

2018
INTERIM REPORT

G·D·C

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*)
(*appointed as Chairman on 21 July 2018*)
Mr. Chen Zheng (*Chief Executive Officer*)
Mr. Jin Guo Ping (*Vice President*)
Mr. Xu Liang
(*ceased to be Chairman on 21 July 2018*)

Non-executive Director

Mr. Leung Shun Sang, Tony (*retired on 18 May 2018*)

Independent Non-executive Directors

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

Executive Committee

Ms. Cheng Xiaoyu (*Chairman*)
(*appointed as Chairman on 21 July 2018*)
Mr. Chen Zheng
Mr. Jin Guo Ping
Mr. Xu Liang
(*ceased to be Chairman on 21 July 2018*)

Audit Committee

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

Nomination Committee

Ms. Cheng Xiaoyu (*Chairman*)
(*appointed on 21 July 2018*)
Mr. Leung Shun Sang, Tony (*Vice Chairman*)
(*retired on 18 May 2018*)
Mr. Xu Liang
(*ceased to be Chairman on 21 July 2018*)
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*)
(*appointed on 21 July 2018*)
Mr. Xu Liang
(*ceased to be Vice Chairman on 21 July 2018*)
Mr. Leung Shun Sang, Tony (*retired on 18 May 2018*)
Mr. Kwong Che Keung, Gordon
Mr. Lam Yiu Kin

CORPORATE INFORMATION *(Continued)*

Compliance Officer	Mr. Chen Zheng
Company Secretary	Ms. Kam Man Yi, Margaret
Authorised Representatives	Mr. Chen Zheng 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 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”) is pleased to report the unaudited condensed consolidated financial results of the Company and its subsidiaries (the “Group”) for the three and six months ended 30 June 2018 with comparative figures for the corresponding period in the year 2017.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2018

		Three months ended 30 June		Six months ended 30 June	
	NOTES	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Revenue					
Goods and services	4	37,680	13,625	46,611	20,759
Rental		22,318	20,218	44,318	39,917
Total Revenue		59,998	33,843	90,929	60,676
Cost of sales		(27,005)	(14,241)	(49,746)	(28,978)
Gross profit		32,993	19,602	41,183	31,698
Other income	5	4,109	2,186	9,841	4,487
Distribution costs and selling expenses		(2,124)	(2,075)	(2,838)	(2,887)
Administrative expenses		(13,760)	(13,624)	(27,495)	(27,430)
Change in fair value of investment properties	12	(2,580)	–	(2,580)	–
Other gain and losses	6	(266)	(250)	(216)	(708)
Profit before tax		18,372	5,839	17,895	5,160
Income tax expense	7	(6,552)	(939)	(6,872)	(1,238)
Profit for the period	8	11,820	4,900	11,023	3,922
Other comprehensive (expenses) income:					
Item that will not be reclassified					
to profit or loss:					
Exchange differences on translation to presentation currency		(45,863)	17,407	(11,446)	25,285

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

For the six months ended 30 June 2018

	Three months ended 30 June		Six months ended 30 June	
	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Item that may be reclassified subsequently to profit or loss:				
Decrease in fair value of available-for-sale investment	-	(4,057)	-	(4,057)
Other comprehensive (expenses) income for the period	(45,863)	13,350	(11,446)	21,228
Total comprehensive (expenses) income for the period	(34,043)	18,250	(423)	25,150
Profit for the period attributable to:				
Owners of the Company	10,939	3,487	8,683	912
Non-controlling interests	881	1,413	2,340	3,010
	11,820	4,900	11,023	3,922
Total comprehensive (expenses) income for the period attributable to:				
Owners of the Company	(33,422)	16,367	(2,342)	21,478
Non-controlling interests	(621)	1,883	1,919	3,672
	(34,043)	18,250	(423)	25,150
Earnings per share				
Basic	0.72	0.23	0.57	0.06

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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2018

		30 June 2018	31 December 2017
	<i>NOTES</i>	HK\$'000	<i>HK\$'000</i>
		(unaudited)	(audited)
Non-current assets			
Property, plant and equipment	11	189,610	200,373
Investment properties	12	431,398	439,616
Prepaid lease payments		4,940	5,071
Interest in an associate	13	–	–
Restricted bank deposit	14	–	46,253
		<hr/> 625,948	<hr/> 691,313
Current assets			
Programmes		–	8,341
Productions work in progress		3,515	6,403
Trade receivables	15	35,620	21,179
Other receivables and deposits	16	8,824	6,152
Amount due from an associate		982	995
Prepaid lease payments		130	132
Structured deposits	18	236,615	1,686
Bank balances and cash		116,316	294,687
		<hr/> 402,002	<hr/> 339,575
Current liabilities			
Advances from customers		914	5,184
Trade payables	19	992	1,653
Other payables and accruals	20	91,964	92,625
Tax liabilities		9,075	9,224
Contract liabilities		4,526	–
Deferred income		2,362	2,443
		<hr/> 109,833	<hr/> 111,129
Net current assets		<hr/> 292,169	<hr/> 228,446
Total assets less current liabilities		<hr/> 918,117	<hr/> 919,759

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

At 30 June 2018

		30 June 2018	31 December 2017
	<i>NOTE</i>	HK\$'000	<i>HK\$'000</i>
		(unaudited)	(audited)
Non-current liabilities			
Deferred income		2,607	2,657
Deferred tax liabilities		40,178	41,347
		42,785	44,004
Net assets			
		875,332	875,755
Capital and reserves			
Share capital	21	15,183	15,183
Reserves		833,148	835,490
Equity attributable to owners of the Company		848,331	850,673
Non-controlling interests		27,001	25,082
Total equity			
		875,332	875,755

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2018

	Attributable to owners of the Company										Non-controlling interests	Total
	Share capital	Share premium	Capital contribution reserve	Contributed surplus reserve	Statutory reserve	Investment revaluation reserve	Exchange reserve	Special reserve	Retained earnings	Sub-total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(Note a)	(Note b)	(Note c)			(Note d)				
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	-	-	-	-	-	-	-	-	8,683	8,683	2,340	11,023
Exchange differences on translation to presentation currency	-	-	-	-	-	-	(11,025)	-	-	(11,025)	(421)	(11,446)
Other comprehensive expenses for the period	-	-	-	-	-	-	(11,025)	-	-	(11,025)	(421)	(11,446)
Total comprehensive (expenses) 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
At 1 January 2017 (audited)	15,183	75,856	445	245,881	4,316	4,057	(30,305)	(1,209)	521,843	827,067	18,159	845,226
Profit for the period	-	-	-	-	-	-	-	-	912	912	3,010	3,922
Exchange differences on translation to presentation currency	-	-	-	-	-	-	24,623	-	-	24,623	662	25,285
Decrease in fair value of available-for-sale investment	-	-	-	-	-	(4,057)	-	-	-	(4,057)	-	(4,057)
Other comprehensive (expenses) income for the period	-	-	-	-	-	(4,057)	24,623	-	-	20,566	662	21,228
Total comprehensive (expenses) income for the period	-	-	-	-	-	(4,057)	24,623	-	912	21,478	3,672	25,150
At 30 June 2017 (unaudited)	15,183	75,856	445	245,881	4,316	-	(14,682)	(1,209)	522,755	848,545	21,831	870,376

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

For the six months ended 30 June 2018

Notes:

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2018

	Six months ended 30 June	
	2018	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Operating activities		
Operating cash flow before movements in working capital	26,363	10,616
Decrease (increase) in productions work in progress	2,908	(13,506)
Decrease (increase) in restricted bank deposit	47,333	(11,681)
Increase in trade receivables	(16,585)	(3,849)
Increase in other receivables and deposits	(2,854)	(1,649)
Increase in contract liabilities	4,644	–
Withholding tax paid	(6,825)	–
Other operating cash flows	3,422	1,786
	<u>58,406</u>	<u>(18,283)</u>
Net cash from (used in) operating activities		
Investing activities		
Purchases of structured deposits	(566,585)	(862,656)
Purchases of property, plant and equipment	(808)	(2,613)
Redemption of structured deposits	324,079	720,999
Other investing cash flows	3,569	2,776
	<u>(239,745)</u>	<u>(141,494)</u>
Net cash used in investing activities		
Net decrease in cash and cash equivalents	(181,339)	(159,777)
Cash and cash equivalents at beginning of the period	294,687	274,528
Effect of foreign exchange rate changes	2,968	4,648
	<u>2,968</u>	<u>4,648</u>
Cash and cash equivalents at end of the period, comprising bank balances and cash	116,316	119,399
	<u>116,316</u>	<u>119,399</u>

NOTES TO THE INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2018

1. BASIS OF PREPARATION

The condensed consolidated financial statements for the six months ended 30 June 2018 (the “Interim Financial Information”) have been prepared in accordance with Hong Kong Accounting Standard 34 (“HKAS 34”) *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) as well as with the applicable disclosure requirements of Chapter 18 of the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the “GEM Rules”).

2. PRINCIPAL ACCOUNTING POLICIES

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

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 Interim Financial Information for the six months ended 30 June 2018 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2017.

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 2018 for the preparation of the Group’s Interim Financial Information:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC)-Int 22 Amendments to HKFRS 2	Foreign Currency Transactions and Advance Consideration Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014 – 2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

NOTES TO THE INTERIM FINANCIAL INFORMATION *(Continued)*

For the six months ended 30 June 2018

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

The new and amendments to HKFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures as described below.

2.1 *Impacts and changes in accounting policies of application on HKFRS 15 Revenue from Contracts with Customers ("HKFRS 15")*

The Group has applied HKFRS 15 for the first time in the current interim period. HKFRS 15 superseded HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related interpretations.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 January 2018. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the standard retrospectively only to contracts that are not completed at 1 January 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 *Revenue* and HKAS 11 *Construction Contracts* and the related interpretations. At the date of initial application, there is no difference recognised in the opening retained profits and no comparative information has been restated.

2.1.1 *Key changes in accounting policies resulting from application of HKFRS 15*

HKFRS 15 introduces a 5-step approach when recognising revenue:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the Group satisfies a performance obligation.

NOTES TO THE INTERIM FINANCIAL INFORMATION *(Continued)*

For the six months ended 30 June 2018

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.1 *Impacts and changes in accounting policies of application on HKFRS 15 Revenue from Contracts with Customers ("HKFRS 15") (Continued)*

2.1.1 *Key changes in accounting policies resulting from application of HKFRS 15 (Continued)*

Under HKFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

NOTES TO THE INTERIM FINANCIAL INFORMATION *(Continued)*

For the six months ended 30 June 2018

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.1 **Impacts and changes in accounting policies of application on HKFRS 15 Revenue from Contracts with Customers (“HKFRS 15”)** *(Continued)*

2.1.1 *Key changes in accounting policies resulting from application of HKFRS 15 (Continued)*

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

Input method

The progress towards complete satisfaction of a performance obligation is measured based on input method, which is to recognise revenue on the basis of the Group’s efforts or inputs to the satisfaction of a performance obligation relative to the total expected inputs to the satisfaction of that performance obligation, that best depict the Group’s performance in transferring control of goods or services.

Revenue is measured based on the consideration specified in a contract with a customer. The Group recognises revenue when it transfers control of a product or service to a customer. The Group recognises revenue from goods and services from the following major sources:

- Revenue from computer graphic (“CG”) creation and production
- Revenue from television series and movies
- CG training fee
- Management services fees

Revenue from CG creation and production

Recognition

The Group provides CG creation and production services under contracts with customers. Such contracts are entered into before the contracting services begin.

Under the terms of the contracts, the Group’s performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date. Revenue from CG creation and production is therefore recognised over time using input method.

The progress towards complete satisfaction of a performance obligation is measured based on input method, which is to recognise revenue on the basis of the Group’s efforts or inputs to the satisfaction of a performance obligation relative to the total expected inputs to the satisfaction of that performance obligation, that best depict the Group’s performance in transferring control of goods or services.

NOTES TO THE INTERIM FINANCIAL INFORMATION *(Continued)*

For the six months ended 30 June 2018

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.1 **Impacts and changes in accounting policies of application on HKFRS 15 Revenue from Contracts with Customers ("HKFRS 15")** *(Continued)*

2.1.1 *Key changes in accounting policies resulting from application of HKFRS 15* *(Continued)*

Revenue from CG creation and production *(Continued)*

Recognition *(Continued)*

The directors of the Company consider that input method would faithfully depict the Group's performance towards complete satisfaction of the performance obligation under HKFRS 15.

Revenue from television series and movies

Recognition

Revenue from exhibition of television series or movies is recognised when they are exhibited. Revenue is recognised at a point in time when the customer obtains control of the distinct good.

CG training fee

Recognition

The Group provides training courses to students. Income is recognised over the contract period when the relevant services are provided by the Group and the students simultaneously receive and consume the benefits provided by the Group's performance.

NOTES TO THE INTERIM FINANCIAL INFORMATION *(Continued)*

For the six months ended 30 June 2018

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.1 *Impacts and changes in accounting policies of application on HKFRS 15 Revenue from Contracts with Customers (“HKFRS 15”) (Continued)*

2.1.1 *Key changes in accounting policies resulting from application of HKFRS 15 (Continued)*

Management services fees

Recognition

The Group provides management services to tenants. Income is recognised over the contract period when the relevant services are provided by the Group and the tenants simultaneously receive and consume the benefits provided by the Group's performance.

2.1.2 *Summary of effects arising from initial application of HKFRS 15*

The initial application of HKFRS 15 on 1 January 2018 has no material impact on the Interim Financial Information of the Group with regards to the revenue recognition.

2.2 *Impacts and changes in accounting policies of application on HKFRS 9*

In the current period, the Group has applied HKFRS 9 and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses (“ECL”) for financial assets and 3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9. i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. There is no difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 recognised, which are recognised in the opening retained profits and other components of equity.

NOTES TO THE INTERIM FINANCIAL INFORMATION *(Continued)*

For the six months ended 30 June 2018

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.2 **Impacts and changes in accounting policies of application on HKFRS 9** *(Continued)*

2.2.1 *Key changes in accounting policies resulting from application of HKFRS 9*

Classification and measurement of financial assets

Trade receivables arising from contracts with customers are initially measured in accordance with HKFRS 15. Trade receivables arising from leases are initially measured in accordance with HKAS 17 *Leases* ("HKAS 17").

All recognised financial assets that are within the scope of HKFRS 9 are subsequently measured at amortised cost or fair value, including unquoted equity investments measured at cost less impairment under HKAS 39.

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at fair value through profit or loss ("FVTPL").

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the "other gain and losses" line item.

NOTES TO THE INTERIM FINANCIAL INFORMATION *(Continued)*

For the six months ended 30 June 2018

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.2 *Impacts and changes in accounting policies of application on HKFRS 9 (Continued)*

2.2.1 *Key changes in accounting policies resulting from application of HKFRS 9 (Continued)*

Impairment under ECL model

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including trade receivables). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables for rental income and management services fee. The ECL on these assets are assessed individually for debtors with significant balances and/or collectively using a provision matrix with appropriate groupings.

The Group always recognises 12m ECL for trade receivables for CG production income, television series and movies income. The 12m ECL on these assets are assessed individually as they normally with significant balances.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

NOTES TO THE INTERIM FINANCIAL INFORMATION *(Continued)*

For the six months ended 30 June 2018

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.2 *Impacts and changes in accounting policies of application on HKFRS 9 (Continued)*

2.2.1 *Key changes in accounting policies resulting from application of HKFRS 9 (Continued)*

Impairment under ECL model (Continued)

Significant increase in credit risk *(Continued)*

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of "investment grade" as per globally understood definitions.

The Group considers that default has occurred when the instrument is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

NOTES TO THE INTERIM FINANCIAL INFORMATION *(Continued)*

For the six months ended 30 June 2018

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.2 *Impacts and changes in accounting policies of application on HKFRS 9 (Continued)*

2.2.1 *Key changes in accounting policies resulting from application of HKFRS 9 (Continued)*

Impairment under ECL model (Continued)

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition. For a lease receivable, the cash flows used for determining the ECL is consistent with the cash flows used in measuring the lease receivable in accordance with HKAS 17.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

2.2.2 *Summary of effects arising from initial application of HKFRS 9*

The application of HKFRS 9 on 1 January 2018 has no material impact on the Interim Financial Information of the Group with regards to classification and measurement of financial instruments nor recognised additional impairment loss allowance as the amounts involved are not material.

NOTES TO THE INTERIM FINANCIAL INFORMATION *(Continued)*

For the six months ended 30 June 2018

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 *Operating Segments* as follows:

- CG creation and production – CG creation and production, exhibition of television series and movies as well as property rental income and building management services 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.

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

Six months ended 30 June 2018 (unaudited)

	CG creation and production <i>HK\$'000</i>	CG training <i>HK\$'000</i>	Cultural park <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Revenue	<u>63,578</u>	<u>2,465</u>	<u>24,886</u>	<u>90,929</u>
Segment results	<u>19,502</u>	<u>(546)</u>	<u>7,709</u>	<u>26,665</u>
Unallocated income				468
Unallocated expenses				<u>(9,238)</u>
Profit before tax				<u>17,895</u>

NOTES TO THE INTERIM FINANCIAL INFORMATION *(Continued)*

For the six months ended 30 June 2018

3. SEGMENT INFORMATION *(Continued)*

Six months ended 30 June 2017 (unaudited)

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

Segment revenue reported above represents revenue generated from external customers.

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

Segment assets

	30 June 2018 <i>HK\$'000</i> (unaudited)	31 December 2017 <i>HK\$'000</i> (audited)
CG creation and production	541,842	481,119
CG training	2,399	1,399
Cultural park	445,891	500,602
Total segment assets	990,132	983,120
Unallocated assets		
– Bank balances and cash	35,945	45,575
– Others	1,873	2,193
	1,027,950	1,030,888

NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2018

4. REVENUE FROM GOODS AND SERVICES

An analysis of the Group's revenue from goods and services is as follows:

	Three months ended 30 June 2018				Six months ended 30 June 2018			
	CG creation and production HK\$'000 (unaudited)	CG training HK\$'000 (unaudited)	Cultural Park HK\$'000 (unaudited)	Total HK\$'000 (unaudited)	CG creation and production HK\$'000 (unaudited)	CG training HK\$'000 (unaudited)	Cultural Park HK\$'000 (unaudited)	Total HK\$'000 (unaudited)
Revenue from CG production	7,274	-	-	7,274	9,187	-	-	9,187
Revenue from television series and movies	23,738	-	-	23,738	24,908	-	-	24,908
CG training fee	-	1,556	-	1,556	-	2,465	-	2,465
Management services fee	3,180	-	1,932	5,112	6,198	-	3,853	10,051
Total	34,192	1,556	1,932	37,680	40,293	2,465	3,853	46,611
Geographical markets								
The People's Republic of China (the "PRC")	33,580	1,556	1,932	37,068	38,705	2,465	3,853	45,023
France	-	-	-	-	536	-	-	536
Others	612	-	-	612	1,052	-	-	1,052
Total	34,192	1,556	1,932	37,680	40,293	2,465	3,853	46,611
Timing of revenue recognition								
At a point in time	23,738	-	-	23,738	24,908	-	-	24,908
Over time	10,454	1,556	1,932	13,942	15,385	2,465	3,853	21,703
Total	34,192	1,556	1,932	37,680	40,293	2,465	3,853	46,611

NOTES TO THE INTERIM FINANCIAL INFORMATION *(Continued)*

For the six months ended 30 June 2018

5. OTHER INCOME

	Three months ended 30 June		Six months ended 30 June	
	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Interest income	2,095	1,873	3,596	2,776
Government grants <i>(Note)</i>	1,746	244	5,872	1,642
Others	268	69	373	69
	4,109	2,186	9,841	4,487

Note: During the six months ended 30 June 2018, government grants included subsidies and awards of HK\$5,804,000 (six months ended 30 June 2017: HK\$1,304,000) 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\$68,000 (six months ended 30 June 2017: HK\$338,000) 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 GAIN AND LOSSES

	Three months ended 30 June		Six months ended 30 June	
	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Changes in fair value of structured deposits	389	(148)	1,110	297
Allowance for doubtful debts	(655)	(102)	(1,326)	(1,005)
	(266)	(250)	(216)	(708)

NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2018

7. INCOME TAX EXPENSE

	Three months ended		Six months ended	
	30 June		30 June	
	2018	2017	2018	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
PRC Enterprise Income Tax ("EIT"):				
Current tax	318	1,048	704	1,403
Underprovision in prior periods	–	8	–	8
	<u>318</u>	<u>1,056</u>	<u>704</u>	<u>1,411</u>
PRC withholding tax on distributed profits from a PRC subsidiary (Note)	6,825	–	6,825	–
Deferred tax	(591)	(117)	(657)	(173)
	<u>6,552</u>	<u>939</u>	<u>6,872</u>	<u>1,238</u>

Note: During the six months ended 30 June 2018, a PRC subsidiary of the Company has declared an one-off and non-recurring special dividend to the Company and withholding tax amounted to approximately 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 holds at least 25% equity interests in the PRC resident enterprise, and remains at 10% otherwise.

In the opinion of the directors of the Company and the directors of the PRC subsidiaries, the PRC subsidiaries has no intention and is not probable to declare dividend in the foreseeable future and deferred taxation has not been provided for in the Interim Financial Information in respect of temporary difference attributable to the remaining retained profits earned by the subsidiaries in the PRC 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.

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.

NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2018

7. INCOME TAX EXPENSE (Continued)

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 2017, according to the Circular of the State Administration of Taxation for the Enterprise income tax policies on the advanced technology service enterprise ("ATSE") (Caishui [2014] No. 59), one of the PRC subsidiaries was able to enjoy a preferential tax rate at 15% from 2015 till 2017 as it is qualified as ATSE. For the six months ended 30 June 2018, the relevant tax rates for the Group's subsidiaries in the PRC ranged from 15% to 25% (six months ended 30 June 2017: 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. PROFIT FOR THE PERIOD

	Three months ended 30 June		Six months ended 30 June	
	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Profit for the period has been arrived at after charging (crediting):				
Amortisation of prepaid lease payments	34	31	68	62
Depreciation of property, plant and equipment	4,578	4,354	9,268	8,723
Less: amounts included in customers for contract work	-	(6)	-	(45)
amounts included in contract assets	(551)	-	(831)	-
amounts included in productions work in progress	(140)	(457)	(568)	(878)
	<u>3,887</u>	<u>3,891</u>	<u>7,869</u>	<u>7,800</u>
Advertising expenses (included in distribution costs and selling expenses)	1,334	1,186	1,414	1,227
Net exchange loss (gain)	4	6	(30)	11
Total staff costs	16,354	19,954	33,738	40,383
Less: amounts included in customers for contract work	-	-	-	(263)
amounts included in contract assets	(5,431)	-	(9,758)	-
amounts included in productions work in progress	(1,355)	(3,317)	(4,451)	(6,648)
	<u>9,568</u>	<u>16,637</u>	<u>19,529</u>	<u>33,472</u>

NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2018

9. DIVIDENDS

The board of Directors does not recommend the payment of an interim dividend for the six months ended 30 June 2018 (six months ended 30 June 2017: nil).

On 20 July 2018, the Company declared a special dividend of HK\$0.08 per share to the shareholders of the Company whose names appear on the register of members on 7 August 2018, amounting to approximately HK\$121,460,000.

Details of the above are set out in the Company's announcements dated 20 July 2018.

10. EARNINGS PER SHARE

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

	Three months ended		Six months ended	
	30 June		30 June	
	2018	2017	2018	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Earnings				
Profit for the period attributable to the owners of the Company for the purpose of basic earnings per share	10,939	3,487	8,683	912
	'000	'000	'000	'000
Number of shares				
Number of ordinary shares in issue for the purpose of basic earnings per share	1,518,256	1,518,256	1,518,256	1,518,256

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

NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2018

11. PROPERTY, PLANT AND EQUIPMENT

	Carrying values	
	2018	2017
	HK\$'000	HK\$'000
At 1 January (audited)	200,373	199,086
Exchange realignment	(2,303)	6,273
Additions	808	2,613
Depreciation for the period	(9,268)	(8,723)
	<u>189,610</u>	<u>199,249</u>
At 30 June (unaudited)	189,610	199,249

12. INVESTMENT PROPERTIES

	Completed properties		Properties interest under construction		Total	
	2018	2017	2018	2017	2018	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January (audited)	439,616	409,263	-	-	439,616	409,263
Change in fair value recognised in profit or loss	(2,580)	-	-	-	(2,580)	-
Exchange realignment	(5,638)	13,202	-	-	(5,638)	13,202
	<u>431,398</u>	<u>422,465</u>	<u>-</u>	<u>-</u>	<u>431,398</u>	<u>422,465</u>
At 30 June (unaudited)	431,398	422,465	-	-	431,398	422,465

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

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

NOTES TO THE INTERIM FINANCIAL INFORMATION *(Continued)*

For the six months ended 30 June 2018

12. INVESTMENT PROPERTIES *(Continued)*

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 2018, 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 1 January 2016. The original period during which construction was to be completed in accordance with the Framework Agreement has expired. Pearl River Film Production has initiated legal proceedings against Guangdong Cultural Park in the Intermediate People's Court of Guangzhou City of Guangdong Province of the PRC (中國廣東省廣州市中級人民法院) ("Guangzhou Intermediate People's Court") in respect of an alleged breach of the Framework Agreement governing the lease and reconstruction of the related land (the "Alleged Breach") and compensation of damages. Guangdong Cultural Park denied Pearl River Film Production's accusations and the responsibility of the Alleged Breach and filed a counterclaim against Pearl River Film Production in Guangzhou Intermediate People's Court in May 2016 to demand Pearl River Film Production to continue executing the Framework Agreement and compensation of damages (please refer to Note 25 for details).

Guangdong Cultural Park has received the civil judgment issued on 11 October 2016 by Guangzhou Intermediate People's Court (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 approximately RMB2,722,000 (equivalent to approximately HK\$3,172,000) and Pearl River Film Production, the landlord of the Pearl River Film Cultural Park, is entitled to keep the construction deposit of RMB20,000,000 (equivalent to approximately HK\$23,310,000) paid by Guangdong Cultural Park. All other claims made by Pearl River Film Production and the counterclaim made by Guangdong Cultural Park were dismissed.

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

NOTES TO THE INTERIM FINANCIAL INFORMATION *(Continued)*

For the six months ended 30 June 2018

12. INVESTMENT PROPERTIES *(Continued)*

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

The first court hearing of the Appeal was conducted on 30 March 2017. Subsequent to the first court hearing of the Appeal, both of the Plaintiff 's and Guangdong Cultural Park's lawyers had further submitted supplementary documents as requested by Higher People's Court of Guangdong Province of the PRC (中國廣東省高級人民法院) ("Guangdong Higher People's Court"). On 16 March 2018, Guangdong Cultural Park received the civil judgment of Guangdong Higher People's Court dated 31 January 2018, which rejected the Appeal 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").

In June 2018, after several rounds of discussion with Pearl River Film Production, Guangdong Cultural Park returned a portion of land in the Pearl River Film Cultural Park, which had been used as parking space for tenants, to Pearl River Film Production. During the six months ended 30 June 2018, the Group recognised loss on disposal of investment properties in respect of the parking space returned to Pearl River Film Production which amounted to approximately HK\$13,514,000. The loss on disposal of investment properties is included in "change in fair value of investment properties" line item.

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 approximately RMB143,076,000 (equivalent to approximately HK\$169,521,000) (the "Demand Letter").

The management of the Company and Guangdong Cultural Park (the "Management") is considering the legal advice on the Final Civil Judgment and the Demand Letter and assessing the legal implications on the financial position of the Company and Guangdong Cultural Park, and on any other alternative legal courses of action that can be taken by the Management. Concurrently, the Management is 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"), the Management is 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.

The completed properties represent Phase I of the Pearl River Film Cultural Park which is a prime shopping mall are stated at the fair value as at 30 June 2018 and 31 December 2017. The fair value as at 30 June 2018 and 31 December 2017 has been arrived at on the basis of a valuation carried out on the respective dates by Assets Appraisal Limited ("Asset Appraisal"), independent qualified professional valuer not connected with the Group.

NOTES TO THE INTERIM FINANCIAL INFORMATION *(Continued)*

For the six months ended 30 June 2018

12. INVESTMENT PROPERTIES *(Continued)*

Guangdong Cultural Park continues to operate the completed properties. Therefore, for the completed properties and its related rental business representing Phase I of the Pearl River Film Cultural Park, the Group has continued to account for these assets as investment properties which are stated at their fair value of approximately HK\$431,398,000 as at 30 June 2018 and recorded the rentals receivable from lessees as the Group's revenue of approximately HK\$24,886,000 (six months ended 30 June 2017: HK\$22,835,000) for the six months period ended, on the assumption that the legal contractual right to receive the rental income from the lessees and the rental payable to Pearl River Film Production will remain unchanged and the terms and conditions of the Framework Agreement governing Phase I of the Pearl River Film Cultural Park will continue to be enforceable.

The fair value was determined based on the income approach by capitalising the rental income with due allowance for reversionary income potential and taking into consideration the rental payable to Pearl River Film Production with the assumptions as described above and the allocation basis of the monthly rental payments between Phase I and Phase II of Pearl River Film Cultural Park in the future years would remain the same as if the Framework Agreement is executing continuously.

The market rentals are assessed by reference to the rentals achieved in the lettable units of the properties as well as other lettings of similar properties in the neighbourhood. The discount rate is determined by reference to the yields derived from analysing the sales transactions of similar commercial properties in Guangzhou and adjusted to take into account the market expectation from property investors to reflect factors specific to the Group's investment properties.

There has been no change from the valuation technique used in prior year. In estimating the fair value of the properties, the highest and best use of the properties is their current use.

Key inputs used in valuing the investment properties include discount rate which ranges from 6.9% to 7.4% (31 December 2017: 6.6% to 7.1%), risk premium of 3.5% (31 December 2017: 3.5%) and market rental ranges from RMB47 to RMB551 (31 December 2017: RMB47 to RMB525) per square metre per month or land yield rate of 5% (31 December 2017: 5%). An increase in the discount rate or risk premium would result in a decrease in fair value measurement of the investment properties and vice versa. An increase in the market rental or land yield rate would result in an increase in fair value measurement of the investment properties, and vice versa.

NOTES TO THE INTERIM FINANCIAL INFORMATION *(Continued)*

For the six months ended 30 June 2018

12. INVESTMENT PROPERTIES *(Continued)*

Details of the Group's investment properties and information about the fair value hierarchy as at 30 June 2018 and 31 December 2017 are as follows:

	Level 3 HK\$'000	Fair value as at 30 June 2018 HK\$'000
Pearl River Film Cultural Park Phase I	431,398	431,398
		Fair value as at 31 December
	Level 3 HK\$'000	2017 HK\$'000
Pearl River Film Cultural Park Phase I	439,616	439,616

There was no transfer between different levels during the period.

13. INTEREST IN AN ASSOCIATE

	30 June 2018 HK\$'000 (unaudited)	31 December 2017 HK\$'000 (audited)
Cost of interest in an associate-unlisted	23	23
Share of post-acquisition results and other comprehensive income	(23)	(23)
	–	–

NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2018

13. INTEREST IN AN ASSOCIATE (Continued)

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

Name of associate	Place of incorporation/ principal place of business	Proportion of ownership interest held by the Group		Proportion of voting rights held by the Group		Principal activity
		2018	2017	2018	2017	
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 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.

14. RESTRICTED BANK DEPOSIT

Guangzhou Intermediate People's Court granted an order to preserve the bank deposit of Guangdong Cultural Park and the bank account was frozen on 6 May 2016 pursuant to the legal proceedings against Guangdong Cultural Park in respect of the Alleged Breach (please refer to Note 25 for details). The restricted bank deposit is interest free. In April 2018, Guangdong Cultural Park has settled the outstanding late payment surcharges for the overdue rental during the period from 1 October 2015 to 21 March 2016 and Guangzhou Intermediate People's Court has implemented the First Civil Judgment and released the frozen Bank Account.

15. TRADE RECEIVABLES

	30 June 2018 HK\$'000 (unaudited)	31 December 2017 HK\$'000 (audited)
Trade receivables	35,620	21,179

Except for rental income 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.

NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2018

15. TRADE RECEIVABLES (Continued)

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

	30 June 2018 HK\$'000 (unaudited)	31 December 2017 HK\$'000 (audited)
Within three months	35,255	19,932
Three to six months	165	820
Over six months	200	427
	35,620	21,179

16. OTHER RECEIVABLES AND DEPOSITS

	30 June 2018 HK\$'000 (unaudited)	31 December 2017 HK\$'000 (audited)
Deposits	874	967
Other receivables and prepayments	7,950	5,185
	8,824	6,152

17. IMPAIRMENT ASSESSMENT ON FINANCIAL ASSETS SUBJECT TO ECL MODEL

Since the adoption of HKFRS 9 on 1 January 2018, the Group applies the simplified approach to providing for ECL prescribed by HKFRS 9 for rental income and management services fee receivable from tenants, which permits the use of the lifetime expected loss provision for these trade receivables. The Group applies the general approach to providing for ECL prescribed by HKFRS 9 for CG production income, television series and movies income receivable from customers, which permits the use of the 12m ECL provision for these trade receivables.

NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2018

17. IMPAIRMENT ASSESSMENT ON FINANCIAL ASSETS SUBJECT TO ECL MODEL (Continued)

The management of the Group assessed the expected loss on trade receivables with significant balances individually. For the remaining trade receivables with insignificant balances, expected loss rate is assessed to be less than 1%. Based on historical experience of the Group, these trade receivables are generally recoverable due to the long term/on-going relationship and good repayment record. As at 30 June 2018, the additional loss allowance for provision for trade receivables was not significant.

In addition, the management of the Group are of the opinion that there has no default occurred for trade receivables aged over 90 days and the balances are still considered fully recoverable due to long-term/on-going relationship and good repayment record from these customers.

Movements in the allowance for doubtful debts

	2018 HK\$'000
At 1 January (audited)	2,851
Impairment losses recognised on receivables	1,326
Exchange realignment	(84)
	<hr/>
At 30 June (unaudited)	4,093

18. STRUCTURED DEPOSITS

	30 June 2018 HK\$'000 (unaudited)	31 December 2017 HK\$'000 (audited)
Principal-protected financial products	<hr/> 236,615	<hr/> 1,686

The structured deposits as at 30 June 2018 and 31 December 2017 are principal-protected deposits issued by banks in the PRC. As at 30 June 2018, the principal-protected deposits carry expected interest rate ranging from 2.9% to 4.35% (31 December 2017: 3.9%) per annum, depending on the market prices of the financial instruments, including money market instruments and debt instruments. The structured deposits are designated at FVTPL on initial recognition as they contain non-closely related embedded derivative. The Directors consider the fair values of the structured deposits, which are based on the prices the counterparty banks would pay to redeem at 30 June 2018 and 31 December 2017, approximate to their carrying values at 30 June 2018 and 31 December 2017.

NOTES TO THE INTERIM FINANCIAL INFORMATION *(Continued)*

For the six months ended 30 June 2018

18. STRUCTURED DEPOSITS *(Continued)*

All structured deposits have been redeemed in July 2018. The change in fair value up to the date of redemption is not significant.

19. TRADE PAYABLES

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

	30 June 2018 HK\$'000 (unaudited)	31 December 2017 HK\$'000 (audited)
Within three months	108	757
Over one year	884	896
	992	1,653

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

20. OTHER PAYABLES AND ACCRUALS

	30 June 2018 HK\$'000 (unaudited)	31 December 2017 HK\$'000 (audited)
Accruals	11,915	13,515
Accrued rental payable and late payment surcharge <i>(Note a)</i>	34,695	30,798
Construction cost payables	2,435	2,489
Other tax payables	1,907	1,163
Receipt in advance <i>(Note b)</i>	17,773	18,007
Rental deposits from tenants	15,935	15,558
Others	7,304	11,095
	91,964	92,625

NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2018

20. OTHER PAYABLES AND ACCRUALS (Continued)

Notes:

- (a) As at 30 June 2018, accrued rental payable represents the accrued monthly payments for the property leasing right of the Pearl River Film Cultural Park of approximately HK\$34,695,000 (31 December 2017: HK\$27,530,000), which was overdue since March 2016.

In addition, an amount of HK\$Nil (31 December 2017: HK\$3,268,000) is related to accrued late payment surcharge for the overdue rental of the Pearl River Film Cultural Park for the period from 1 October 2015 to 21 March 2016 as imposed by the First Civil Judgement (please refer to Note 25 for details).

- (b) In December 2016, a subsidiary of the Company has entered into a memorandum of understanding with 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. The subsidiary of the Company is negotiating with the independent third party on the terms and conditions for such CG production development projects in Foshan.

21. SHARE CAPITAL

Share capital as at 30 June 2018 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 2018 HK\$'000 (unaudited)	31 December 2017 HK\$'000 (audited)
Capital expenditure contracted for but not provided in the Interim Financial Information in respect of investment properties	8,283	8,392

NOTES TO THE INTERIM FINANCIAL INFORMATION *(Continued)*

For the six months ended 30 June 2018

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).

Financial asset	Fair value as at		Fair value hierarchy	Valuation technique and key inputs	Relationship of unobservable inputs to fair value
	30 June 2018	31 December 2017			
Structured deposits	Bank deposit in the PRC with non-closely related embedded derivative: HK\$236,615,000	Bank deposit in the PRC with non-closely related embedded derivative: HK\$1,686,000	Level 3	Discounted cash flows Future cash flows are estimated based on observable bank interest rates and a discount rate that reflects the credit risk of the banks (Note)	The higher the expected yield, the higher the fair value The higher the discount rate, the lower the fair value

There were no transfers between levels in the current period.

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

NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2018

23. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (Continued)

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

Unrealised fair value gain of HK\$1,110,000 (31 December 2017: HK\$5,000) is recognised in profit or loss relating to the changes in fair value of structured deposits. Fair value gain on structured deposits are included in "other gain and losses".

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 Interim Financial Information approximate their fair values.

24. RELATED PARTY TRANSACTIONS

Compensation of key management personnel

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

	Three months ended		Six months ended	
	30 June		30 June	
	2018	2017	2018	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Short-term benefits	2,383	2,465	4,766	4,930
Post-employment benefits	91	91	182	182
	2,474	2,556	4,948	5,112

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.

NOTES TO THE INTERIM FINANCIAL INFORMATION *(Continued)*

For the six months ended 30 June 2018

25. LITIGATIONS

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

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

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

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

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

NOTES TO THE INTERIM FINANCIAL INFORMATION *(Continued)*

For the six months ended 30 June 2018

25. LITIGATIONS *(Continued)*

In November 2016, Guangdong Cultural Park lodged an appeal with the Guangzhou Intermediate People's Court urging for an order that the First Civil Judgment be set aside and that judgment be entered in favour of Guangdong Cultural Park with costs which was accepted by Guangdong Higher People's Court on 9 February 2017. The first court hearing of the Appeal was conducted on 30 March 2017. Subsequent to the first court hearing of the Appeal, both of the Plaintiff's and Guangdong Cultural Park's lawyers had further submitted supplementary documents as requested by Guangdong Higher People's Court.

On 16 March 2018, Guangdong Cultural Park received the civil judgment of Guangdong Higher People's Court dated 31 January 2018, which rejected the Appeal and upheld the First Civil Judgment. According to this civil judgment, this judgment of Guangdong Higher People's Court is the final judgment.

In April 2018, Guangdong Cultural Park has settled the outstanding late payment surcharges for the overdue rental during the period from 1 October 2015 to 21 March 2016 and Guangzhou Intermediate People's Court has implemented the First Civil Judgment and released the frozen Bank Account.

In June 2018, after several rounds of discussion with Pearl River Film Production, Guangdong Cultural Park returned a portion of land in the Pearl River Film Cultural Park, which had been used as parking space for tenants, to Pearl River Film Production.

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 approximately RMB143,076,000 (equivalent to approximately HK\$169,521,000).

The Management is considering the legal advice on the Final Civil Judgment and the Demand Letter and assessing the legal implications on the financial position of the Company and Guangdong Cultural Park, and on any other alternative legal courses of action that can be taken by the Management. Concurrently, the Management is 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 Management is 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.

Depending on the ultimate outcome of the Further Actions, there may be significant impacts on multiple elements of the Group's Interim Financial Information. Amongst other impacts, the Group might be required to derecognise the investment properties, derecognise rental income already reflected as revenue and make provisions for compensation in respect of damages and other costs. However, the ultimate outcome of the Further Actions cannot be assessed at this stage.

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

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 were engaged to review the interim financial information of Global Digital Creations Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 5 to 42, which comprise the condensed consolidated statement of financial position as of 30 June 2018 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 this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

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

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

(Continued)

Basis for Disclaimer of Conclusion

As disclosed in Note 12 to the interim financial information, according to the framework agreement, the Group has completed properties representing Phase I of 珠影文化產業園 (the “Pearl River Film Cultural Park”) which amounted to HK\$431,398,000 as at 30 June 2018 (31 December 2017: HK\$439,616,000) and has properties interest under construction to redevelop Phase II of the Pearl River Film Cultural Park in respect of which the original period during which construction was to be completed in accordance with the framework agreement governing the lease of the related land has expired.

As further disclosed in Note 25 to the interim financial information, 珠江電影製片有限公司 (“Pearl River Film Production”) as the plaintiff (the “Plaintiff”) has initiated legal proceedings against 廣東環球數碼創意產業有限公司 (“Guangdong Cultural Park”), a subsidiary of the Company, in respect of an alleged breach of the framework agreement governing the lease and reconstruction of the related land (the “Alleged Breach”). The Plaintiff has claimed for compensation of damages in the form of economic loss resulting from the Alleged Breach and also demanded to terminate the framework agreement. Guangdong Cultural Park has also filed a counterclaim against the Plaintiff to demand the Plaintiff to continue executing the framework agreement and compensate Guangdong Cultural Park’s damages in the form of economic loss.

Guangdong Cultural Park received the civil judgment issued on 11 October 2016 by 中國廣東省廣州市中級人民法院 (the “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 approximately RMB2,722,000 (equivalent to approximately HK\$3,172,000) and Pearl River Film Production, the landlord of the Pearl River Film Cultural Park, is entitled to keep the construction deposit of RMB20,000,000 (equivalent to approximately HK\$23,310,000) paid by Guangdong Cultural Park. All other claims made by Pearl River Film Production and the counterclaim made by Guangdong Cultural Park were dismissed.

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

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

(Continued)

Basis for Disclaimer of Conclusion *(Continued)*

During the year ended 31 December 2016, in light of the First Civil Judgment, the Group recognised an impairment loss on properties interest under construction and wrote off the construction deposit in respect of the Pearl River Film Cultural Park which amounted to approximately HK\$84,467,000 and HK\$23,310,000, respectively. Guangdong Cultural Park continues to operate the completed properties. Therefore, for the completed properties and its related rental business representing Phase I of the Pearl River Film Cultural Park, the Group has continued to account for these assets as investment properties which are stated at their fair value as at 30 June 2018 of approximately HK\$431,398,000 (31 December 2017: HK\$439,616,000) and record the rentals receivable from lessees as the Group's revenue for the six months period then ended of approximately HK\$24,886,000 (six months ended 30 June 2017: HK\$22,835,000), on the assumption that the legal contractual right to receive the rental income from the lessees and the rental payable to Pearl River Film Production will remain unchanged and the terms and conditions of the framework agreement governing Phase I of the Pearl River Film Cultural Park will continue to be enforceable.

The first court hearing of the Appeal was conducted on 30 March 2017. Subsequent to the first court hearing of the Appeal, both of the Plaintiff's and Guangdong Cultural Park's lawyers had further submitted supplementary documents as requested by 中國廣東省高級人民法院 ("Guangdong Higher People's Court"). On 16 March 2018, Guangdong Cultural Park received the civil judgment of Guangdong Higher People's Court dated 31 January 2018, which rejected the Appeal 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").

In June 2018, after several rounds of discussion with Pearl River Film Production, Guangdong Cultural Park returned a portion of land in the Pearl River Film Cultural Park, which had been used as parking space for tenants, to Pearl River Film Production.

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 approximately RMB143,076,000 (equivalent to approximately HK\$169,521,000) (the "Demand Letter").

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

(Continued)

Basis for Disclaimer of Conclusion *(Continued)*

The management of the Company and Guangdong Cultural Park (the “Management”) is considering the legal advice on the Final Civil Judgment and the Demand Letter and assessing the legal implications on the financial position of the Company and Guangdong Cultural Park, and on any other alternative legal courses of action that can be taken by the Management. Concurrently, the Management is 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”), the Management is 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.

Depending on the ultimate outcome of the Further Actions, there may be significant impacts on multiple elements of the Group’s interim financial information. Amongst other impacts, the Group might be required to derecognise the investment properties, derecognise rental income already reflected as revenue and make provisions for compensation in respect of damages and other costs. However, the ultimate outcome of the Further Actions cannot be assessed at this stage. In view of the significant uncertainty relating to the ultimate outcome of the Further Actions and its pervasive impact on the interim financial information, we disclaim our conclusion in this respect. This also caused us to disclaim our opinion on the consolidated financial statements in respect of the year ended 31 December 2017.

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

(Continued)

Disclaimer of Conclusion

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

We draw attention to the fact that the condensed consolidated statements of profit or loss and other comprehensive income for each of the three-month periods ended 30 June 2018 and 2017 and the relevant explanatory notes included in this interim financial information have not been reviewed in accordance with HKSRE 2410.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

13 August 2018

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

For the six months ended 30 June 2018, the Group recorded a profit attributable to owners of the Company of HK\$8,683,000, and for the six months ended 30 June 2017, the Group recorded a profit attributable to owners of the Company of HK\$912,000.

Revenue for the six months ended 30 June 2018 amounted to HK\$90,929,000, representing an increase of HK\$30,253,000 when compared with that of HK\$60,676,000 in the corresponding period in 2017. During the period under review, the Group has released the original animated movie “Happy Little Submarine: 20000 Leagues under the Sea” during the “1 June” timeslot, which contributed a revenue of HK\$22,738,000 to the Group.

Cost of sales for the six months ended 30 June 2018 amounted to HK\$49,746,000, representing an increase of HK\$20,768,000 when compared with that of HK\$28,978,000 in the corresponding period in 2017. The increase in cost of sales was mainly attributable to the recognition of the direct production costs of “Happy Little Submarine: 20000 Leagues under the Sea” and the amortized programme costs of two original projects for the period under review.

Other income for the six months ended 30 June 2018 amounted to HK\$9,841,000, representing an increase of HK\$5,354,000 when compared with that of HK\$4,487,000 for the six months ended 30 June 2017. The increase was mainly attributable to an increase of HK\$4,230,000 and HK\$820,000 in government grants and interest income, respectively.

Distribution costs and selling expenses for the six months ended 30 June 2018 amounted to HK\$2,838,000, representing a decrease of HK\$49,000 when compared with that of HK\$2,887,000 in the corresponding period in 2017.

Administrative expenses for the six months ended 30 June 2018 amounted to HK\$27,495,000 (six months ended 30 June 2017: HK\$27,430,000) which was mainly attributable to staff costs, office running costs as well as depreciation and amortisation. Administrative expenses also include the rental cost of Phase II of the Pearl River Film Cultural Park. As at the date of this report, Guangdong Cultural Park and Pearl River Film Production were still undergoing negotiation in relation to the operating terms of the completed properties in the Pearl River Film Cultural Park. Therefore, the Group has recognised all rental expenses under the Framework Agreement in profit or loss for the period in which they were incurred. Among which, the rental cost allocated to Phase I was recognized in cost of sales while the rental cost allocated to Phase II was recognized in administrative expenses.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

FINANCIAL REVIEW *(Continued)*

The change in the fair value of investment properties for the six months ended 30 June 2018 amounted to HK\$2,580,000 (six months ended 30 June 2017: HK\$Nil). Phase I of the Pearl River Film Cultural Park is a completed property, and its fair value as at 30 June 2018 and 31 December and 30 June 2017 were determined by a qualified professional valuer. The change in the fair value of investment properties for the period under review also included the loss on disposal of investment properties in respect of the parking space returned to Pearl River Film Production in June 2018 which amounted to approximately HK\$13,514,000.

Other gain and losses for the six months ended 30 June 2018 was a net loss of HK\$216,000, representing a decrease of HK\$492,000 when compared with that of HK\$708,000 in the corresponding period last year. This was attributable to an increase in change in fair value of structured deposits.

BUSINESS REVIEW AND OUTLOOK

CG Creation and Production

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, businesses derived from animation brands, productions of display videos for exhibitions, and property rental income.

During the first half of 2018, demands for animated film production projects in China started to increase and our CG creation and production division undertook part of the intermediate production of several animated films and television series. For original film and television series projects, “Happy Little Submarine: 20000 Leagues under the Sea”, the sixth film of the “Happy Little Submarine” series, was screened in China during the “1 June” International Children’s Day 2018 time slot with box office receipt of approximately RMB70,000,000, while the second episode of the television animation, “Smart Shunliu – Eagle Boy” was shown on video websites and domestic television channels. In addition, the division has co-invested and co-produced with a sizable PRC company that is experienced in intellectual toys for a new original sci-fi animation series, “星際車神”, which is now in production. We look forward to capitalizing on the synergies resulting from the strategic alliance formed between the parties.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

BUSINESS REVIEW AND OUTLOOK *(Continued)*

CG Creation and Production (Continued)

During the first half of 2018, the television animation “Smart Shunliu – Eagle Boys” which received the “Best Animation Works” (「最佳動漫作品」) award in the 3rd Animation Award of the Chinese Culture and Arts Government Awards (中國文化藝術政府獎第三屆動漫獎), was also recommended by the State Administration of Radio, Film and Television of China as the “Excellent Domestic Television Animation for the Fourth Quarter of 2017” (「二零一七年第四季度優秀國產電視動畫片」) and was selected as one of the nominated works for the 25th Television Arts “Starlight Award” (第25屆電視文藝「星光獎」) (in television animation group) of the China Radio, Film and Television Awards – Radio and TV Programme Award (中國廣播影視大獎•廣播電視節目獎). The original animated movies series “Happy Little Submarine” was shortlisted in the “Outstanding Design of Cartoon Image” category (「卡通形象設計類優秀作品」) in the 2018 Marketing Conference of Cartoon Image in China (中國卡通形象營銷大會).

Looking ahead, in addition to active involvement in the development of original movies, the division will strive to secure 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.

CG Training

Revenue from the CG training division for the first half of 2018 was lower than expected. As a result of the tightened student assistance policies and the industry environment, the progress of enrolment for some professional courses was affected, which led to an increase in costs as the division stepped up its promotional efforts. In addition, the division also embarked on establishing an internet vocational education platform, with future positioning in the field of arts for increasing sources of income. Since last year, the division has participated in the teaching of some higher vocational colleges through e-courses, aiming at cultivating more talents through this teaching form. In the second quarter of 2018, the education platform “獅兔在線” was developed by the division in the hope of increasing revenue, with the testing of basic functions of phase one completed and officially launched online. Looking into the second half of the year, the division will focus on improving the planning of online education platforms and the development of the scale of courses. It will subsequently consolidate the industry talent pool in the training business established over the years to expand the lecturers team, strive for recognition in the industry and develop opportunities, in an effort to nurture and develop talents in the arts field.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

BUSINESS REVIEW AND OUTLOOK *(Continued)*

Cultural Park

On 16 March 2018, Guangdong Cultural Park received a civil judgment from the Guangdong Higher People's Court (the "Higher Court Civil Judgment"), which rejected the appeal lodged in November 2016 and upheld the original decision. Details of the litigation are set out in the announcements of the Company dated 12 April 2016, 21 October 2016, 16 December 2016 and 20 March 2018, and Note 25 to the Interim Financial Information of this report.

According to the Higher Court Civil Judgment, the Guangdong Higher People's Court rejected Guangdong Cultural Park's appeal and the decision (the "First Civil Judgment") of the Guangzhou Intermediate People's Court was upheld, which included, among others, the judgment that the Framework Agreement should be terminated as of 22 March 2016; Guangdong Cultural Park shall pay late payment surcharges for the overdue rental of approximately RMB2,722,000 (equivalent to approximately HK\$3,172,000) during the period from 1 October 2015 to 21 March 2016 and that Pearl River Film Production is entitled to keep the RMB20,000,000 (equivalent to approximately HK\$23,310,000) construction deposit paid by Guangdong Cultural Park. All other claims made by Pearl River Film Production and the counterclaim made by Guangdong Cultural Park were dismissed. The Guangzhou Intermediate People's Court implemented the judgment at the end of April 2018 and subsequently released the frozen Bank Account. In light of the First Civil Judgment, the Group recognized an impairment loss on properties interest under construction of approximately HK\$84,467,000, a write-off of construction deposit of approximately HK\$23,310,000 and late payment surcharges for rental of approximately HK\$3,172,000 during the year ended 31 December 2016.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

BUSINESS REVIEW AND OUTLOOK *(Continued)*

Cultural Park *(Continued)*

Following the receipt of the Higher Court Civil Judgment, the management met with the representatives of Pearl River Film Production for preliminary discussion on 27 March 2018. During the meeting, the representatives of Pearl River Film Production indicated that they expected Guangdong Cultural Park to return Phase II of the Pearl River Film Cultural Park, i.e. the undeveloped land, as soon as possible, and have further discussion on the future arrangement of Phase I of the Pearl River Film Cultural Park, i.e. the completed properties. After the meeting, the management and all shareholders of Guangdong Cultural Park met with the PRC legal advisor on 3 April 2018 for legal advice. The PRC legal advisor recommended to negotiate the overall arrangement of the Pearl River Film Cultural Park (both Phase I and Phase II) as a package, which all shareholders agreed and accepted. The management met with the representatives of Pearl River Film Production for the second time on 17 April 2018. At the meeting, the management presented its proposal of discussion as a package to the representatives of Pearl River Film Production and indicated its hope to reach a consensus as soon as possible in respect of continuing operation of Phase I of the Pearl River Film Cultural Park. However, Pearl River Film Production still insisted Guangdong Cultural Park to return Phase II of the Pearl River Film Cultural Park first. After several discussions, the division returned a portion of the Pearl River Film Cultural Park, which had been used as parking space, to Pearl River Film Production in June 2018 and continued to negotiate with Pearl River Film Production for the overall arrangement of Phase I and Phase II of the Pearl River Film Cultural Park to express the sincerity of the Company for continuing operation of Phase I of the Pearl River Film Cultural Park. On 7 August 2018, Guangdong Cultural Park received a letter dated 6 August 2018 from the legal representatives of Pearl River Film Production demanded the delivery of the relevant properties of Pearl River Film Cultural Park and claimed for compensation of related occupation fees and economic loss totalling amounted to approximately RMB143,076,000 (equivalent to approximately HK\$169,521,000). As at the date of this report, Pearl River Film Production has not yet reached a consensus with Guangdong Cultural Park regarding the continuing operation of Phase I of the Pearl River Film Cultural Park. Should there be any significant updates, the Company will make timely disclosure on both the Stock Exchange's website and the Company's website.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

BUSINESS REVIEW AND OUTLOOK *(Continued)*

Cultural Park (Continued)

Guangdong Cultural Park is still operating Phase I of the Pearl River Film Cultural Park (on the assumption that the contractual rights to receive rental income from the lessees and obligations to pay the rental to Pearl River Film Production will remain unchanged, and the terms and conditions governing the Framework Agreement for Phase I of the Pearl River Film Cultural Park will continue to be implemented). The revenue recognized for the first half of 2018 was approximately HK\$24,886,000. The management will remain in close discussion with the representatives of Pearl River Film Production in hopes to finalize the operating terms of Phase I of the Pearl River Film Cultural Park as soon as possible. If the outcome of the negotiation is not favourable to the division, the fair value of Phase I of the Pearl River Film Cultural Park accounted for in the consolidated financial statements of the Group and the future profitability of the division will be significantly and adversely affected.

LITIGATION

During the period, Guangdong Cultural Park received the Higher Court Civil Judgment of Guangdong Higher People's Court, which rejected the Appeal and upheld the First Civil Judgment. Details of the litigation are set out in Note 25 to the Interim Financial Information of this report.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2018, the Group had bank balances and cash of HK\$116,316,000 (31 December 2017: HK\$294,687,000), which were mainly denominated in Renminbi, United States dollars and Hong Kong dollars and structured deposits of HK\$236,615,000 (31 December 2017: HK\$1,686,000). In addition, the restricted deposits of the Group were released in the second quarter of this year. Therefore, the Group had no restricted bank deposits as at 30 June 2018 (31 December 2017: HK\$46,253,000).

As at 30 June 2018 and 31 December 2017, the Group had no borrowings or overdrafts. The Group's current ratio was 3.7 (31 December 2017: 3.1), which was calculated based on current assets of HK\$402,002,000 and current liabilities of HK\$109,833,000.

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 still be sufficient to meet its future working capital requirements after the distribution of the special dividend in August of this year.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

CAPITAL STRUCTURE

The equity attributable to owners of the Company amounted to HK\$848,331,000 as at 30 June 2018 (31 December 2017: HK\$850,673,000). The decrease was attributable to exchange differences of HK\$11,025,000 on translation of financial statements attributable to owners of the Company from functional currency to presentation currency, which was partially offset by a profit attributable to owners of the Company for the six months ended 30 June 2018 of HK\$8,683,000.

MATERIAL ACQUISITIONS, DISPOSALS AND SIGNIFICANT INVESTMENT

The Group did not have any material acquisitions, disposals and significant investment during the six months ended 30 June 2018.

CHARGE ON ASSETS

As at 30 June 2018, 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 does not have significant foreign exchange exposure, and thus has not implemented any foreign currency hedging policy at the moment. However, if necessary, the Group will consider using forward exchange contracts to hedge against foreign currency exposure. As at 30 June 2018, the Group had no significant exposure under foreign exchange.

CONTINGENT LIABILITIES

Save for the litigation disclosed in Note 25 to the Interim Financial Information, the Group had no significant contingent liabilities as at 30 June 2018.

EMPLOYEES

As at 30 June 2018, the Group employed 335 (31 December 2017: 397) 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 2018, 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.

SPECIAL AND INTERIM DIVIDENDS

On 20 July 2018, the Board resolved the declaration and payment of a special dividend of HK\$0.08 per share of the Company (the "Special Dividend"), amounting to approximately HK\$121,460,000 in total. It was expected that the Special Dividend will be payable on 20 August 2018 to the shareholders of the Company whose names appear on the register of members of the Company on 7 August 2018.

Apart from the above, the Board does not recommend the payment of an interim dividend for the six months ended 30 June 2018 (six months ended 30 June 2017: 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 2018.

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

As at 30 June 2018, 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 total 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. Kwong Che Keung, Gordon	Beneficial owner	10,800,820	-	10,800,820	0.71%

Save as disclosed above, as at 30 June 2018, 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 2018 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 2018, 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 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%
Wheeling Holdings Limited ("Wheeling")	Interests of controlled corporations	619,168,023 <i>(Note)</i>	40.78%
Shougang Concord Grand (Group) Limited ("Shougang Grand")	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%

Note: Upper Nice is an indirect wholly-owned subsidiary of Shougang Grand. Shougang Grand was held as to approximately 50.53% by Wheeling, 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.

SUBSTANTIAL SHAREHOLDERS *(Continued)*

Save as disclosed above, as at 30 June 2018, 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 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 2018, 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 all the code provisions of the Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules throughout the six months ended 30 June 2018.

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 2018.

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 2017 are as follows:

1. Ms. Cheng Xiaoyu, an executive Director of the Company, was appointed as the chairman of the Board and the executive committee, the chairman and a member of the nomination committee and the vice chairman and a member of the remuneration committee of the Company since 21 July 2018.
2. Mr. Xu Liang, an executive Director of the Company, was appointed as an executive director of Shougang Concord International Enterprises Company Limited on 21 May 2018. He ceased to be the chairman of the Board, the executive committee and the nomination committee and the vice chairman of the remuneration committee of the Company since 21 July 2018; and remained as the executive Director and the member of the executive committee, the nomination committee and the remuneration committee of the Company.
3. Mr. Leung Shun Sang, Tony retired as the non-executive Director of the Company on 18 May 2018.

AUDIT COMMITTEE

The Group's interim results for the six months ended 30 June 2018 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 2018 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 2018.

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 like to take this opportunity to extend my gratitude and appreciation to all of the Group's management members and staff for their hard work and dedication throughout the period.

By Order of the Board
Cheng Xiaoyu
Chairman

Hong Kong, 13 August 2018