Cultural Park, with the hope to seek a win-win solution to continue the operation of Pearl River Film Cultural Park. However, in the absence of any agreement. Pearl River Film Production attempted to seize the Pearl River Film Cultural Park without the consent of the Group at the end of November 2018. Therefore, the Group decided to derecognize Phase I of Pearl River Film Cultural Park as investment properties and to state the Cultural Park operation as discontinued operation in December 2018. Despite the above accounting treatment and arrangement, the Group and Guangdong Cultural Park still strive to look for all possible solutions to protect their rights and legitimate interests in Pearl River Film Cultural Park. In April 2019, Pearl River Film Production issued a lawsuit requesting the return of Pearl River Film Cultural Park. Until a judgement is awarded, the Group still needs to maintain the normal operation of Phase I of Pearl River Film Cultural Park and therefore expenses such as staff cost and office operation costs were recorded for maintaining the normal operation of the Park. Other expenses also included the litigation costs of HK\$1,390,000 arising from the litigations with Pearl River Film Production (for details, please refer to the notes 13a and 25 to the condensed consolidated financial statements) and provision for the interest of HK\$3,091,000 on accrued rental of Pearl River Film Cultural Park as of 30 June 2019.

The fair value of investment properties from continuing operation for the Period decreased by HK\$1,066,000. As at 30 June 2019, the fair value of investment properties — the Shenzhen Building is determined by qualified independent professional valuer through assessment.

Finance costs from continuing operation for the Period amounted to HK\$274,000. The Group does not have any loans and such finance costs represent cost of the interest of the lease liabilities and rental deposit received as a result of the initial application of HKFRS 16 in 2019 (for details, please refer to note 2.1 to the condensed consolidated financial statements).

BUSINESS REVIEW AND OUTLOOK

CG Creation and Production

The revenue of the CG creation and production division of the Group was mainly generated from production services of animated films and television series, box office receipts and copyrights of original animated films, copyrights of animated television series and businesses derived from animation brands.

During the first half of 2019, the animated film production projects undertaken by our CG creation and production division mainly came from the PRC, including the full production process of two animated television series. Our CG creation and production division also started the intermediate production of a new animated television series. For original film and television series projects, "Happy Little Submarine: Space Pals", the seventh film of the "Happy Little Submarine" series was screened in the PRC during the "1 June" International Children's Day 2019 time slot with box office of approximately RMB24,000,000. The division is currently preparing for a military-themed animated film of "Smart Shunliu" series and the post-production process is underway.

The construction of Foshan Digital Animation Industry Base* (佛山數碼動漫產業基地) was accelerated, and the production team has begun to share the production of animated films and television films with the Shenzhen division, generating synergies for production. In future, a production team of appropriate scale will be established in accordance with the development needs of our creation and production business in order to enhance our competitive advantages in the industry. At the same time, the division intends to establish entrepreneur incubation hub, and the partnering team in the animation industry will be introduced to promote collaboration in clustered industry chain. After entering into a cooperation agreement with the independent third parties in December 2018, the division has received cash contribution in the amount of RMB20.000.000 in aggregate, and as provided under the cooperation agreement. the contracting parties agreed to respectively contribute properties and cash for 10% and 5% of equity interest in Foshan Global Digital Media Technology Co., Ltd.* (佛山環球數碼媒體科技 有限公司), an indirect wholly-owned subsidiary of the Company, and the issuance of the equity interest to the contracting parties will be subject to the issuance of the title certificate of the relevant properties. Please refer to the announcement of the Company dated 17 December 2018 for details of the cooperation agreement.

BUSINESS REVIEW AND OUTLOOK (Continued)

CG Creation and Production (Continued)

The division continued to invest resources in technology research and development, and significantly improved the technology such as scene effect realization, animated character shows, and fantasy visual effects. Extended application of graphics processing unit (GPU) hardware in technical process helps to reduce production cost of film and television series projects. In addition, with the self-developed computer image creation and animation management database system applicable to all processes, a cross-regional multi-team collaboration platform was established.

In terms of intellectual property protection, the division completed three applications for computer software works during the first half of 2019 and has obtained the relevant certificates from National Copyright Administration of the PRC. Valid registration will be processed for the stories and images created by the division to ensure copyright protection. Registration for 31 stories and images was applied and the relevant certificates were obtained.

During the first half of 2019, the division proactively participated in various marketing activities, including "The 17th Hong Kong International Licensing Show (HKILS)", "The 45th Hong Kong Toys & Games Fair", "The 23rd Hong Kong International Film & TV Market (FILMART)", "The China Food & Drinks Fair" in Chengdu, in order to enhance the influence of original IP brands and promote resources cooperation.

During the first half of 2019, the original animated movie "Happy Little Submarine: 20000 Leagues under the Sea" won the 11th Spiritual Civilization Development "Five-one Project" Award in Guangdong Province (廣州省第十一屆精神文明建設「五個一工程」獎). "The Legend of Shangri-Ia", an animated short film, and "Toy Guardians", an animated movie, were selected, as excellent Chinese animation works, to be screened in the "Chinese Cartoons and Comic Art Show in Japan" (「中國動漫日本行」) Event.

In addition, the division extends cooperation in "industry, academia and research sectors" with Institute for Cultural Industries, Shenzhen University and Shenzhen No. 2 Vocational Technical School (深圳市第二職業技術學校) in order to realize development of both college and enterprise and to jointly look for a new model for cultivating talents for professional digital creation.

Looking ahead, in addition to active involvement in the development of original movies, the division will strive to secure production services for international and domestic projects. By effectively drawing upon its production capacity and human resources, the division is expected to maximize the overall efficiencies and achieve sustainable development.

BUSINESS REVIEW AND OUTLOOK (Continued)

Property Leasing and Building Management Services

During the first half of 2019, the consolidated income from the GDC Building of the Group located in Shenzhen amounted to HK\$29,786,000, representing a slight increase by 1% as compared with the corresponding period of last year. The division placed high priority on the management and maintenance of the property and its supporting facilities, equipment and related sites, therefore equipment was inspected regularly. Job satisfaction survey was conducted on tenants, with an average satisfaction rate of 94% for the first half of the year. During the first half of the year, a small number of tenants reduced their office area or opted to relocate to office premise with lower rent, primarily affected by general economic condition. The market expects that numerous new office projects will be available as new supply in the second half of the year with gross floor area over 1,000,000 m². Competition in office rental market will become more intense. Facing the pressure arising from declining occupancy rate and rental rate, the building management team will enhance our service and quality of the building in an active manner and offer diversified solutions to get more bargaining power and to secure a steadily growing rental income.

LITIGATIONS

During the period, Guangdong Cultural Park received two summons dated 3 April 2019 from the People's Court of Haizhu District and the Intermediate People's Court of Guangzhou City of Guangdong Province of the PRC respectively; and each of Guangdong Cultural Park and Gaoshang Property Management received a summon dated 4 April 2019 from the People's Court of Haizhu District. Details of the litigations are set out in notes 13a and 25 to the condensed consolidated financial statements of this report.

To summarize the abovementioned three summons, Pearl River Film Production, as plaintiff, requested Guangdong Cultural Park to return the entire Pearl River Film Cultural Park and its facilities and related documents, and claimed for the payment for property occupation fee of Pearl River Film Cultural Park and related interest (which the plaintiff estimated to be in the amounts of RMB148,745,800 and RMB9,593,000 as of 22 March 2019, respectively) as well as the property occupation fee of certain parking spaces of Pearl River Film Cultural Park in the amount of RMB26,457,900 and related interest (which the plaintiff estimated to be in the amount of RMB2,520,062 as of 27 March 2019). The plaintiff has also applied to the court to preserve the two bank accounts of Guangdong Cultural Park and Gaoshang Property Management and aggregate deposits in the two frozen bank accounts amounted to HK\$10,245,000 as at 30 June 2019.

LITIGATIONS (Continued)

In July 2019, Guangdong Cultural Park, as plaintiff, has filed a lawsuit against Pearl River Film Production and claimed for the compensation of damages of RMB10,000,000 in respect of the November 2018 Incident. The People's Court of Haizhu District issued the Notice of Case Acceptance on 5 July 2019 and granted an order on 31 July 2019 to freeze the bank deposits of Pearl River Film Production in the amount of RMB10,000,000.

As at the date of this report, Guangdong Cultural Park and Gaoshang Property Management have lodged jurisdictional objections to the relevant courts issuing the abovementioned three summons. Conclusions from the courts and the trial dates are still pending. Should there be any significant updates, the Company will make timely disclosure on both the Stock Exchange's website and the Company's website.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2019, the Group had bank balances and cash of HK\$255,723,000 (31 December 2018: HK\$273,133,000), which were mainly denominated in Renminbi, United States dollars and Hong Kong dollars. As at 30 June 2019, the structured deposits amounted to HK\$22,949,000 (31 December 2018: Nil) and restricted bank deposits amounted to HK\$10,245,000 (31 December 2018: Nil).

As at 30 June 2019 and 31 December 2018, the Group had no borrowings or overdrafts. The Group's current ratio was 1.3 (31 December 2018: 1.41), which was calculated based on current assets of HK\$301,762,000 and current liabilities of HK\$232,222,000.

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 will be sufficient to meet its future working capital requirements.

CAPITAL STRUCTURE

The equity attributable to owners of the Company amounted to HK\$432,672,000 as at 30 June 2019 (31 December 2018: HK\$434,421,000). The decrease was attributable to the loss attributable to owners of the Company of HK\$504,000 for the six months ended 30 June 2019, exchange differences of HK\$501,000 on translation of financial statements attributable to owners of the Company from functional currency to presentation currency and the decrease in special reserve of HK\$744,000 as a result of repurchase of the interests in a subsidiary.

MATERIAL ACQUISITIONS, DISPOSALS AND SIGNIFICANT INVESTMENT

The Group did not have any material acquisitions, disposals and significant investment during the six months ended 30 June 2019.

CHARGE ON ASSETS

As at 30 June 2019, 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 incurs costs mainly in Renminbi and Hong Kong dollars. The Directors believe that the Group's operational cash flow and liquidity do 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 2019, the Group had no significant exposure under foreign exchange.

CONTINGENT LIABILITIES

Save for the litigation disclosed in Notes 13a and 25 to the condensed consolidated financial statements, the Group had no significant contingent liabilities as at 30 June 2019.

EMPLOYEES

As at 30 June 2019, the Group employed 263 (31 December 2018: 287) 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 2019, 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 2019 (six months ended 30 June 2018: 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 2019.

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

As at 30 June 2019, 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:

Number of shares/underlying shares Approximate held in the Company percentage of total issued Interests Capacity in which Interests under equity Total share capital of Name of Director interests are held in shares derivatives the Company interests Mr. Chen Zhena **Beneficial owner** 185.988.200 185 988 200 12 25% Mr. Kwong Che Keung, Gordon Beneficial owner 10,800,820 10,800,820 0.71% Mr. Xiao Yong Beneficial owner 380.000 380,000 0.03%

LONG POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

Save as disclosed above, as at 30 June 2019, 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 2019 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 2019, 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:

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 Group Co., Ltd. ("Shougang Group")	Interests of controlled corporations	619,168,023 <i>(Note)</i>	40.78%
Shougang Holding (Hong Kong) Limited ("Shougang Holding")	Interests of controlled corporations	619,168,023 <i>(Note)</i>	40.78%
Upper Nice Assets Ltd. ("Upper Nice")	Beneficial owner	619,168,023 <i>(Note)</i>	40.78%

LONG POSITIONS IN THE SHARES OF THE COMPANY

Note: Upper Nice is a wholly-owned subsidiary of Shougang Holding which is in turn wholly-owned by Shougang Group. Accordingly, all these corporations are deemed to be interested in the share capital of the Company which Upper Nice is interested under the SFO.

Save as disclosed above, as at 30 June 2019, the Company has not been notified of any other person or corporations (other than the Directors and chief executives 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 under the Share Option Scheme 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 2019, none of the Directors had an interest in a business (other than those businesses where the Director was appointed as a director 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 Company has complied with the code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 15 to the GEM Listing Rules throughout the six months ended 30 June 2019, except for a deviation from the code provision A.2.1 of the CG Code.

Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The Company deviates from this code provision in that Ms. Cheng Xiaoyu, being the Chairman of the Board and the Managing Director of the Company, who also performs the functions of the chief executive officer of the Company. The Board believes that the balance of power and authority under such arrangement would not be impaired and would continue to be adequately ensured by the current Board which comprises experienced and high calibre individuals with sufficient number thereof being Independent Non-executive Directors.

COMPLIANCE WITH CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code 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 2019.

CHANGES IN DIRECTORS' INFORMATION

Pursuant to Rule 17.50A(1) of the GEM Listing Rules, the changes in information of Directors subsequent to the date of the Company's annual report 2018 are as follows:

- 1. Mr. Jin Guo Ping retired as the executive Director of the Company on 23 May 2019.
- The salary of Ms. Cheng Xiaoyu, the Chairman of the Board and the Managing Director of the Company, was increased to HK\$220,000 per month with effect from 24 June 2019.
- 3. Mr. Xiao Yong was appointed as an executive Director and a member of the executive committee of the Company with effect from 24 June 2019.
- 4. Mr. Zheng Xiaodong was appointed as an independent non-executive Director of the Company with effect from 24 June 2019.

AUDIT COMMITTEE

The Group's interim results for the six months ended 30 June 2019 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 2019 interim results of the Group. The Audit Committee together with the Auditor and the management of the Company have reviewed the unaudited interim results of the Group for the six months ended 30 June 2019.

Regarding the qualified conclusion on the Group's condensed consolidated financial statements for the six months ended 30 June 2019 (the "Qualified Conclusion") made by the Auditor, the Audit Committee and the management of the Company have no disagreement with the Auditor's view. Please refer to the section headed "Basis for Qualified Conclusion" of the Report on Review of Condensed Consolidated Financial Statements of this report for details of the Qualified Conclusion.

APPRECIATION

On behalf of the Board, I would like to extend our sincere gratitude to our shareholders, business partners and clients for their utmost support to the Group. I would also like to take this opportunity to extend my gratitude and appreciations to management members and all of the staff of the Group for their hard work and dedication throughout the period.

By Order of the Board **Cheng Xiaoyu** *Chairman and Managing Director*

Hong Kong, 8 August 2019