



環球數碼

Global Digital Creations Holdings Limited

環球數碼創意控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 8271)



INTERIM REPORT
2016

** For identification purpose only*

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

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CORPORATE INFORMATION

Board of Directors

Executive Directors

Mr. Li Shaofeng (*Chairman*)
Mr. Chen Zheng (*Chief Executive Officer*)
Mr. Jin Guo Ping (*Vice President*)
Ms. Cheng Xiaoyu (*Vice President*)

Non-executive Director

Mr. Leung Shun Sang, Tony

Independent Non-executive Directors

Mr. Kwong Che Keung, Gordon
Prof. Japhet Sebastian Law
Mr. Lam Yiu Kin

Executive Committee

Mr. Li Shaofeng (*Chairman*)
Mr. Chen Zheng
Mr. Jin Guo Ping
Ms. Cheng Xiaoyu

Audit Committee

Mr. Kwong Che Keung, Gordon (*Chairman*)
Prof. Japhet Sebastian Law
Mr. Lam Yiu Kin

Nomination Committee

Mr. Li Shaofeng (*Chairman*)
Mr. Leung Shun Sang, Tony (*Vice Chairman*)
Mr. Kwong Che Keung, Gordon
Prof. Japhet Sebastian Law
Mr. Lam Yiu Kin

Remuneration Committee

Prof. Japhet Sebastian Law (*Chairman*)
Mr. Li Shaofeng (*Vice Chairman*)
Mr. Leung Shun Sang, Tony
Mr. Kwong Che Keung, Gordon
Mr. Lam Yiu Kin

Compliance Officer

Mr. Chen Zheng

Company Secretary

Ms. Kam Man Yi, Margaret

CORPORATE INFORMATION *(Continued)*

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

INTERIM RESULTS

The Board of Directors of the Company (the "Board") hereby reports the unaudited condensed consolidated financial results of the Company and its subsidiaries (the "Group") for the three and six months ended 30 June 2016 with comparative figures for the corresponding period in the year 2015.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2016

	NOTES	Three months ended 30 June		Six months ended 30 June	
		2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
Revenue	4	38,586	59,618	73,282	102,352
Cost of sales		(19,607)	(33,925)	(39,500)	(59,195)
Gross profit		18,979	25,693	33,782	43,157
Other income	5	6,968	2,649	8,922	5,220
Distribution costs and selling expenses		(1,092)	(9,806)	(1,805)	(11,652)
Administrative expenses		(18,875)	(12,885)	(35,770)	(31,046)
Finance costs	6	-	(1,100)	-	(2,355)
Other gains and losses	7	12	5,519	262	25,018
Profit before tax		5,992	10,070	5,391	28,342
Income tax expense	8	(2,163)	(2,632)	(3,716)	(3,363)
Profit for the period	9	3,829	7,438	1,675	24,979
Other comprehensive (expenses) income:					
Item that will not be reclassified to profit or loss:					
Exchange differences on translation of financial statements from functional currency to presentation currency		(27,630)	36	(19,994)	36
Items that may be reclassified subsequently to profit or loss:					
Decrease in fair value of available-for-sale investment		(3,210)	(445)	(3,210)	(445)
Cumulative gain reclassified to profit or loss on sale of available-for-sale investment		-	-	-	(20,789)
		(3,210)	(445)	(3,210)	(21,234)
Other comprehensive expenses for the period		(30,840)	(409)	(23,204)	(21,198)
Total comprehensive (expenses) income for the period		(27,011)	7,029	(21,529)	3,781

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

For the six months ended 30 June 2016

	NOTE	Three months ended 30 June		Six months ended 30 June	
		2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
Profit for the period attributable to:					
Owners of the Company		3,776	6,064	735	21,461
Non-controlling interests		53	1,374	940	3,518
		3,829	7,438	1,675	24,979
Total comprehensive (expenses) income for the period attributable to:					
Owners of the Company		(25,375)	5,647	(21,248)	255
Non-controlling interests		(1,636)	1,382	(281)	3,526
		(27,011)	7,029	(21,529)	3,781
		HK cents	HK cents	HK cents	HK cents
Earnings per share	11				
Basic		0.25	0.40	0.05	1.41

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2016

	NOTES	30 June 2016 HK\$'000 (unaudited)	31 December 2015 HK\$'000 (audited)
Non-current assets			
Property, plant and equipment	12	216,796	233,148
Investment properties	13	512,454	524,073
Prepaid lease payments		5,121	5,303
Available-for-sale investments	14	583	23,040
Other receivables and deposits	15	23,337	23,866
Restricted bank deposit	16	6,694	–
		764,985	809,430
Current assets			
Productions work in progress		10,959	4,988
Amounts due from customers for contract work		3,619	6,654
Trade receivables	17	20,347	32,147
Other receivables and deposits	15	7,412	9,085
Prepaid lease payments		128	131
Available-for-sale investment	14	19,234	–
Structured deposits	19	162,277	147,618
Bank balances and cash		114,582	137,317
		338,558	337,940
Current liabilities			
Advances from customers		4,821	6,872
Amounts due to customers for contract work		525	507
Trade payables	20	1,620	2,393
Other payables and accruals		47,563	63,035
Tax liabilities		10,925	10,063
Derivative financial instrument	18	16,879	–
Deferred income		4,959	8,516
		87,292	91,386
Net current assets		251,266	246,554
Total assets less current liabilities		1,016,251	1,055,984

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

At 30 June 2016

	NOTES	30 June 2016 HK\$'000 (unaudited)	31 December 2015 HK\$'000 (audited)
Non-current liabilities			
Deferred income		158	466
Deferred tax liabilities		40,377	41,595
Derivative financial instrument	18	–	16,678
		40,535	58,739
Net assets			
		975,716	997,245
Capital and reserves			
Share capital	21	15,183	15,183
Reserves		907,403	928,651
Equity attributable to owners of the Company		922,586	943,834
Non-controlling interests		53,130	53,411
Total equity			
		975,716	997,245

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2016

	Attributable to owners of the Company										Non-controlling interests HK\$'000	Total HK\$'000
	Share capital HK\$'000	Share premium reserve HK\$'000	Capital contribution reserve HK\$'000 (Note a)	Contributed surplus reserve HK\$'000 (Note b)	Statutory reserve HK\$'000 (Note c)	Investment revaluation reserve HK\$'000	Exchange reserve HK\$'000	Special reserve HK\$'000 (Note d)	Retained earnings HK\$'000	Sub-total HK\$'000		
At 1 January 2016 (audited)	15,183	75,856	445	245,881	1,953	5,565	13,796	(1,209)	586,364	943,834	53,411	997,245
Profit for the period	-	-	-	-	-	-	-	-	735	735	940	1,675
Exchange differences on translation of financial statements from functional currency to presentation currency	-	-	-	-	-	-	(18,773)	-	-	(18,773)	(1,221)	(19,994)
Decrease in fair value of available-for-sale investment	-	-	-	-	-	(3,210)	-	-	-	(3,210)	-	(3,210)
Other comprehensive expenses for the period	-	-	-	-	-	(3,210)	(18,773)	-	-	(21,983)	(1,221)	(23,204)
Total comprehensive (expenses) income for the period	-	-	-	-	-	(3,210)	(18,773)	-	735	(21,248)	(281)	(21,529)
At 30 June 2016 (unaudited)	15,183	75,856	445	245,881	1,953	2,355	(4,977)	(1,209)	587,099	922,586	53,130	975,716
At 1 January 2015 (audited)	15,183	75,856	445	245,881	1,107	25,986	53,644	(1,209)	576,216	993,109	46,631	1,039,740
Profit for the period	-	-	-	-	-	-	-	-	21,461	21,461	3,518	24,979
Exchange differences on translation of financial statements from functional currency to presentation currency	-	-	-	-	-	-	28	-	-	28	8	36
Decrease in fair value of available-for-sale investment	-	-	-	-	-	(445)	-	-	-	(445)	-	(445)
Cumulative gain reclassified to profit or loss on sale of available-for-sale investment	-	-	-	-	-	(20,789)	-	-	-	(20,789)	-	(20,789)
Other comprehensive (expenses) income for the period	-	-	-	-	-	(21,234)	28	-	-	(21,206)	8	(21,198)
Total comprehensive (expenses) income for the period	-	-	-	-	-	(21,234)	28	-	21,461	255	3,526	3,781
At 30 June 2015 (unaudited)	15,183	75,856	445	245,881	1,107	4,752	53,672	(1,209)	597,677	983,364	50,157	1,043,521

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

For the six months ended 30 June 2016

Notes:

- (a) Capital contribution reserve represents accumulated effect of imputed interest on amount due to other related party.
- (b) Contributed surplus reserve represents (1) the difference between the nominal value of share capital of the Company and the aggregate amount of nominal value of share capital of subsidiaries acquired by the Company through an exchange of shares pursuant to a group reorganisation, which was completed on 31 December 2002, amounting to approximately HK\$40,271,000 and; (2) the transfer of the share premium reserve of approximately HK\$589,670,000 as at 31 December 2007 to contributed surplus reserve which was applied to eliminate the deficit of the Company of approximately HK\$384,060,000 as at 31 December 2007, in accordance to a special resolution passed by shareholders of the Company at the special general meeting of the Company held on 6 June 2008.
- (c) As stipulated by the rules and regulations in the People's Republic of China (the "PRC", for the purpose of these condensed consolidated financial statements, does not include Hong Kong, Macau and Taiwan), the subsidiaries of the Company established in the PRC are required to appropriate 10% of their after-tax profit (after offsetting prior years' losses) to a general reserve fund until the balance of the fund reaches 50% of their registered capital thereafter any further appropriation is optional and is determinable by the companies' boards of directors.
- (d) The special reserve represents (1) the difference between the proceed and the carrying amount of the net assets attributable to the disposal of partial interest in a PRC subsidiary during the year ended 31 December 2012 amounting to approximately HK\$39,000 and; (2) the difference between the proceed and the carrying amount of the net liabilities attributable to the additional interest in a PRC subsidiary being acquired from a non-controlling shareholder during the year ended 31 December 2014 amounting to approximately HK\$1,248,000.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2016

	Six months ended 30 June	
	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
Operating activities		
Profit before tax	5,391	28,342
Adjustments for:		
Gain on disposal of available-for-sale investment	–	(20,789)
Increase in fair value of held-for-trading investments	–	(6,265)
Loss on fair value changes of derivative financial instrument	201	2,117
Adjustments for non-cash items	(1,879)	7,218
	<hr/>	<hr/>
Operating cashflow before movements in working capital	3,713	10,623
Decrease (increase) in amounts due from customers for contract work	4,202	(3,437)
Decrease in trade receivables	11,087	3,853
Decrease (increase) in other receivables and deposits	1,471	(2,256)
Decrease in held-for-trading investments	–	21,982
Increase (decrease) in amounts due to customers for contract work	65	(1,039)
(Decrease) increase in trade payables	(720)	1,061
Decrease in other payables and accruals	(3,804)	(9,108)
Other operating cash flows	(7,337)	1,981
	<hr/>	<hr/>
Cash generated from operations	8,677	23,660
Income tax paid	(2,914)	(448)
	<hr/>	<hr/>
Net cash from operating activities	5,763	23,212
	<hr/>	<hr/>
Investing activities		
Purchases of structured deposits	(454,922)	(857,525)
Settlement of construction cost payables	(10,833)	(4,430)
Purchases of property, plant and equipment	(1,905)	(3,641)
Additions in investment properties	–	(5,675)
Redemption of structured deposits	437,134	833,188
Proceeds from disposal of available-for-sale investments	–	88,303
Repayments from loan to a third party	–	25,000
Other investing cash flows	2,335	3,161
	<hr/>	<hr/>
Net cash (used in) from investing activities	(28,191)	78,381
	<hr/>	<hr/>
Financing activities		
Repayment of bank borrowings	–	(22,500)
Interest paid	–	(2,355)
	<hr/>	<hr/>
Cash used in financing activities	–	(24,855)
	<hr/>	<hr/>
Net (decrease) increase in cash and cash equivalents	(22,428)	76,738
Cash and cash equivalents at beginning of the period	137,317	98,043
Effect of foreign exchange rate changes	(307)	73
	<hr/>	<hr/>
Cash and cash equivalents at end of the period, comprising bank balances and cash	114,582	174,854
	<hr/>	<hr/>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 (“HKAS 34”) Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) as well as with the applicable disclosure requirements of Chapter 18 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “GEM Rules”).

2. PRINCIPAL ACCOUNTING POLICIES

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

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2016 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2015.

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

3. SEGMENT INFORMATION

Information reported to the Chief Executive Officer of the Company, being the chief operating decision maker (“CODM”), for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. The Group is currently organised into three operating divisions. These operating divisions are the basis upon which the information that is regularly reviewed by the CODM is prepared and are analysed under HKFRS 8 as follows:

- Computer graphic (“CG”) creation and production – CG creation and production, exhibition of television series and movies as well as property rental income and building management service fee income
- CG training – provision of CG and animation training
- Cultural park – culture, entertainment and related commercial property investment

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2016

3. SEGMENT INFORMATION (Continued)

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

Six months ended 30 June 2016 (unaudited)

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

Six months ended 30 June 2015 (unaudited)

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

Segment revenue reported above represents revenue generated from external customers.

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

Segment assets

	30 June 2016 HK\$'000 (unaudited)	31 December 2015 HK\$'000 (audited)
CG creation and production	<u>435,688</u>	<u>460,147</u>
CG training	<u>4,188</u>	<u>6,681</u>
Cultural park	<u>558,113</u>	<u>571,132</u>
Total segment assets	<u>997,989</u>	<u>1,037,960</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2016

4. REVENUE

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

	Three months ended 30 June		Six months ended 30 June	
	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
Revenue from contracts for CG creation and production (note)	12,895	30,148	21,489	44,722
Rental and building management service fee income	23,894	23,898	48,640	48,661
CG training fee	1,797	5,572	3,153	8,969
	38,586	59,618	73,282	102,352

Note: During the six months ended 30 June 2015, an amount of approximately HK\$15,264,000 was attributable to revenue from the release of an animated film based on an agreed sharing percentage of the box office receipts. No animated film has been released during the six months ended 30 June 2016.

5. OTHER INCOME

	Three months ended 30 June		Six months ended 30 June	
	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
Interest income	1,085	1,563	2,135	3,143
Government grants (note)	5,871	1,020	6,728	1,919
Others	12	66	59	158
	6,968	2,649	8,922	5,220

Note: During the six months ended 30 June 2016, government grants mainly represent subsidies of HK\$3,845,000 (six months ended 30 June 2015: HK\$1,794,000) on computer equipment acquisition and specified projects which are amortised to profit or loss on a straight-line basis over the estimated useful life of the acquired assets or upon the completion of the relevant projects.

In addition, an amount of HK\$2,883,000 (six months ended 30 June 2015: HK\$125,000) received from the relevant PRC authorities in PRC, of which an amount of HK\$511,000 (six months ended 30 June 2015: HK\$125,000) is incentive payments or subsidies to the Group whereby no future related cost is required or expected to be made, and the remaining amount of HK\$2,372,000 (six months ended 30 June 2015: nil) was intended to compensate for the insurance expense incurred by the Group primarily in CG production and exhibition of motion pictures.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2016

6. FINANCE COSTS

	Three months ended 30 June		Six months ended 30 June	
	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
Interest on bank borrowings	–	1,100	–	2,355

7. OTHER GAINS AND LOSSES

	Three months ended 30 June		Six months ended 30 June	
	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
Gain on disposal of available-for-sale investment	–	–	–	20,789
Changes in fair value of held-for-trading investments (note)	–	7,870	–	6,265
Loss on fair value changes of derivative financial instrument	(201)	(2,117)	(201)	(2,117)
Changes in fair value of structured deposits	190	(111)	440	204
Gain (loss) on disposal of property, plant and equipment	23	(123)	23	(123)
	12	5,519	262	25,018

Note: During the six months ended 30 June 2015, an amount of HK\$6,265,000 was attributable to the realised gain on fair value change of held-for-trading investments. All held-for-trading investments were disposed in 2015.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2016

8. INCOME TAX EXPENSE

	Three months ended 30 June		Six months ended 30 June	
	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
PRC Enterprise Income Tax ("EIT"):				
Current tax	2,619	3,306	3,975	4,037
Under(over) provision in prior years	42	(674)	42	(674)
Deferred tax	(498)	–	(301)	–
	2,163	2,632	3,716	3,363

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

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the EIT rate of the Group's PRC subsidiaries is 25% from 1 January 2008 onwards, except for the subsidiary described below.

According to the Circular of State Council for the tax policies on the animation enterprise (Caishui [2009] No. 65), the PRC subsidiaries which qualified as animation enterprise are entitled to tax concession, whereby their applicable tax rate will progressively increase to 25%. The tax concession will expire in 2016. One of the PRC subsidiaries was able to enjoy a preferential tax rate at 12.5% from 2014 til 2016 as it was qualified as animation enterprise. For the six months ended 30 June 2016, the relevant tax rates for the Group's subsidiaries in the PRC was ranged from 12.5% to 25% (six months ended 30 June 2015: 12.5% to 25%).

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2016

9. PROFIT FOR THE PERIOD

	Three months ended 30 June		Six months ended 30 June	
	2016	2015	2016	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Profit for the period has been arrived at after charging (crediting):				
Amortisation of prepaid lease payments	32	34	64	69
Depreciation of property, plant and equipment	6,054	5,788	13,180	11,479
Less: amounts included in contract costs	(616)	(652)	(1,352)	(1,479)
amounts included in productions work in progress	(234)	(31)	(634)	(63)
	<u>5,204</u>	<u>5,105</u>	<u>11,194</u>	<u>9,937</u>
Advertising expenses (included in distribution costs and selling expenses)	390	9,005	589	9,619
Net exchange (gain) loss	(56)	(286)	(41)	2,541
Total staff costs	24,017	24,401	49,900	50,952
Less: amounts included in contract costs	(4,415)	(4,062)	(8,691)	(9,864)
amounts included in productions work in progress	(2,247)	(327)	(4,890)	(553)
	<u>17,355</u>	<u>20,012</u>	<u>36,319</u>	<u>40,535</u>
Contract costs recognised as an expense				
Staff costs	8,331	9,398	17,078	18,549
Others	1,895	12,249	2,150	17,230
	<u>10,226</u>	<u>21,647</u>	<u>19,228</u>	<u>35,779</u>

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

For the six months ended 30 June 2016

10. DIVIDENDS

The board of Directors does not recommend the payment of an interim dividend for the six months ended 30 June 2016 (six months ended 30 June 2015: nil).

11. EARNINGS PER SHARE

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

	Three months ended 30 June		Six months ended 30 June	
	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
Earnings				
Earnings for the purposes of basic earnings per share (profit for the period attributable to owners of the Company)	3,776	6,064	735	21,461
	'000	'000	'000	'000

Number of shares

Number of ordinary shares in issue for the purposes of basic earnings per share

1,518,256	1,518,256	1,518,256	1,518,256
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No diluted earnings per share has been presented for both periods as there were no potential ordinary shares in issue.

12. PROPERTY, PLANT AND EQUIPMENT

	Carrying values	
	2016 HK\$'000	2015 HK\$'000
At 1 January (audited)	233,148	263,729
Exchange realignment	(4,900)	(23)
Additions	1,905	3,641
Depreciation for the period	(13,180)	(11,479)
Disposals	(177)	(141)
At 30 June (unaudited)	216,796	255,727

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2016

13. INVESTMENT PROPERTIES

	Completed properties		Properties interest under construction		Total	
	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000
At 1 January (audited)	437,590	462,500	86,483	79,850	524,073	542,350
Exchange realignment	(9,702)	-	(1,917)	(14)	(11,619)	(14)
Additions	-	-	-	5,675	-	5,675
At 30 June (unaudited)	427,888	462,500	84,566	85,511	512,454	548,011

The investment properties represent the Group's interest held under an operating lease on a property project based on a framework agreement on 28 March 2007 (as supplemented on 3 April 2008) (the "Framework Agreement") entered into by 廣東環球數碼創意產業有限公司 ("Guangdong Cultural Park"), a subsidiary of the Company and 珠江電影製片有限公司 ("Pearl River Film Production"), a limited liability company established in the PRC and a state-owned enterprise, to redevelop 珠影文化產業園 ("Pearl River Film Cultural Park").

Pearl River Film Production, as the landlord of the Pearl River Film Cultural Park, agreed to grant the property leasing right to Guangdong Cultural Park, in return for predetermined monthly payments from Guangdong Cultural Park for a term up to 31 December 2045. Guangdong Cultural Park is responsible for the design, financing, construction and operation of the Pearl River Film Cultural Park and the funding of the entire construction project. Upon the expiration of the Framework Agreement, Guangdong Cultural Park has to return all properties to Pearl River Film Production.

The Pearl River Film Cultural Park is located at No. 352 and 354, Xin Gang Zhong Road, Guangzhou, the PRC and the present land use right is owned by Pearl River Film Production. After the redevelopment, the whole Pearl River Film Cultural Park project will have a commercial area, a cultural entertainment area and a film production and development area, which will be held for investment purpose. As at 30 June 2016, Phase I of the Pearl River Film Cultural Park was completed and included as completed properties as further described below.

The properties interest under construction represent Phase II of the Pearl River Film Cultural Park which is to be developed as an entertainment and film production and development area and is stated at cost which mainly includes capitalised lease expenses and construction costs as the fair value cannot be reliably measured as at 30 June 2016 and 31 December 2015. The original period during which construction was to be completed in accordance with the Framework Agreement has expired. Pearl River Film Production has initiated legal proceedings against Guangdong Cultural Park in the Intermediate People's Court of Guangzhou City of Guangdong Province of the PRC (中國廣東省廣州市中級人民法院) ("Guangzhou Intermediate People's Court") in respect of an alleged breach of the Framework Agreement governing the lease and reconstruction of the related land (the "Alleged Breach") and compensation of damages. Guangdong Cultural Park denied Pearl River Film Production's accusations and the responsibility of the Alleged Breach and filed a counterclaim against Pearl River Film Production in Guangzhou Intermediate People's Court in May 2016 to demand Pearl River Film Production to continue executing the Framework Agreement and compensation of damages (please refer to note 25(1)(a) and note 25(1)(b) for details).

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

For the six months ended 30 June 2016

13. INVESTMENT PROPERTIES *(Continued)*

With the permission of the Guangzhou Intermediate People's Court, the Group has entered into settlement negotiations with Pearl River Film Production on the future development direction including but not limited to the extension of the original construction period, reassessment of the future development plan of these properties or returning the captioned properties interest under construction to Pearl River Film Production at a price to be agreed between the parties. As at the date of approval of these condensed consolidated financial statements, the settlement negotiations are still in progress and no conclusion has been reached between the parties. Based on the legal advice received from the PRC legal advisors and Pearl River Film Production's willingness to enter into settlement negotiations with the Group, the management considers that an agreement will be reached between the parties, and as such no impairment in respect of properties interest under construction has been recognised. However, the ultimate outcomes of the settlement negotiations and the related lawsuits between Pearl River Film Production and Guangdong Cultural Park cannot be assessed at this stage, and accordingly there may be an impact on the carrying value of the properties interest under construction and provision for compensation of damages depending on the ultimate conclusion of the settlement negotiations and the related lawsuits.

The completed properties represent Phase I of the Pearl River Film Cultural Park which is a prime shopping mall and are stated at the fair value as at 30 June 2016 and 31 December 2015. The fair value as at 30 June 2016 and 31 December 2015 has been arrived at on the basis of a valuation carried out on the respective dates by the management of the Group and Assets Appraisal Limited ("Asset Appraisal"), independent qualified professional valuers not connected with the Group, respectively. The valuation carried out by the management of the Group on 30 June 2016 has been performed with reference to the valuation technique carried out by Asset Appraisal on 31 December 2015.

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

There has been no change from the valuation technique used in prior year and no change in fair value of investment properties has been recognised directly in profit or loss for the six months ended 30 June 2016.

Key inputs used in valuing the investment properties include discount rate which ranges from 6.5% to 7% (31 December 2015: 6.5% to 7%) or risk premium of 5% (31 December 2015: 5%) and market rental ranges from RMB44 to RMB500 (31 December 2015: RMB44 to RMB500) per square metre per month or land yield rate of 6.5% (31 December 2015: 6.5%). An increase in the discount rate or risk premium and market rental or land yield rate would result in a decrease and increase, respectively, in fair value measurement of the investment properties, and vice versa.

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

For the six months ended 30 June 2016

13. INVESTMENT PROPERTIES *(Continued)*

Details of the Group's investment properties and information about the fair value hierarchy as at 30 June 2016 and 31 December 2015 are as follows:

	Level 3 HK\$'000	Fair value as at 30 June 2016 HK\$'000
Pearl River Film Cultural Park Phase I	<u>427,888</u>	<u>427,888</u>
		Fair value as at 31 December
	Level 3 HK\$'000	2015 HK\$'000
Pearl River Film Cultural Park Phase I	<u>437,590</u>	<u>437,590</u>

There was no transfer between different levels during the period.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2016

14. AVAILABLE-FOR-SALE INVESTMENTS

	30 June 2016 HK\$'000 (unaudited)	31 December 2015 HK\$'000 (audited)
2.28% equity interest in GDC Technology Limited ("GDC Tech") (2015: 2.28%) (note)	19,234	22,444
5% equity interest in a private entity established in the PRC	583	596
	19,817	23,040
Analysed for reporting purpose as:		
Current	19,234	–
Non-current	583	23,040
	19,817	23,040

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

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

On 26 February 2015, all the conditions precedent had been fulfilled and pursuant to the sale and purchase agreement, 23,823,822 GDC Tech shares were disposed of to Huayi Brothers at US\$0.4778 per share and the cumulative gain amounted to approximately HK\$20,789,000 previously accumulated in the investment revaluation reserve was reclassified to profit or loss. Pursuant to the sale and purchase agreement, the remaining 5,955,955 GDC Tech shares shall be sold and transferred to Huayi Brothers in 2017 at US\$0.4778 per share, subject to adjustment with regards to the terms and conditions of the sale and purchase agreement.

As at 30 June 2016, the fair value of this available-for-sale investment has been arrived at on the basis of a valuation carried out by the management with reference to the valuation technique carried out by Asset Appraisal on 31 December 2015. The fair value is determined based on market approach by comparison of valuation multiples of similar companies as available in the relevant markets and a fair value loss of approximately HK\$3,210,000 is recognised under investment revaluation reserve. Approximately HK\$19,234,000 is reclassified to current assets based on the terms of sale and purchase agreement that the remaining 5,955,955 GDC Tech shares shall be sold and transferred to Huayi Brothers in first half of 2017. The related derivative financial instrument, which initially recognised at fair value on 26 February 2015 when derivative contract is entered into, is subsequently remeasured to its fair value at the end of the subsequent reporting period with details set out in note 18.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2016

15. OTHER RECEIVABLES AND DEPOSITS

	30 June 2016 HK\$'000 (unaudited)	31 December 2015 HK\$'000 (audited)
Deposits	24,187	25,004
Other receivables and prepayment	6,562	7,947
	30,749	32,951
Analysed for reporting purposes as:		
Current	7,412	9,085
Non-current (note)	23,337	23,866
	30,749	32,951

Note: The non-current deposit was paid by Guangdong Cultural Park to Pearl River Film Production of RMB20,000,000 (equivalent to HK\$23,337,000) (31 December 2015: RMB20,000,000 equivalent to HK\$23,866,000) for the development of the Pearl River Film Cultural Park in 2010. The deposit is refundable upon the completion of the entire project.

16. RESTRICTED BANK DEPOSIT

During the current period, the Guangzhou Intermediate People's Court granted an order to preserve the bank deposit of Guangdong Cultural Park and the bank account was frozen on 6 May 2016 pursuant to the legal proceedings against Guangdong Cultural Park in respect of an Alleged Breach (please refer to note 25(1)(a) for details). The restricted bank deposit has been classified as non-current asset as the ultimate outcomes of the settlement negotiations and the related lawsuits cannot be assessed at this stage.

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

For the six months ended 30 June 2016

17. TRADE RECEIVABLES

	30 June 2016 HK\$'000 (unaudited)	31 December 2015 HK\$'000 (audited)
Trade receivables	20,347	32,147

Except for rental income receivable from tenants, which is due for settlement upon issue of invoices, the Group allows different credit periods to its trade customers, ranging from 30 days to 120 days, depending on the type of products sold or services provided.

The following is an aged analysis at the end of the reporting period of the trade receivables, net of allowance for doubtful debts presented based on the invoice date:

	30 June 2016 HK\$'000 (unaudited)	31 December 2015 HK\$'000 (audited)
Within three months	17,623	31,908
Three to six months	1,867	–
Over six months	857	239
	20,347	32,147

18. DERIVATIVE FINANCIAL INSTRUMENT

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

The fair value of the derivative financial instrument as at 30 June 2016 has been arrived at on the basis of a valuation carried out by the management with reference to the valuation technique carried out by Asset Appraisal on 31 December 2015. The fair value is determined with reference to the future income flows which are estimated based on underlying projected financial performance of GDC Tech and the price adjustment formula set out in the sale and purchase agreement. At the end of the reporting period, the derivative financial instrument was stated at fair value of HK\$16,879,000.

The derivative financial instrument is reclassified to current liabilities based on the terms of the sale and purchase agreement that the remaining 5,955,955 GDC Tech shares shall be sold and transferred to Huayi Brothers in first half of 2017.

The details of fair value measurement of the derivative financial instrument is disclosed on note 23.

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

For the six months ended 30 June 2016

19. STRUCTURED DEPOSITS

	30 June 2016	31 December 2015
	HK\$'000	HK\$'000
	(unaudited)	(audited)
Principal-protected financial products	162,277	147,618

The structured deposits as at 30 June 2016 and 31 December 2015 are principal-protected deposits issued by banks in the PRC. As at 30 June 2016, the principal-protected deposits carried interest rates ranging from 2.2% to 3.3% (31 December 2015: 2.6% to 3.5%) per annum, depending on the market prices of financial instruments, including money market instruments and debt instruments. The structured deposits are designated at FVTPL on initial recognition as they contain non-closely related embedded derivative. The directors of the Company ("Directors") consider the fair values of the structured deposits, which are determined on the prices the counterparty banks would pay to redeem at 30 June 2016, approximate to their carrying values at 30 June 2016. The fair value of the structured deposits was classified as Level 2 of the fair value hierarchy. There were no transfers between Level 1 and 2 during the period.

The structured deposits of approximately HK\$122,962,000 have been redeemed by end of July 2016. The change in fair value up to the date of redemption is not significant. The structured deposit of approximately HK\$39,315,000 will be redeemed in August 2016. The change in fair value up to the date of report is not significant.

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

For the six months ended 30 June 2016

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 2016 HK\$'000 (unaudited)	31 December 2015 HK\$'000 (audited)
Within three months	722	614
Three to twelve months	12	893
Over one year	886	886
	1,620	2,393

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. SHARE CAPITAL

Share capital as at 30 June 2016 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.

22. CAPITAL COMMITMENTS

	30 June 2016 HK\$'000 (unaudited)	31 December 2015 HK\$'000 (audited)
Capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of investment properties	8,134	8,342

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2016

23. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

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

Some of the Group's financial assets and financial liability are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liability are determined (in particular, the valuation techniques 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).

Financial assets/ financial liability	30 June 2016	Fair value as at 31 December 2015	Fair value hierarchy	Valuation techniques and key inputs	Relationship of unobservable inputs to fair value
Available-for-sale investment	Unlisted equity securities: HK\$19,234,000	Unlisted equity securities: HK\$22,444,000	Level 2	Market Approach Valuation multiples of similar companies	The higher the valuation multiples, the higher the fair value
Derivative financial instrument	Derivative financial instrument: HK\$16,879,000	Derivative financial instrument: HK\$16,678,000	Level 2	Future income flows which are estimated based on underlying projected financial performance of GDC Tech and the price adjustment formula in the sale and purchase agreement	The more the future income flows, the higher the fair value
Structured deposits	Bank deposits in the PRC with non-closely related embedded derivative: HK\$162,277,000	Bank deposits in the PRC with non-closely related embedded derivative: HK\$147,618,000	Level 2	Discounted cash flows Future cash flows are estimated based on observable bank interest rates and a discount rate that reflects the credit risk of the banks (note)	The higher the expected yield, the higher the fair value The higher the discount rate, the lower the fair value

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2016

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

24. RELATED PARTY TRANSACTIONS

The remuneration of the Directors and other key management personnel during the six months ended 30 June 2016 is as follows:

	Three months ended 30 June		Six months ended 30 June	
	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
Short-term benefits	2,428	2,401	4,856	4,803
Post-employment benefits	90	91	180	182
	2,518	2,492	5,036	4,985

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

As at 30 June 2016, the Group has the following litigations:

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

On 19 April 2016, pursuant to the application from the Plaintiff, the Guangzhou Intermediate People's Court granted an order to preserve the bank deposit of Guangdong Cultural Park's bank account at Industrial and Commercial Bank of China ("Bank Account"). The Bank Account was frozen on 6 May 2016. As at 30 June 2016, the restricted bank deposit amounted to approximately HK\$6,694,000.

The first court hearing commenced on 24 May 2016 and the second court hearing was held on 3 June 2016. At the second court hearing, the Guangzhou Intermediate People's Court permitted the parties to attempt settlement negotiations for one month. On 30 June 2016, the PRC legal advisors of Guangdong Cultural Park sought an extension of the settlement negotiations period until 3 August 2016 which was permitted by the Guangzhou Intermediate People's Court. On 2 August 2016, the PRC legal advisors of Guangdong Cultural Park has sought a further extension of the settlement negotiations period for one month and it is subjected to Guangzhou Intermediate People's Court's approval as of the date of report.

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

For the six months ended 30 June 2016

25. LITIGATIONS *(Continued)*

(1)(a) *(Continued)*

As at the date of this report, no agreement has been reached under the settlement negotiations. Furthermore, based on the legal advice received by the Company, the Group is of the view that the likelihood of success of the Plaintiff's claim is remote. Accordingly, no provision for any potential liability has been made in the condensed consolidated financial statements.

(1)(b) Guangdong Cultural Park denied the Plaintiff's accusations and the responsibility of the Alleged Breach and filed a counterclaim against the Plaintiff to demand the Plaintiff to continue to execute the Framework Agreement and to compensate Guangdong Cultural Park's damages in the form of economic loss which is amounted to RMB100,000,000. On 26 May 2016, the Guangzhou Intermediate People's Court accepted the counterclaim filing by the Guangdong Cultural Park against the Plaintiff. The first hearing of the counterclaim was held on 2 August 2016. On 2 August 2016, the PRC legal advisors of Guangdong Cultural Park sought an extension on this hearing to a date after the settlement negotiations period (as mentioned in note 25(1)(a)) and this extension is subjected to the approval of Guangzhou Intermediate People's Court as of the date of this report.

(2) On 16 June 2016, two of the Company's indirect wholly-owned subsidiaries in the PRC, namely 環球數碼媒體科技研究(深圳)有限公司 ("IDMT (Shenzhen)"), 深圳市環球數碼影視文化有限公司 and the Company's indirect non-wholly owned subsidiary, 深圳市環球數碼創意科技有限公司, (collectively, the "Defendants"), received the same notice of response to action No. 610 (應訴通知書編號610) (the "Notice of Response to Action No. 610") from Intermediate People's Court of Shenzhen City of Guangdong Province in the PRC (中國廣東省深圳市中級人民法院) (the "Shenzhen Intermediate People's Court") dated 15 June 2016 together with a civil complaint No. 610 (民事起訴狀編號610) (the "Civil Complaint No. 610") issued by The Foundry Visionmongers Ltd. ("Foundry"). It was set out in the Civil Complaint No. 610 that Foundry has initiated legal proceedings against the Defendants in respect of infringement of Foundry's computer software copyrights including making unauthorised copies, installation and for commercial use of certain software application at its place of business. Foundry has claimed for, among others, damages in the form of economic loss in the aggregate amount of RMB5,000,000.

On the same day, 深圳市南山區環球數碼培訓學校 (the "Training School") operated by IDMT (Shenzhen) also received a notice of response to action No. 611 (應訴通知書編號611) (the "Notice of Response to Action No. 611") from the Shenzhen Intermediate People's Court dated 15 June 2016 together with a civil complaint No. 611 (民事起訴狀編號611) (the "Civil Complaint No. 611") issued by Foundry. It was set out in the Civil Complaint No. 611 that Foundry has initiated legal proceedings against the Training School in respect of infringement of the Foundry's computer software copyrights including unauthorised use of certain software applications in commercial training. Foundry has claimed for, among others, damages in the form of economic loss in the aggregate amount of RMB5,000,000.

The Group filed its response in June 2016 denying Foundry's allegations in the Notices of Response to Action No. 610 and 611 and asserting various affirmative defences and the calculations on the claimed amounts were without sufficient basis. Based on the legal advice received by the Company, the Group is of the view that the likelihood of success of Foundry's claim is remote. Accordingly, no provision for any potential liability has been made in the condensed consolidated financial statements.

On 9 August 2016, the Company has made an announcement that the PRC legal advisor of the Defendants and the Training School was informed by the Shenzhen Intermediate People's Court that Foundry has filed an application to withdraw the claims under the Civil Complaint No. 610 and Civil Complaint No. 611. For details, please refer to the Company's announcement dated 9 August 2016 in relation to Inside Information-Update on Litigations.

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Deloitte.

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TO THE BOARD OF DIRECTORS OF GLOBAL DIGITAL CREATIONS HOLDINGS LIMITED

環球數碼創意控股有限公司

(incorporated in Bermuda with limited liability)

Introduction

We have reviewed the condensed consolidated financial statements of Global Digital Creations Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 5 to 29, which comprise the condensed consolidated statement of financial position as of 30 June 2016 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 the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” (“HKSRE 2410”) issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Without qualifying our review conclusion, we draw attention to the fact that the condensed consolidated statements of profit or loss and other comprehensive income for each of the three-month periods ended 30 June 2016 and 2015 and the relevant explanatory notes included in these condensed consolidated financial statements have not been reviewed in accordance with HKSRE 2410.

Emphasis of Matter

Without qualifying our review conclusion, we draw attention to note 13 to the condensed consolidated financial statements which explains that the Group has properties interest under construction which amounted to HK\$84,566,000 as at 30 June 2016 in respect of which the original period during which construction was to be completed in accordance with the framework agreement governing the lease of the related land has expired. As further stated in note 25(1)(a) and note 25(1)(b) to the condensed consolidated financial statements, 珠江電影製片有限公司 (“Pearl River Film Production”) as the plaintiff (the “Plaintiff”) has initiated legal proceedings against 廣東環球數碼創意產業有限公司 (“Guangdong Cultural Park”), a subsidiary of the Company, in respect of an alleged breach of the framework agreement governing the lease and reconstruction of the related land (the “Alleged Breach”). The Plaintiff has claimed for compensation of damages in the form of economic loss resulting from the Alleged Breach which is amounted to approximately RMB75,779,000 and also demanded to terminate the framework agreement. Guangdong Cultural Park has also filed a counterclaim against the Plaintiff to demand that the Plaintiff continue executing the framework agreement and compensate Guangdong Cultural Park’s damages in the form of economic loss which is amounted to RMB100,000,000.

With the permission of the court, the Group has entered into settlement negotiations with Pearl River Film Production, the owner of the land use right, on the future development direction including but not limited to the extension of the original construction period, reassessment of the future development plan of these properties or returning the captioned properties interest under construction to Pearl River Film Production at a price to be agreed between the parties. The settlement negotiations are still in progress and no conclusion has been reached as of the date of this report. Depending on the ultimate outcomes of the settlement negotiations and the related lawsuits between Pearl River Film Production and Guangdong Cultural Park, the Group might incur a significant impairment loss on the related assets and provision for compensation of damages. However, the ultimate outcomes of the settlement negotiations and the related lawsuits cannot be assessed at this stage.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

9 August 2016

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

For the six months ended 30 June 2016, the Group recorded a profit attributable to owners of the Company of HK\$735,000, and for the corresponding period in 2015, the Group recorded a profit attributable to owners of the Company of HK\$21,461,000.

Revenue for the six months ended 30 June 2016 amounted to HK\$73,282,000 (six months ended 30 June 2015: HK\$102,352,000). The decrease was mainly attributable to a decrease of HK\$23,233,000 and HK\$5,816,000 in revenue from contracts for computer graphics (“CG”) creation and production and income from CG training fee respectively. The decrease in revenue from contracts for CG creation and production was mainly due to the decreases in revenue from the release of an animated film and revenue from digital animated technology exhibitions and large event production. During the six months ended 30 June 2015, the CG creation and production division completed and released one animation film while no film was released during the corresponding period in 2016. The decrease in revenue from CG training fee was primarily due to the consolidation of the operations of the CG training division in the first half of 2016. In addition, in respect of the Group’s rental and building management service fee income and revenue from CG training fee, pursuant to the requirement of the Notice in relation to the Pilot Program of Complete Replacement of the Business Tax by the Value-added Tax (“VAT”)(Cai Shui [2016] No. 36) (“the Notice”) published by the PRC, instead of business tax, the VAT has been charged since 1 May 2016. Since the VAT is a tax detached from selling price, pursuant to the relevant requirements of Hong Kong Accounting Standards, the Group’s rental and building management service fee income and revenue from CG training fee are stated after a deduction of VAT of HK\$1,541,000 due to the impact of the Notice. Before the implementation of the Notice, the business tax charged in relation to such revenue was recognized as the cost of sales.

Cost of sales for the six months ended 30 June 2016 amounted to HK\$39,500,000, representing a decrease of approximately 33% when compared with that of HK\$59,195,000 in the corresponding period in 2015. The decrease was mainly attributable to the fact that the direct cost of an animation film released last year was recognized for the period, while no such cost was recognized for the corresponding period of this year. In addition, the production cost of contracts for CG creation and production also decreased in line with the decrease in revenue.

Other income for the six months ended 30 June 2016 amounted to HK\$8,922,000 (six months ended 30 June 2015: HK\$5,220,000). Other income comprises mainly government grants of HK\$6,728,000 (six months ended 30 June 2015: HK\$1,919,000) and interest income of HK\$2,135,000 (six months ended 30 June 2015: HK\$3,143,000).

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

FINANCIAL REVIEW *(Continued)*

Distribution costs and selling expenses for the six months ended 30 June 2016 amounted to HK\$1,805,000 (six months ended 30 June 2015: HK\$11,652,000), representing a decrease of approximately 85%. The decrease was mainly attributable to the fact that no film was released during the period under review.

Administrative expenses for the six months ended 30 June 2016 amounted to HK\$35,770,000 (six months ended 30 June 2015: HK\$31,046,000), which represented an increase of approximately 15%. As disclosed in note 25(1)(a) to the condensed consolidated financial statements, Pearl River Film Production has initiated the legal proceedings against the division of the Cultural Park, and as of the date of this report, the outcome of the proceedings is yet to be determined. The Group adopts a prudent approach by ceasing to capitalize the rental cost of Phase II of the Cultural Park to investment property under construction since the beginning of 2016. All of the rental cost was recognized in the profit or loss during the period in which it was incurred, and will be adjusted appropriately depending on the development of the legal proceedings. For the six months ended 30 June 2016, the professional fee in connection with the litigation relating to the Guangdong Cultural Park and rental cost of Phase II of the Cultural Park amounted to HK\$2,372,000 and HK\$5,237,000 respectively.

There were no finance costs for the six months ended 30 June 2016 incurred (six months ended 30 June 2015: HK\$2,355,000). All bank loans were repaid in advance in July 2015.

Other gains and losses for the six months ended 30 June 2016 was HK\$262,000 of net gains (six months ended 30 June 2015: HK\$25,018,000 of net gains). The decrease in net gains was mainly attributable to the recognition of the profit from disposal of available-for-sale investments of HK\$20,789,000 arising from the first completion on disposal of shares of GDC Tech for the six months ended 30 June 2015, while no such gain was recognized in the corresponding period in 2016.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

BUSINESS REVIEW AND OUTLOOK

CG creation and production

The revenue from the CG creation and production division for the six months ended 30 June 2016 amounted to HK\$48,082,000, representing a decrease of HK\$22,796,000 or approximately 32% as compared with that of HK\$70,878,000 in the corresponding period of last year.

During the first half of 2016, the revenue from the contracts for CG creation and production was mainly generated from international animated television drama projects and the clients we worked with were mainly from Europe and the United States. In respect of original work projects, “Smart Shunliu – Eagle Boy”, an animated television drama with 52 episodes produced in collaboration with the Television and Art Centre under the Military and Political Bureau of Jinan province of the People’s Republic of China (the “PRC”), was well-received by the broadcast channels and the audience with positive feedback after it was first broadcasted on the major cartoon satellite TV channels in the country in March this year. The viewership rating of the animated television drama was among the top ten when compared with those of the animated television dramas broadcasted in the same period and it was broadcasted on major online video platforms in the PRC in June 2016 and the hit rate reached over 50,000,000. The division plans to launch a sequel and a film version of this drama and expects to build a brand of educational animation on military theme that has the most positive influence in the PRC. Meanwhile, in preparation for the production of an original film, the division has initially entered into cooperation agreements with a number of well-known game brands on placement of content and joint promotion. The story outline and preliminary design of the film were completed and the film was introduced in an animation film presentation in China International Cartoon & Animation Festival in May 2016, which aimed at inviting potential investors to inject capital and take part in co-production. In addition to the development of several original work projects at its Shenzhen creative centre, the division entered into a framework agreement with the Department of Animation and Digital Arts, Communication University of China in Beijing in the first quarter of 2016 to set up a joint film production workshop, and has planned to establish a production team in Foshan, hoping to accelerate the development of original work projects.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

BUSINESS REVIEW AND OUTLOOK *(Continued)*

CG creation and production (Continued)

In respect of digital animated technology exhibitions and large event production projects, the income dropped substantially in the first half of 2016, which affected the revenue of the division. It was mainly affected by the tightening policies of the PRC government as well as the slowdown of the economy which led to the significant decrease of the production budget of television stations and large-scale theme parks. Since the major customer of the Group's subsidiary in Beijing has been China Central Television over the past few years, the scale of its business for this quarter shrunk significantly. On the other hand, Shenzhen Global Digital Creations Technology Limited* (深圳市環球數碼創意科技有限公司) ("Shenzhen Creations"), a subsidiary of the Group in Shenzhen, secured production projects in relation to three large-scale theme parks in the first half of the year. Looking forward, Shenzhen Creations will strive to work on the research and development of interactive technology so as to further enhance the quality and creativity in the field of CG production.

In the first quarter of 2016, the division joined the "20th Hong Kong International Film & TV Market" as a main exhibitor in Guangdong Pavillion, so as to introduce to local and overseas visitors some of the original animation films and TV series that we have produced. Moreover, the division kept a close eye on new technology and development trends of the industry and conducted in-depth investigation and assessment of the latest popular virtual reality ("VR") products and its contents in films and dramas. In view of the fact that the techniques of VR contents in films and dramas are becoming more mature and there is substantial market demand, the division is currently commencing development of creation processes, visual design of virtual experience and the training of professionals in the VR areas.

The Group has established a sound brand image in the industry after years of development. Looking forward, the Group would expect a diversified and sustainable development of the business in CG creation and production.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

BUSINESS REVIEW AND OUTLOOK *(Continued)*

CG Training

The revenue from the CG training division for the six months ended 30 June 2016 amounted to HK\$3,153,000, representing a decrease of HK\$5,816,000 or approximately 65% as compared with that of HK\$8,969,000 in the corresponding period of last year.

After the consolidation and subsequent relocation of the CG training division's business from Guangzhou and Shanghai to Shenzhen in February and April 2016, the teaching team revised the content of curriculum, introduced some of the personnel from the CG creation and production division to teach the practical courses and lengthened the training sessions, hoping that it would nurture more experienced technicians so as to supply the Group and the industry with talents. Currently, most of the major competitors in the market have shifted to the game industry. Although there is still a demand for talents in the film and drama CG industry, the salary of junior personnel in the industry is relatively low and cannot match the salary standard of the game industry, resulting in difficulties and challenges in the recruitment work. The division's loss for the first half of 2016 increased by HK\$4,165,000 as compared with the corresponding period of last year, which was due to, apart from the decrease in revenue as compared with the corresponding period of last year, the significant increase in expenses in the first half of the year caused by the closure expenses of the schools in Shanghai and Guangzhou. Therefore, the division's performance has deteriorated as compared with that of the corresponding period of last year. It is expected that the market competition will become more intense in the second half of 2016. In addition to enhancing the training and incentive for the sales team, the division will accelerate the addition of new elements to training courses in response to the market trend in hopes of enlarging the market share, stabilizing the revenue and generating earnings.

Cultural Park

The revenue from the Cultural Park division for the six months ended 30 June 2016 amounted to HK\$22,047,000, representing a decrease of approximately 2% as compared with that of HK\$22,505,000 in the corresponding period in 2015 due to the impact of the VAT. The revenue was mainly generated from shop rental and building management service fee income for the Phase I of the Cultural Park.

The division had continuously discussed with the landlord, Pearl River Film Production regarding the development plan and mode of cooperation in respect of the Phase II of the Cultural Park, including but not limited to the extension of the original construction period, reassessment of future development plan of the properties or returning interests of the property to Pearl River Film Production at a price to be agreed between the parties, with the aim of achieving a win-win solution. However, on 11 April 2016, the division received a notice of responsiveness to action dated 6 April 2016 from the Intermediate People's Court of Guangzhou City of Guangdong Province of the PRC. The details of the legal proceedings are set out in the Company's announcement dated 12 April 2016 and note 25(1)(a) and note 25(1)(b) to the condensed consolidated financial statements of this report. The leasing and building management revenue of the Phase I of the Cultural Park is not currently affected by the legal proceedings.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

LITIGATION

The Group is involved in litigations during the period. Details of the litigations are disclosed in note 25 to the condensed consolidated financial statements of this report.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2016, the Group had bank balances and cash of HK\$114,582,000 (31 December 2015: HK\$137,317,000), which were mainly denominated in Hong Kong dollars, Renminbi and United States dollars, restricted bank deposit of HK\$6,694,000 (31 December 2015: nil) as well as structured deposits of HK\$162,277,000 (31 December 2015: HK\$147,678,000).

As at 30 June 2016 and 31 December 2015, the Group had no borrowings or overdrafts. The Group's current ratio was 3.9 (31 December 2015: 3.7), which was calculated based on current assets of HK\$338,558,000 and current liabilities of HK\$87,292,000.

For the six months ended 30 June 2016, the Group's cash inflow from operating activities was HK\$5,763,000 (31 December 2015: HK\$46,573,000). The Board considers that the Group has adequate existing financial resources to meet its commitments and current working capital requirements.

CAPITAL STRUCTURE

The equity attributable to owners of the Company amounted to HK\$922,586,000 as at 30 June 2016 (31 December 2015: HK\$943,834,000). The decrease was attributable to exchange differences of HK\$18,773,000 on translation of financial statements attributable to owners of the Company from functional currency to presentation currency and decrease in investment revaluation reserve of HK\$3,210,000, partially offset by the profit attributable to owners of the Company of HK\$735,000 for the six months ended 30 June 2016.

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 2016.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

CHARGE ON ASSETS

As at 30 June 2016, the Group had no charges on any of the Group's assets for loans and bank facilities.

FOREIGN EXCHANGE EXPOSURE

Currently, the Group earns revenue mainly in Renminbi and United States dollars, and incurs costs mainly in Renminbi and Hong Kong dollars. The Directors believe that the Group does not have significant foreign exchange exposure, and thus do not implement any foreign currency hedging policy at the moment. However, if necessary, the Group will consider using forward exchange contracts to hedge against foreign currency exposure. As at 30 June 2016, the Group had no significant exposure under foreign exchange.

CONTINGENT LIABILITIES

The Group had no significant contingent liabilities as at 30 June 2016.

EMPLOYEES

As at 30 June 2016, the Group employed 398 (31 December 2015: 453) 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 2016, neither the Company nor its subsidiaries had paid or committed to pay any amount as an inducement to join or upon joining the Company and/or its subsidiaries to any individual.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2016. (six months ended 30 June 2015: 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 2016.

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

As at 30 June 2016, the interests and short positions of the Directors and chief executives of the Company or any of their respective associates in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules were as follows:

Long positions in the shares and underlying shares of the Company

Name of Director	Capacity in which interests are held	Number of shares/underlying shares held in the Company			Approximate percentage of issued share capital of the Company
		Interests in shares	Interests under equity derivatives	Total interests	
Mr. Chen Zheng	Beneficial owner	185,988,200	-	185,988,200	12.25%
Mr. Leung Shun Sang, Tony	Beneficial owner	30,008,200	-	30,008,200	1.98%
Mr. Kwong Che Keung, Gordon	Beneficial owner	10,800,820	-	10,800,820	0.71%

Save as disclosed above, as at 30 June 2016, 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 2016 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 2016, the following persons or corporations, other than the Directors or chief executives of the Company as disclosed above, had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO:

Long positions in the shares of the Company

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

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

Save as disclosed above, as at 30 June 2016, the Company has not been notified of any other person or corporations (other than the Directors and chief executive(s) of the Company) who had an interest or short position in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO.

SHARE OPTION SCHEME

On 18 June 2013, the share option scheme of the Company (the “Share Option Scheme”) which complies with the requirements of Chapter 23 of the GEM Listing Rules was adopted by the shareholders of the Company. No share option was granted since its adoption, The Share Option Scheme shall be valid and effective for a period of 10 years.

DIRECTORS’ INTERESTS IN COMPETING BUSINESSES

During the six months ended 30 June 2016, none of the Directors of the Company had an interest in a business (other than those businesses where the Directors were appointed as directors to represent the interests of the Company and/or any member of the Group) which is considered to compete or are likely to compete, either directly or indirectly, with businesses of the Group.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The code provision A.6.7 of the Corporate Governance Code contained in Appendix 15 of the GEM Listing Rules (“the Code”) requires that independent non-executive directors and other non-executive directors shall attend general meetings and develop a balanced understanding of the view of shareholders. Prof. Japhet Sebastian Law, the independent non-executive Director of the Company was unable to attend the annual general meeting of the Company held on 29 June 2016 as he was out of Hong Kong.

Save as disclosed above, the Company has complied with all the code provisions in the Code throughout the six months ended 30 June 2016.

COMPLIANCE WITH CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of provisions of conduct regarding securities transactions by the Directors on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiries with the Directors, all Directors confirmed that they have complied with such code of conduct and the required standard of dealings regarding securities transactions by the Directors throughout the six months ended 30 June 2016.

CHANGE IN DIRECTORS' INFORMATION

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

- 1) Prof. Japhet Sebastian Law, the independent non-executive Director of the Company, resigned as an independent non-executive director of Shanghai La Chapelle Fashion Co., Ltd. on 25 July 2016.
- 2) Mr. Lam Yiu Kin, the independent non-executive Director of the Company ceased to be a member of the Finance Committee of The Hong Kong Management Association on 7 July 2016.

AUDIT COMMITTEE

The Group's interim results for the six months ended 30 June 2016 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 2016 unaudited interim results of the Group. A meeting of the Audit Committee was held with the Auditor and the management of the Company for, amongst other things, reviewing the interim results of the Group for the six months ended 30 June 2016.

APPRECIATION

On behalf of the Board, I would like to extend our sincere thanks to our shareholders, business partners and customers for their continuous support to the Group. I would also extend my gratitude and appreciation to all of the Directors, management and staff for their hard work and dedication throughout the period.

By Order of the Board

Li Shaofeng
Chairman

Hong Kong, 9 August 2016