



環球數碼

GLOBAL DIGITAL CREATIONS HOLDINGS LIMITED

環球數碼創意控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 8271)

**INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2017**

**CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE
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Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the main board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

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This announcement, for which the directors (the “Directors”) of Global Digital Creations Holdings Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief the information contained in this announcement 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 announcement misleading.

* For identification purpose only

INTERIM RESULTS

The Board of Directors of the Company (the “Board”) hereby announces the unaudited condensed consolidated financial results of the Company and its subsidiaries (the “Group”) for the three and six months ended 30 June 2017 with comparative figures for the corresponding period in the year 2016.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2017

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

	<i>NOTE</i>	Three months ended		Six months ended	
		30 June		30 June	
		2017	2016	2017	2016
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(unaudited)	(unaudited)	(unaudited)	(unaudited)
Profit for the period attributable to:					
Owners of the Company		3,487	3,776	912	735
Non-controlling interests		1,413	53	3,010	940
		<u>4,900</u>	<u>3,829</u>	<u>3,922</u>	<u>1,675</u>
Total comprehensive income (expenses)					
for the period attributable to:					
Owners of the Company		16,367	(25,375)	21,478	(21,248)
Non-controlling interests		1,883	(1,636)	3,672	(281)
		<u>18,250</u>	<u>(27,011)</u>	<u>25,150</u>	<u>(21,529)</u>
		<i>HK cents</i>	<i>HK cents</i>	<i>HK cents</i>	<i>HK cents</i>
Earnings per share					
Basic	8	<u>0.23</u>	<u>0.25</u>	<u>0.06</u>	<u>0.05</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2017

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

		30 June	31 December
		2017	2016
	<i>NOTE</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(unaudited)	(audited)
Non-current liabilities			
Deferred income		2,596	121
Deferred tax liabilities		39,448	38,386
		<u>42,044</u>	<u>38,507</u>
Net assets		<u>870,376</u>	<u>845,226</u>
Capital and reserves			
Share capital	<i>13</i>	15,183	15,183
Reserves		833,362	811,884
		<u>848,545</u>	<u>827,067</u>
Equity attributable to owners of the Company		21,831	18,159
Non-controlling interests		<u>870,376</u>	<u>845,226</u>
Total equity		<u>870,376</u>	<u>845,226</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2017

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

NOTES TO THE INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2017

1. BASIS OF PREPARATION

The condensed consolidated financial statements for the six months ended 30 June 2017 (the “Interim Financial Information”) have been prepared in accordance with Hong Kong Accounting Standard 34 (“HKAS 34”) Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) as well as with the applicable disclosure requirements of Chapter 18 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “GEM Rules”).

2. PRINCIPAL ACCOUNTING POLICIES

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

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

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

3. SEGMENT INFORMATION

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

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

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

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

Six months ended 30 June 2017 (unaudited)

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

Six months ended 30 June 2016 (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>48,082</u>	<u>3,153</u>	<u>22,047</u>	<u>73,282</u>
Segment result	<u>14,999</u>	<u>(5,138)</u>	<u>4,591</u>	14,452
Unallocated income				196
Unallocated expenses				<u>(9,257)</u>
Profit before tax				<u>5,391</u>

Segment revenue reported above represents revenue generated from external customers.

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

Segment assets

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

4. REVENUE

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

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

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

5. INCOME TAX EXPENSE

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

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

Under the Law of the People’s Republic of China (the “PRC”, for purpose of this announcement, does not included Hong Kong, Macau and Taiwan) on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the EIT rate of the Group’s PRC subsidiaries is 25% from 1 January 2008 onwards, except for the subsidiary described below.

According to the Circular of State Council for the tax policies on the animation enterprise (Caishui [2009] No. 65), the PRC subsidiaries which qualified as animation enterprise are entitled to tax concession, whereby their applicable tax rate will progressively increase to 25%. The tax concession was expired in 2016. One of the PRC subsidiaries was able to enjoy a preferential tax rate at 12.5% from 2014 till 2016 as it was qualified as animation enterprise. In addition, according to the Circular of State Council for the Enterprise income tax policies on the advanced technology service enterprise (“ATSE”) (Caishui [2014] No. 59), one of the PRC subsidiaries was able to enjoy a preferential tax rate at 15% from 2015 till 2017 as it was qualified as ATSE. For the six months ended 30 June 2017, the relevant tax rates for the Group’s subsidiaries in the PRC was ranged from 15% to 25% (six months ended 30 June 2016: 12.5% to 25%).

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

6. PROFIT FOR THE PERIOD

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

7. DIVIDENDS

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

8. EARNINGS PER SHARE

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

	Three months ended 30 June		Six months ended 30 June	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Earnings				
Profit for the period attributable to owners of the Company for the purpose of basis earnings per share	<u>3,487</u>	<u>3,776</u>	<u>912</u>	<u>735</u>
	'000	'000	'000	'000
Number of shares				
Number of ordinary shares in issue for the purpose of basic earnings per share	<u>1,518,256</u>	<u>1,518,256</u>	<u>1,518,256</u>	<u>1,518,256</u>

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

9. INVESTMENT PROPERTIES

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

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

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

The Pearl River Film Cultural Park is located at No. 352 and 354, Xin Gang Zhong Road, Guangzhou, the PRC and the present land use right is owned by Pearl River Film Production. After the redevelopment, the whole Pearl River Film Cultural Park project will have a commercial area, a cultural entertainment area and a film production and development area, which will be held for investment purpose. As at 30 June 2017, Phase I of the Pearl River Film Cultural Park was completed and included as completed properties as further described below.

The properties interest under construction represent Phase II of the Pearl River Film Cultural Park which is to be developed as an entertainment and film production and development area and is stated at cost which mainly includes capitalised lease expenses and construction costs as the fair value cannot be reliably measured as at 30 June 2016. The original period during which construction was to be completed in accordance with the Framework Agreement has expired. Pearl River Film Production has initiated legal proceedings against Guangdong Cultural Park in the Intermediate People's Court of Guangzhou City of Guangdong Province of the PRC (中國廣東省廣州市中級人民法院) ("Guangzhou Intermediate People's Court") in respect of an alleged breach of the Framework Agreement governing the lease and reconstruction of the related land (the "Alleged Breach") and compensation of damages. Guangdong Cultural Park denied Pearl River Film Production's accusations and the responsibility of the Alleged Breach and filed a counterclaim against Pearl River Film Production in Guangzhou Intermediate People's Court in May 2016 to demand Pearl River Film Production to continue executing the Framework Agreement and compensation of damages (please refer to Note 14 for details).

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

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

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

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

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

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

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

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

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

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

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

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

There was no transfer between different levels during the period.

10. TRADE RECEIVABLES

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

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

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

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

11. TRADE PAYABLES

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

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

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.

12. OTHER PAYABLES AND ACCRUALS

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

Note:

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

In addition, an amount of approximately HK\$3,136,000 (31 December 2016: HK\$3,038,000) is related to accrued late payment surcharge for the overdue rental of the Pearl River Film Cultural Park for the period from 1 October 2015 to 21 March 2016 as imposed by the Civil Judgement (please refer to Note 14 for details).

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

13. SHARE CAPITAL

Share capital as at 30 June 2017 amounted to approximately HK\$15,183,000. There were no movements in the share capital of the Company in the current or the prior interim period.

14. LITIGATIONS

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

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

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

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

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

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

EXTRACT OF INDEPENDENT AUDITOR’S REVIEW REPORT

The following is an extract of the independent auditor’s report on Review of Interim Financial Information of the Group for the six months ended 30 June 2017:

“Basis for Disclaimer of Conclusion

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

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

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

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

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

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

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

Disclaimer of Conclusion

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

We draw attention to the fact that the condensed consolidated statements of profit or loss and other comprehensive income for each of the three-month periods ended 30 June 2017 and 2016 and the relevant explanatory notes disclosed in this interim financial information have not been reviewed in accordance with HKSRE 2410."

Details of "Notes 12 and 26 to the interim financial information" have been included in "Notes 9 and 14 to interim financial information" of this announcement respectively.

INTERIM DIVIDEND

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

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

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

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

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

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

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

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

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

BUSINESS REVIEW AND OUTLOOK

CG creation and production

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

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

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

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

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

CG Training

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

Cultural Park

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

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

LITIGATIONS

The Group is involved in litigations during the period. Details of the litigations are disclosed in Note 14 to the interim financial information of this announcement.

LIQUIDITY AND FINANCIAL RESOURCES

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

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

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

CAPITAL STRUCTURE

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

MATERIAL ACQUISITIONS, DISPOSALS AND SIGNIFICANT INVESTMENT

On 28 November 2014, GDC Holdings Limited, a wholly-owned subsidiary of the Company ("GDC Holdings"), and Huayi Brothers International Investment Limited (the "Purchaser"), an independent third party of the Company, entered into the sale and purchase agreement (the "Sale and Purchase Agreement"), pursuant to which the Purchaser has conditionally agreed to acquire and GDC Holdings has conditionally agreed to sell all the shares of GDC Technology Limited ("GDC Tech") held by GDC Holdings (i.e. 29,779,777 shares), representing approximately 11.38% of the issued share capital of GDC Tech as at the date of execution of the Sale and Purchase Agreement ("GDC Tech Shares") at an initial consideration of US\$0.4778 per GDC Tech Share (subject to adjustment) (the "Disposal").

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

Further details of the Disposal are set out in the announcements of the Company dated 16 October 2014, 14 November 2014, 28 November 2014, 19 December 2014, 24 December 2014, 26 February 2015 and 28 June 2017 and the circular of the Company dated 30 December 2014.

Save as disclosed above, the Group did not have any material acquisitions, disposals and significant investment during the six months ended 30 June 2017.

CHARGE ON ASSETS

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

FOREIGN EXCHANGE EXPOSURE

Currently, the Group earns revenue mainly in Renminbi and United States dollars, and incurs costs mainly in Renminbi and Hong Kong dollars. The Directors believe that the Group does not have significant foreign exchange exposure, and thus has not implement any foreign currency hedging policy at the moment. However, if necessary, the Group will consider using forward exchange contracts to hedge against foreign currency exposure. As at 30 June 2017, the Group had no significant exposure under foreign exchange.

CONTINGENT LIABILITIES

Save for the litigations disclosed in Note 14 to the interim financial information of this announcement, the Group had no significant contingent liabilities as at 30 June 2017.

EMPLOYEES

As at 30 June 2017, the Group employed 404 (31 December 2016: 398) full time employees (other than employees of the Group's associates). The Group remunerates its employees mainly with reference to the prevailing market practice, individual performance and experience. Other benefits, such as medical coverage, insurance plan, mandatory provident fund, discretionary bonus and employee share option scheme are also available to the employees of the Group.

During the six months ended 30 June 2017, neither the Company nor its subsidiaries had paid or committed to pay any amount as an inducement to join or upon joining the Company and/ or its subsidiaries to any individual.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities (whether on the Stock Exchange or otherwise) during the six months ended 30 June 2017.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

During the six months ended 30 June 2017, none of the Directors of the Company had an interest in a business (other than those businesses where the Directors were appointed as directors to represent the interests of the Company and/or any member of the Group) which is considered to compete or is likely to compete, either directly or indirectly, with businesses of the Group.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

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

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

COMPLIANCE WITH CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of provisions of conduct regarding securities transactions by the Directors on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiries with the Directors, all Directors confirmed that they have complied with such code of conduct and the required standard of dealings regarding securities transactions by the Directors throughout the six months ended 30 June 2017.

CHANGES IN DIRECTORS' INFORMATION

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

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

AUDIT COMMITTEE

The Group's interim results for the six months ended 30 June 2017 were unaudited. However, the Company has engaged the Company's auditor, Messrs. Deloitte Touche Tohmatsu (the “Auditor”) to assist the Company's audit committee (the “Audit Committee”) to review the 2017 unaudited interim results of the Group. A meeting of the Audit Committee was held with the Auditor and the management of the Company for, amongst other things, reviewing the interim results of the Group for the six months ended 30 June 2017.

APPRECIATION

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

By Order of the Board

Xu Liang

Chairman

Hong Kong, 4 August 2017

As at the date of this announcement, the Board comprises Mr. Xu Liang (Chairman and Executive Director), Mr. Chen Zheng (Chief Executive Officer and Executive Director), Mr. Jin Guo Ping (Vice President and Executive Director), Ms. Cheng Xiaoyu (Vice President and Executive Director), Mr. Leung Shun Sang, Tony (Non-executive Director), Mr. Kwong Che Keung, Gordon (Independent Non-executive Director), Prof. Japhet Sebastian Law (Independent Non-executive Director) and Mr. Lam Yiu Kin (Independent Non-executive Director).

This announcement will remain on the “Latest Company Announcements” page of the GEM website at www.hkgem.com for at least 7 days from the date of its posting and on the Company’s website at www.gdc-world.com.