



中國創意數碼娛樂有限公司  
CHINA CREATIVE DIGITAL ENTERTAINMENT LIMITED

**China Creative Digital Entertainment Limited**

**中國創意數碼娛樂有限公司**

*(Incorporated in Bermuda with limited liability)*

(Stock Code: 8078)

# 2020-2021 INTERIM REPORT



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

# MANAGEMENT DISCUSSION AND ANALYSIS

## OPERATION REVIEW

The Company and its subsidiaries (collectively referred to as the “Group”) reported a total revenue of approximately HK\$13.6 million for the six months ended 31 December 2020 (the “Six-month Period”), compared with approximately HK\$25.3 million (restated) for the corresponding period in 2019. For the Six-month Period, a loss attributable to owners of the Company of approximately HK\$57.9 million was recorded whilst in the corresponding period of last year, a loss attributable to owners of the Company of approximately HK\$143.8 million was recorded.

During the Six-month Period, artiste management services contributed a revenue of approximately HK\$4 thousand (2019: HK\$2.51 million). The revenue from entertainment business was approximately HK\$10.6 million (2019: HK\$16.3 million) (restated). The revenue from the money lending business was approximately HK\$3 million (2019: HK\$6.41 million).

## BUSINESS REVIEW

The Group was principally engaged in entertainment business, artiste management services and money lending business.

The outbreak of novel coronavirus disease (COVID-19) seriously undermined the economies of the PRC mainland and Hong Kong and further weakened the entertainment consumption. The theatres of the PRC have shut down in the wake of the outbreak of COVID-19 pandemic since late January 2020, so the original schedule of releasing new films of the Group have been delayed. Although the COVID-19 epidemic was under control, the theatres have been allowed to open with restricted conditions, the film and television production companies, film and television crews and film and television artistes could resume to work gradually, but it was still disrupted the Group's performance during the six-month Period.

Despite of the cultural and entertainment industry in the mainland China was under tremendous challenges for the coming year, the Group will invest more resources in media content creation, movie production and movie distribution business segments. In view of the rapid global development in media contents and the rising popularity of new media platforms among the mobile and internet users, we hope to continue developing the quality media contents with the advantages of the existing platform resources and to thrive in the cultural and entertainment business.

The Company will take cautious and conservative approaches in managing its business segments with the aim to reduce market risks and achieve a better return to the Company and shareholders.

The Directors of the Company have prepared the consolidated financial statements of the Company on a going concern basis as certain measures have been and are being undertaken to manage the Group's liquidity needs and to improve its financial position, which include, but not limited to, the followings:

- (i) Actively negotiating with finance providers for the waiver of the repayable on demand clause and breach of the undertaking and restrictive covenant requirements of certain other borrowings;
- (ii) Actively negotiating with banks or other financial institutions to obtain additional new financing and other source of funding as and when required;
- (iii) Actively executing active measures to expedite collections of outstanding trade receivables, other receivables, loan receivables and loans classified as financial assets at fair value through profit or loss;
- (iv) Actively speeding up the launch of certain films that will contribute significant cash flows through film distribution;
- (v) Implementing comprehensive policies to monitor cash flows through cutting costs and capital expenditure; and

- (vi) Exploring the possibility of disposing certain assets of the Group, including non-core assets or investments classified as financial assets at fair value through profit or loss and other comprehensive income.

The Company is still actively implementing the above measures to manage the Group's liquidity and to improve its financial position. The Company will keep its shareholders and investors informed of such developments by way of further announcement(s) as and when appropriate.

## LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2020, total borrowing of the Group (excluding payables) amounted to approximately HK\$911 million (30 June 2020: HK\$859.9 million). During the Six-month Period, the Group's gearing ratio (expressed as a percentage of total borrowing over total assets) was 214.3% (30 June 2020: 197.4%).

In addition to its share capital and reserves, the Group also made use of cash flow generated from operations, fund raising and the borrowings (mainly including other borrowings, convertible bonds, promissory note payable and finance lease payables), to finance its operation. The promissory note payable is denominated in Hong Kong dollars, unsecured, interest-free and has a fixed repayment term.

Other than disclosed above, the Group has no other external borrowings. The Group's bank balance and cash held on hand were mainly denominated in Hong Kong dollars. The Group managed its foreign exchange risk by closely monitoring the movement of the foreign currency rates. The management conducted periodical review of foreign currency exposure and would take appropriate measures to mitigate the risk arose from foreign exchange rate fluctuation. The Group experienced no significant exposure to foreign exchange rate fluctuation during the Six-month Period.

## CAPITAL STRUCTURE

For the Six-month Period, there is no change of the capital structure of the Company. The issued shares of the Company is 271,407,779 shares.

## COMMITMENTS

Total commitments of the Group as at 31 December 2020 was approximately HK\$193.5 million (30 June 2020: HK\$192.5 million).

## NUMBER AND REMUNERATION OF EMPLOYEES

The Group's number of employees as at 31 December 2020 was 29 (31 December 2019: 42), including full time and part time employees. Employees' remuneration was determined in accordance with individual responsibility, performance and experience. To provide incentives or rewards to the employees, the Company has adopted a new share option scheme in July 2014. No option was granted during the Six-month Period.

## CONTINGENT LIABILITIES

HMV Marketing Limited, a wholly-owned subsidiary of the Group, had entered into operation agreements in 2017 with an independent third party (the "Business Partner"), a PRC company principally engaged in property and shopping mall management, to develop not less than 20 shopping malls with HMV brand. Following the winding up of HMV Marketing Limited, the operation agreements is subject to uncertainty of execution. The Business Partner and the Group have not entered into any new arrangement after the winding-up of HMV Marketing Limited. During the year ended 30 June 2019, the Group received in aggregate HK\$40,000,000 from the Business Partner according to the operation agreements, which was also subject to uncertainty.

## RESULTS

The Board announces the unaudited condensed consolidated results of the Group for the three months and six months ended 31 December 2020 together with the comparative unaudited figures for the corresponding period in 2019 as follows:

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

For the three months and six months ended 31 December 2020

	Notes	For the three months ended 31 December		For the six months ended 31 December	
		2020 HK\$'000	2019 HK\$'000 (Restated)	2020 HK\$'000	2019 HK\$'000 (Restated)
Revenue	2 & 3	3,753	7,758	13,583	25,266
Cost of distribution and production of films, television episodes and music production	3	(2,542)	(73,173)	(5,693)	(82,244)
Other income and gains		5,584	3,257	10,618	3,651
Selling and distribution costs		(138)	(2,698)	(269)	(5,666)
Administrative expenses		(9,697)	(11,021)	(17,141)	(25,939)
Net allowance for expected credit loss ("ECL") on trade receivables		(296)	7,504	(591)	6,263
Net allowance for ECL on loan receivables		(247)	23,188	(893)	21,695
Net allowance for ECL on other receivables		(489)	-	(707)	-
Impairment loss on interests in an associates		-	(7,096)	-	(22,780)
Gain on disposal of an associate		-	-	600	-
Finance costs		(27,085)	(28,116)	(56,345)	(57,371)
Change in fair value of financial assets at fair value through profit or loss		(1,015)	(3,197)	(1,331)	(5,267)
Share of results of associates		-	(915)	-	(2,810)
Loss before taxation	4	(32,172)	(84,509)	(58,169)	(145,202)
Taxation	5	-	-	-	-
Loss for the period		(32,172)	(84,509)	(58,169)	(145,202)
<b>Loss for the period attributable to:</b>					
Owners of the Company		(32,206)	(83,741)	(57,917)	(143,777)
Non-controlling interests		34	(768)	(252)	(1,425)
		(32,172)	(84,509)	(58,169)	(145,202)

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

For the three months and six months ended 31 December 2020

Note	For the three months ended 31 December		For the six months ended 31 December	
	2020 HK\$'000	2019 HK\$'000 (Restated)	2020 HK\$'000	2019 HK\$'000 (Restated)
<b>Other comprehensive income/(loss)</b>				
Exchange differences on translating foreign operation	(345)	(33)	(345)	100
Share of other comprehensive income of an associate	-	-	-	26
Fair value change on financial assets at fair value through other comprehensive income/(loss)	-	415	-	(1,500)
<b>Total other comprehensive income/(loss) for the period, net of tax</b>	<b>(345)</b>	<b>382</b>	<b>(345)</b>	<b>(1,374)</b>
<b>Total comprehensive loss for the period</b>	<b>(32,517)</b>	<b>(84,127)</b>	<b>(58,514)</b>	<b>(146,576)</b>
<b>Total comprehensive loss for the period attributable to:</b>				
Owners of the Company	(32,551)	(83,359)	(58,262)	(145,151)
Non-controlling interests	34	(768)	(252)	(1,425)
	<b>(32,517)</b>	<b>(84,127)</b>	<b>(58,514)</b>	<b>(146,576)</b>
<b>Loss per share attributable to owners of the Company</b>				
- Basic and diluted	<sup>6</sup> HK\$(11.87) cents	HK\$(30.85) cents	HK\$(21.34) cents	HK\$(52.97) cents

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

		<b>31 December 2020 (Unaudited) HK\$'000</b>	30 June 2020 (Audited) HK\$'000
	<i>Notes</i>		
<b>Non-current assets</b>			
Property, plant and equipment	7	<b>2,704</b>	3,901
Intangible assets	8	<b>2,930</b>	2,930
Interest in a joint venture		<b>107</b>	107
Financial assets at fair value through other comprehensive income	10	<b>27,633</b>	27,633
Financial assets at fair value through profit or loss	15	<b>5,176</b>	5,176
Prepayments, deposits and other receivables	11	<b>59,561</b>	59,642
Film rights and films production in progress	7	<b>213,570</b>	214,685
Rights of use assets		<b>181</b>	518
		<b>311,862</b>	314,592
<b>Current assets</b>			
Inventories	13	<b>8,424</b>	7,773
Loans receivables	12	<b>35,312</b>	42,729
Trade receivables	14	<b>2,278</b>	2,584
Prepayments, deposits and other receivables	11	<b>42,398</b>	41,101
Financial assets at fair value through profit or loss	15	<b>20,669</b>	21,898
Bank and cash balances		<b>4,188</b>	4,844
		<b>113,269</b>	120,929

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

As at 31 December 2020

	Note	31 December 2020 (Unaudited) HK\$'000	30 June 2020 (Audited) HK\$'000
<b>Current liabilities</b>			
Trade payables		37,523	37,912
Accruals, deposits received and other payables		154,266	156,602
Tax payable		3	–
Lease liabilities		198	401
Other borrowings	17	113,639	111,547
Convertible bonds		277,913	260,913
Promissory note payable		519,467	487,419
		<b>1,103,009</b>	1,054,794
<b>Net current liabilities</b>		<b>(989,740)</b>	(933,865)
<b>Total assets less current liabilities</b>		<b>(677,878)</b>	(619,273)
<b>Non-current liabilities</b>			
Lease liabilities		–	91
		–	91
<b>NET LIABILITIES</b>		<b>(677,878)</b>	(619,364)
<b>Capital and reserves</b>			
Share capital		2,714	2,714
Reserves		(652,703)	(594,441)
Equity attributable to owners of the Company		<b>(649,989)</b>	(591,727)
Non-controlling interests		<b>(27,889)</b>	(27,637)
<b>TOTAL CAPITAL DEFICITS</b>		<b>(677,878)</b>	(619,364)

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the six months ended 31 December 2020

	Attributable to owners of the Company									
	Share capital HK\$'000	Share premium HK\$'000	Reorganization reserve HK\$'000	Investment revaluation reserve HK\$'000	Foreign currency translation reserve HK\$'000	Convertible bond equity reserve HK\$'000	Accumulated losses HK\$'000	Sub-total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
At 1 July 2019	2,714	2,537,203	132,990	(245,144)	(700)	34,059	(2,291,618)	169,504	(7,681)	161,823
Total comprehensive loss for the period	-	-	-	(1,500)	126	-	(143,777)	(145,151)	(1,425)	(146,576)
At 31 December 2019	2,714	2,537,203	132,990	(246,644)	(574)	34,059	(2,435,395)	24,353	(9,106)	15,247
At 1 July 2020	2,714	2,537,203	132,990	(301,040)	355	34,059	(2,998,008)	(591,727)	(27,637)	(619,364)
Total comprehensive loss for the period	-	-	-	-	(345)	-	(57,917)	(58,262)	(252)	(58,514)
At 31 December 2020	<b>2,714</b>	<b>2,537,203</b>	<b>132,990</b>	<b>(301,040)</b>	<b>10</b>	<b>34,059</b>	<b>(3,055,925)</b>	<b>(649,989)</b>	<b>(27,889)</b>	<b>(677,878)</b>

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 31 December 2020

	For the six months ended 31 December	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Net cash generated from/(used in) operating activities	7,278	(7,662)
Net cash used in investing activities	(328)	(2,694)
Net cash used in financing activities	(7,606)	(14,401)
Net decrease in cash and cash equivalents	(656)	(24,757)
Cash and cash equivalents at beginning of the period	4,844	28,399
Cash and cash equivalents at end of the period	4,188	3,642
Analysis of the balances of cash and cash equivalents:		
Bank balances and cash	4,188	3,642

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### 1. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements of the Company for the six months ended 31 December 2020 (the “Interim Financial Statements”) are prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and with the applicable disclosure requirements of Chapter 18 of the Rules Governing the Listing of Securities on GEM of the Stock Exchange.

The preparation of the Interim Financial Statements in conformity with HKAS 34 requires the management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The Interim Financial Statements include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since 30 June 2020, and therefore, do not include all of the information required for full set of financial statements prepared in accordance with the Hong Kong Financial Reporting Standards (“HKFRSs”) which collective term includes all applicable individual HKFRSs, HKAS and Interpretations issued by the HKICPA. They shall be read in conjunction with the Group’s audited financial statements for the year ended 30 June 2020.

The Interim Financial Statements have been prepared on the historical costs basis and presented in Hong Kong dollars (“HK\$”), which is the same as the functional currency of the Company and all values are rounded to the nearest thousands (HK\$’000) except otherwise indicated.

The accounting policies adopted in preparing the Interim Financial Statements are consistent with those followed in the annual report of the Company for the year ended 30 June 2020, except in relation to the new and revised standards, amendments and interpretations that affect the Company and its subsidiaries and are adopted for the first time for the preparation of current period’s consolidated financial statements.

The Interim Financial Statements have not been audited by the Company’s auditors but have been reviewed by the Company’s audit committee.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

### 2. REVENUE

	Three months ended 31 December		Six months ended 31 December	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) (Restated) HK\$'000	2020 (Unaudited) HK\$'000	2019 (Unaudited) (Restated) HK\$'000
<b>Continuing operations</b>				
<b>Revenue from contracts with customers within the scope of HKFRS 15</b>				
Recognised on point in time basis:				
Distribution and production of films, television programmes and music production	456	2,054	5,824	4,675
Sales of goods	2,475	2,292	4,780	4,624
	<b>2,931</b>	4,346	<b>10,604</b>	9,299
Recognised on over time basis:				
Artiste management services fee income	–	553	4	2,511
Distribution of new films	–	1,430	–	7,050
	–	1,983	4	9,561
<b>Revenue from other sources</b>				
Interest income and handling charge income from money lending	822	1,429	2,975	6,406
	<b>822</b>	1,429	<b>2,975</b>	6,406
	<b>3,753</b>	7,758	<b>13,583</b>	25,266

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

### 3. SEGMENT INFORMATION

In accordance with the Group's internal financial reporting, the Group has identified operating segments based on similar products and service provided. The operating segments are identified by senior management who is designated as "Chief Operating Decision Maker" to make decisions about resource allocation to the segments and assess their performance.

The Group has four reportable segments, (i) artiste management services, (ii) entertainment business, (iii) money lending, and (iv) securities and bonds investment. The segmentation is based on the information about the operations of the Group that Chief Operating Decision Maker uses to make decisions.

#### Segment revenue and results

The following is an analysis of the Group's revenues and results by reportable segment for the current and prior years:

	Artiste management services		Entertainment business		Money lending		Securities and bonds investment		Total	
	Six months ended 31 December		Six months ended 31 December		Six months ended 31 December		Six months ended 31 December		Six months ended 31 December	
	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000 (restated)	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000 (restated)
Segment revenue										
Revenue from external customers	4	2,511	10,604	16,349	2,975	6,406	-	-	13,583	25,266
Segment results	4	318	3,823	(77,029)	2,733	26,666	-	(5,268)	6,560	(55,313)
Bank interest income									1	2
Unallocated corporate expenses, net									(8,385)	(6,930)
Finance costs									(56,345)	(57,371)
Shares of results of associates									-	(2,810)
Impairment of associate									-	(22,780)
Loss before taxation									(58,169)	(145,202)
Income tax credit									-	-
Loss for the period									(58,169)	(145,202)

The accounting policies on segment reporting are the same as the Group's accounting policies. Segment results represent the profit earned by or loss incurred from each segment without allocation of central administration costs, bank interest income, finance costs, shares of results of associates, impairment of associate and taxation. This is the measure reported to the Chief Operating Decision Maker for the purpose of resource allocation and performance assessment.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

### 4. LOSS BEFORE TAXATION

	Three months ended 31 December		Six months ended 31 December	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Loss before taxation has been arrived at after charging:				
<b>Continuing operations</b>				
Staff costs, including directors' remuneration				
– Basic salaries and allowances	3,062	5,608	6,110	11,434
– Retirement benefits scheme contributions	145	205	290	408
<b>Total staff costs</b>	<b>3,207</b>	<b>5,813</b>	<b>6,400</b>	<b>11,842</b>
Depreciation of property, plant and equipment	548	678	1,227	1,341
Minimum lease payments under operating leases:				
– Land and buildings	367	–	734	–
Exchange loss/(gain)	(4,497)	2,360	(4,495)	5,873

### 5. TAXATION

No provision for Hong Kong Profits Tax has been made for the Six-month Period as the Group has statutory tax loss brought forward from prior years (six months ended 31 December 2019: Nil).

No provision for income tax in respect of operations in overseas has been made as the Group has no assessable profits in the respective jurisdictions for both periods.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

### 6. LOSS PER SHARE

The calculations of the basic and diluted loss per share attributable to owners of the Company are based on the following data:

	For the three months ended 31 December		For the six months ended 31 December	
	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000
Loss attributable to owners of the Company (HK\$'000)	<b>(32,206)</b>	(83,741)	<b>(57,917)</b>	(143,777)
Weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share	<b>271,407,779</b>	271,407,779	<b>271,407,779</b>	271,407,779

### 7. PROPERTY, PLANT AND EQUIPMENT AND FILM RIGHTS

An analysis of movements of the assets of the Group for the Six-month Period is as follows:

	Property, plant and equipment (Unaudited) HK\$'000	Film rights (Unaudited) HK\$'000	Film production in progress (Unaudited) HK\$'000
CARRYING AMOUNTS			
At 1 July 2020	3,901	8,235	206,450
Additions	30	1,390	240
Transfer to film rights	–	–	–
Depreciation and amortisation	(1,227)	(2,745)	–
At 31 December 2020	<b>2,704</b>	<b>6,880</b>	<b>206,690</b>

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

### 7. PROPERTY, PLANT AND EQUIPMENT AND FILM RIGHTS (Continued)

#### FILM RIGHTS AND FILMS PRODUCTION IN PROGRESS

In light of the circumstances of film industry, the Group regularly reviewed its library of film rights to assess the marketability of respective film rights and the corresponding recoverable amounts for the periods under review. The recoverable amount of the relevant assets had been determined on the basis of the present value of expected future revenue net of the relevant expenses arising from distribution and licensing of distribution rights of each of the films, by reference to the recent market information of the film industry. No impairment loss has been recognised for the period under review.

Films production in progress represents films under production. During the period ended 31 December 2020, the Directors of the Company assessed of which no impairment loss is necessary in respect of the films production in progress (six months ended 31 December 2019: Nil). The estimated recoverable amount was determined based on the best estimation of the management on expected future revenue less the relevant costs arising from the distribution and sub-licensing of the film products.

### 8. INTANGIBLE ASSETS

	Trademarks HK\$'000 <i>Note (a)</i>	Club membership HK\$'000 <i>Note (b)</i>	Management contracts HK\$'000	Customer relationship HK\$'000 <i>Note (c)</i>	Total HK\$'000
Cost:					
At 1 July 2020 and 31 December 2020	7,840	2,930	731	1,499	13,000
Accumulated amortization and impairment:					
At 1 July 2020	7,840	-	731	1,499	10,070
Charged for the period	-	-	-	-	-
At 31 December 2020	7,840	-	731	1,499	10,070
Carrying amounts:					
<b>At 31 December 2020</b>	<b>-</b>	<b>2,930</b>	<b>-</b>	<b>-</b>	<b>2,930</b>
At 30 June 2020	-	2,930	-	-	2,930

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

### 8. INTANGIBLE ASSETS (Continued)

Notes:

- (a) Trademarks of approximately HK\$7,840,000 (the "Trademark") arose from the acquisition of Glory Horizon Limited ("Glory Horizon") on 9 February 2018. Trademarks represent the rights to use the name of "HVM", the various HVM trademarks and trade mark applications, and the HVM domain names for the purposes of conducting the retail business of "HVM" operating through retail stores selling music, movies and television episodes related contents and products located in Taiwan and Macau. The patents and trademarks are considered to have indefinite useful life.

During the year ended 30 June 2019, the recoverable amounts of the Trademark were determined on the basis of value-in-use using discounted cash flow method (level 3 fair value measurements). The key assumptions for the discounted cash flow method were those regarding the discount rates, growth rates and budgeted gross margin and revenue during the period. The Group estimated discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the Trademark. The growth rates are based on long-term average economic growth rate of the geographical area in which the businesses of the Trademark operate. Budgeted gross margin and revenue were based on past practices and expectations on market development. The discount rate for the Trademark was 14%.

During the year ended 30 June 2019, the Group prepared cash flow forecasts for Trademark derived from the most recent financial budgets approved by the directors of the Company for the next five years with the residual period using the growth rate of 3%.

Based on the assessment, the Group made full impairment on the Trademark of approximately HK\$7,840,000 for the year ended 30 June 2019.

- (b) The Group's club membership of approximately HK\$2,930,000 as at 31 December 2020 and 30 June 2020 is assessed as having indefinite useful life because there is no time limit that the Group can enjoy the services provided by that club.

The recoverable amount of the club membership is determined on the basis of fair value less costs of disposal by reference to market price as at 31 December 2020 and 30 June 2020 (level 2 fair value measurements).

- (c) Customer relationship of approximately HK\$1,499,000 arose from the acquisition of Parkway on 1 November 2018. Customer relationship represents the long and good business relationship maintained by Parkway and the customer relationship has useful lives of 10 years.

Details and assessment of recoverable amount as at 31 December 2020 and 30 June 2020 are set out in Note 14. Based on the assessment, the Group made full impairment on the customer relationship of approximately HK\$1,199,000 for the year ended 2020.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

### 9. COMMITMENTS

#### (a) Operating lease commitments

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	<b>As at 31 December 2020 (Unaudited) HK\$'000</b>	As at 30 June 2020 (Audited) HK\$'000
In respect of:		
Rented premises		
Within one year	993	–
In the second to fifth year, inclusive	–	–
Over fifth year	–	–
<b>Total</b>	<b>993</b>	<b>–</b>

#### (b) Other commitments

	<b>As at 31 December 2020 (Unaudited) HK\$'000</b>	As at 30 June 2020 (Audited) HK\$'000
Amounts contracted for but not provided in the consolidated financial statements in respect of:		
Film production costs	112,927	112,927
Guaranteed sum to be paid under distributors agreements	79,568	79,568
	<b>192,495</b>	<b>192,495</b>

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

### 10. INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Notes	<b>As at 31 December 2020 (Unaudited) HK\$'000</b>	As at 30 June 2020 (Audited) HK\$'000
Listed securities		
– Equity securities listed in Hong Kong and overseas, at fair value	–	–
Unlisted securities, at fair value	<b>27,633</b>	27,633
	<b>27,633</b>	27,633

#### Notes:

These investments are designated as at FVTOCI in order to avoid volatility to the consolidated profit or loss arising from the changes in fair values of the investments. The fair values of listed securities are based on current bid prices.

Unlisted equity securities include:

GME Holdings Limited (“GME”)

During the year ended 30 June 2018, the Group acquired 12% interests in GME at a cash consideration of HK\$2,000,000. GME is incorporated in Hong Kong with limited liability which is principally engaged in the provision of artist management services. During the year ended 30 June 2019, a fair value loss on FVTOCI of HK\$2,000,000 was recognised in the consolidated statement of changes in equity.

Touchbase Tech. Inc. (“Touchbase”)

During the year ended 30 June 2018, the Group acquired 10% interests on Touchbase at a cash consideration of approximately HK\$19,700,000. Touchbase is a corporation duly incorporated and existing in good standing under the laws of the state of Nevada, United States of America, principally engaged in the provision of information technology services. During the year ended 30 June 2020, a fair value loss on FVTOCI of approximately HK\$3,900,000 (2019: fair value gain on FVTOCI of approximately HK\$2,100,000) was recognised in the consolidated statement of changes in equity.

Bintan Mining Corporate (“Bintan”)

The Group, entered to loan agreements with Party A and Party B on 5 January 2018 and 7 February 2018, respectively, in respect of loans to the respective parties. The loan to Party A with principal amount of HK\$30,000,000 was secured by shares of Bintan, interest bearing at 25% per annum and repayable 4 January 2019. The loan to Party B with principal amount of HK\$60,000,000 was secured by shares of Bintan, interest bearing at 10% per annum and repayable 7 August 2018. On 20 November 2018, the Group agreed with Party A and Party B to settle their loans totalling of HK\$90,000,000 by 2,148 ordinary shares of Bintan which represents 10.57% of equity interest in Bintan.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

### 10. INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (Continued)

Notes: (Continued)

Bintan is a limited company incorporated in the BVI and its principal activity is operating a bauxite mine in Rennell Island, Solomon Islands. As at 30 June 2020, 2,148 (2019: 2,148) ordinary shares of Bintan were held by the Group, representing 10.57% (2019: 10.57%) of the issued shares capital of Bintan. During the year ended 30 June 2020, a fair value loss on FVTOCI of approximately HK\$47,654,000 (2019: HK\$18,354,000) was recognised in the consolidated statement of changes in equity.

Shadow Factory Limited (“Shadow Factory”)

The Group entered into a sale and purchase agreement with an independent third party to acquire 3,000 ordinary shares of Shadow Factory, representing 3% equity interest of Shadow Factory, at the consideration of US\$750,000 (equivalent to approximately HK\$5,850,000). Shadow Factory is a registered Hong Kong company limited by shares and it is a full service production company specialising in content development, post-production, immersive media, technology and application development and digital strategy. During the year ended 30 June 2020, a fair value loss on FVTOCI of approximately HK\$3,911,000 (2019: HK\$2,407,000) was recognised in the consolidated statement of changes in equity.

Prime Focus World N. V. (“Prime Focus”)

During the year ended 30 June 2017, the Group acquired 4% interests in Prime Focus at a consideration comprising of HK\$264,289,000, which represents the fair value of 259,106,982 shares of the Company at the date of issue.

On 30 June 2018, the Company signed a sales and purchase agreement with an independent third party to dispose the 4% interests in Prime Focus at a consideration of US\$34,820,000 (equivalent to approximately HK\$273.34 million) which would comprise of cash of US\$13,800,000 (equivalent to approximately HK\$108,331,000) and 81% of the intellectual property right (“IP right”) upon the completion of the assignment of the IP right. As at 30 June 2018, the IP right was estimated to have fair value of approximately HK\$60,000,000. As at 30 June 2018, the Company classified the investment in 4% interest in Prime Focus as current asset as the disposal would be completed within one year. However, the buyer cancelled the transaction during the year ended 30 June 2019 so that the Group recognised the deposit received of US\$1,380,000 (equivalent to approximately HK\$10,764,000) as waiver of deposit received (Note 8) during the year ended 30 June 2019.

On 25 March 2019, the Group, entered into a sale and purchase agreement with another independent third party to dispose of 100% equity interest in Fore Head Limited (“Fore Head”) which is a holding company of Horizon Coast, at a cash consideration of HK\$33,000,000. On 4 April 2019 and 16 October 2019, settlements of consideration of HK\$21,500,000 and HK\$9,000,000 were received and the remaining portion of consideration of HK\$2,500,000 has been remained unsettled in other receivables as at 30 June 2020 and 2019 and the Group recognised an allowance for ECL on the unsettled receivable of HK\$2,500,000 in the consolidated statement of profit or loss during the year ended 30 June 2020. As the 4% interest in Prime Focus was the only asset of Fore Head, the management of the Group considered the fair value of the 4% interest in Prime Focus was approximate to the consideration amount and resulted in the fair value loss in financial assets at fair value through other comprehensive income of approximately HK\$134,711,000 charged to investment revaluation reserve in the consolidated statement in changes in equity during the year ended 30 June 2019. Upon disposal, the loss of approximately HK\$96,500,000 has been transferred from investment revaluation reserve to accumulated losses.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

### 10. INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (Continued)

Notes: (Continued)

Full Wealthy International Limited (“Full Wealthy”)

On 5 April 2017, Full Wealthy was incorporated in the Cayman Islands with an authorised share capital of US\$50,000 divided into 50,000 shares of par value of US\$1 each. On the date of incorporation, 1 share of Full Wealthy was allotted and issued at US\$1 to Full Times Investment Limited (“Full Times”), a wholly-owned subsidiary of the Company. On 29 May 2017, Full Wealthy further allotted and issued 99 fully paid shares with par value of US\$1 per share to Full Times.

On 27 June 2017, Fully Times, entered into a sale and purchase agreement with another independent third party to dispose of 85% equity interest in Full Wealthy at a cash consideration of HK\$46,070,000.

During the year ended 30 June 2020, a fair value loss on FVTOCI of approximately HK\$1,171,000 (2019: fair value gain on FVTOCI of approximately HK\$1,171,000) was recognised in the consolidated statement of changes in equity.

The fair values of unlisted equity investment were assessed by the directors of the Company with reference to the professional valuation carried out by GC Appraisals Services Company Limited (2019: International Valuation Limited), an independent professional valuer.

### 11. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	<b>As at 31 December 2020 (Unaudited) HK\$'000</b>	As at 30 June 2020 (Audited) HK\$'000
Prepayments	<b>81,053</b>	79,595
Deposits	<b>17,382</b>	17,261
Other receivables	<b>3,524</b>	3,887
	<b>101,959</b>	100,743

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

### 11. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (Continued)

The amount of prepayments, deposits and other receivables is analysed for reporting purpose as follows:

	<b>As at 31 December 2020 (Unaudited) HK\$'000</b>	As at 30 June 2020 (Audited) HK\$'000
– Non-current portion		
Prepayments	58,842	58,923
Deposits	719	719
	<b>59,561</b>	59,642
– Current portion		
Prepayments	22,211	20,672
Deposits	16,663	16,542
Other receivables	3,524	3,887
	<b>42,398</b>	41,101
	<b>101,959</b>	100,743

*Note:*

Prepayments, deposits and other receivables mainly represent upfront payments for film productions, distribution rights and prepaid administrative expenses. As at 31 December 2020, the amount of prepayments, deposits and other receivables that were expected to be settled within twelve months from the end of the reporting period was classified as current assets. The remaining balances were classified as non-current assets.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

### 12. LOAN RECEIVABLES

	As at 31 December 2020 (Unaudited) HK\$'000	As at 30 June 2020 (Audited) HK\$'000
Loans receivables	86,846	93,370
Less: Allowance for ECL	(51,534)	(50,641)
	<b>35,312</b>	42,729
Analysed as:		
Non-current assets	–	–
Current assets	35,312	42,729
	<b>35,312</b>	42,729

The movements in the provision for impairment of loans receivables during the period are as follows:

	As at 31 December 2020 (Unaudited) HK\$'000	As at 30 June 2020 (Audited) HK\$'000
At the beginning	50,641	76,224
ECL recognised during the period	893	9,805
Reversal of impairment loss recognised during the period	–	(35,388)
	<b>51,534</b>	50,641

All loans receivables are denominated in HK\$ and carried fixed interest rates with effective interest rate ranging from 5% to 18% (2020: 5% to 18%) per annum and with the terms ranging from 1 month to 4 years (2020: 1 month to 4 years).

The following is an aged analysis for the loan receivables at the end of the Six-month Period:

	As at 31 December 2020 (Unaudited) HK\$'000	As at 30 June 2020 (Audited) HK\$'000
0–30 days	–	–
31–90 days	–	–
91–180 days	–	–
181–365 days	–	–
Over 365 days	35,312	42,729
	<b>35,312</b>	42,729

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

### 13. INVENTORIES

	As at 31 December 2020 (Unaudited) HK\$'000	As at 30 June 2020 (Audited) HK\$'000
Finished goods	4,696	4,791
Work in process	3,728	2,982
	<b>8,424</b>	<b>7,773</b>

### 14. TRADE RECEIVABLES

	As at 31 December 2020 (Unaudited) HK\$'000	As at 30 June 2020 (Audited) HK\$'000
Trade receivables	77,298	77,420
Less: Credit loss allowance ("ECL")/impairment loss	(75,020)	(74,836)
	<b>2,278</b>	<b>2,584</b>

- (a) The Group allows credit periods of from 30 days to 60 days to its trade debtors. As at 31 December 2020, based on the repayment pattern of the debtors of the Group, trade receivables which are past due but not impaired were considered to be eventually recoverable. The management of the Group closely monitors the credit quality of debtors and considers the trade receivables that are neither past due nor impaired to be of a good credit quality with reference to their repayment history. The Group does not hold any collateral over these balances.
- (b) At the end of the reporting period, the aging analysis of the trade receivables, based on invoice date and net of ECL/impairment losses, is as follows:

	As at 31 December 2020 (Unaudited) HK\$'000	As at 30 June 2020 (Audited) HK\$'000
0 to 90 days	1,951	2,024
91 to 180 days	327	560
181 days to 365 days	-	-
	<b>2,278</b>	<b>2,584</b>

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

### 15. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December 2020 (Unaudited) HK\$'000	As at 30 June 2020 (Audited) HK\$'000
Listed securities held for trading, at fair value:		
Equity securities listed in Hong Kong ( <i>Note (a)</i> )	622	1,851
Investments in film production and television episodes production	22,875	22,875
Other debt investment	2,348	2,348
	<b>25,845</b>	27,074
Analysed as:		
Non-current assets	5,176	5,176
Current assets	20,669	21,898
	<b>25,845</b>	27,074

#### Notes:

- (a) The fair values of the listed equity securities investments as at reporting date were determined based on the quoted market closing prices on the Stock Exchange.
- (b) Certain loans to entities engaging in film production with principal amounts of approximately HK\$81,838,000 as at 30 June 2019 did not fulfill the contractual cash flow characteristics test specified in HKFRS 9 and therefore classified as financial assets at FVTPL. The loan is unsecured, bearing fixed interest rate at 8% per annum and has a term of one year commencing on 30 June 2018. The Group is entitled to an additional return from these loans, with reference to sum received or receivable from the film producers in connection to the box office of the film. These loans were matured on 30 June 2019 and the Group had not entered into any new arrangements with the relevant counter parties.

Save for aforesaid, as at 30 June 2020, the Group has four (2019: five) agreements with production houses, which are independent third parties. The investments are governed by the relevant agreements entered into between the Group and the production houses whereby the Group is entitled to benefits generated from the distribution of the related films and television episodes productions.

During the year ended 30 June 2020, as affected by the COVID-19 pandemic, a number of films and television episodes invested by the Group had to be delayed in debuting on cinema screens or had to be temporarily suspended from filming due to travel restrictions, lockdown of cities and other uncertainties that may affect the film and television episodes' industries right after COVID-19 pandemic. However, one of its film producers had notified the Group that the film at an investment cost of RMB40,000,000 (equivalent to approximately HK\$45,614,000) would be ready to be debuted on cinema screens during the year ending 30 June 2021. As a result, the Group reclassified the respective investment from non-current asset to current asset.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

### 15. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Continued)

Notes: (Continued)

(b) (Continued)

The fair values of investments in film and television episodes production were assessed by the directors of the Company with reference to the professional valuation carried out by GC Appraisals Services Company Limited, an independent professional valuer. Details on the disclosure of valuation process, valuation techniques and inputs used in fair value measurements by the Group are set out in Note 5(b).

The fair values of the investments in film and loans classified as FVTPL, have been determined based on the present value of expected return which is assessed with reference to films that have similar movie genre, which were observable market information. The management of the Group made reference to the average of the actual box offices of the aforesaid comparable films to estimate the expected gross box offices of the films.

The fair value of investment in television episodes has been determined based on the present value of the expected return of television episodes which will be displayed on OTT platform or broadcasted on television. The data about distribution income generated is observable on both internal and external market information available, the management of the Group measured the fair value of such investments by making reference to the average of the actual viewing rates to estimate the expected distribution income.

Based on the above assessments, a fair value loss of approximately HK\$247,189,000 (2019: a fair value gain of approximately HK\$4,828,000) was recognised in the consolidated statement of profit or loss during the year ended 30 June 2020.

- (c) During the year ended 30 June 2019, the Group subscribed for a convertible note (“Mventus Note”) with a principal amount of for US\$500,000 (equivalent to approximately HK\$3,900,000) which is interest-bearing at a rate of 10% per annum which was issued by Mventus Group Inc. (the “Note Issuer”), an independent third party incorporated in Delaware, The United States. The maturity date of the Mventus Note is 23 July 2021. Pursuant to the note purchase agreement dated 24 July 2018, the Mventus Note is convertible into shares of the Note Issuer at the option of the Group at the time when the Note Issuer launches the next sale (or series of related sales) of its equity securities which the Note Issuer receives gross proceeds of not less than US\$5,000,000 (the “Next Equity Financing”).

During the year ended 30 June 2019, the Group had subscribed US\$300,000 (equivalent to approximately HK\$2,340,000) of the Mventus Note. As at 30 June 2020 and 2019, in the opinion of the directors of the Company, the Group did not have the right to convert the Mventus Note as the Note Issuer has not notified the Group of any launch of Next Equity Financing during the years ended 30 June 2020 and 2019.

Investments that are expected to be realised within 12 months from the reporting date or trading in nature is classified as current assets.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

### 16. MATERIAL RELATED PARTY TRANSACTIONS

In addition to those related party transactions and balances disclosed elsewhere in the condensed consolidated financial statements, the Group had the following material transactions with its related parties during the period.

	<b>As at 31 December 2020 (Unaudited) HK\$'000</b>	As at 31 December 2019 (Unaudited) HK\$'000
Film production cost paid to related company (Note (i))	950	–
Film production cost paid to directors (Note (ii))	–	–

Notes:

- (i) The amount represents upfront payment for film productions paid to a related company of the Company, of which Mr. Shiu Stephen Junior is a shareholder.
- (ii) The amount represents upfront payment for film production paid to a director of the Company.

### 17. OTHER BORROWINGS

	<b>As at 31 December 2020 (Unaudited) HK\$'000</b>	As at 30 June 2020 (Audited) HK\$'000
Secured	77,602	77,347
Unsecured	36,037	34,200
	<b>113,639</b>	111,547

Other borrowings of HK\$77,602,000 (30 June 2020: HK\$77,347,000) are secured by the followings:

	<b>As at 31 December 2020 (Unaudited) HK\$'000</b>	As at 30 June 2020 (Audited) HK\$'000
Personal guaranteed by a director	77,602	77,144
Equity securities listed in HK	–	203
	<b>77,602</b>	77,347

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

### 17. OTHER BORROWINGS (Continued)

Interest rate of other borrowings are as follows:

	<b>As at 31 December 2020 (Unaudited) HK\$'000</b>	As at 30 June 2020 (Audited) HK\$'000
8.25% per annum	–	203
9% per annum	<b>3,045</b>	3,022
11.25% per annum	<b>32,992</b>	31,178
14% per annum	<b>11,033</b>	10,333
16% per annum	<b>39,750</b>	38,465
24% per annum	<b>26,819</b>	28,346
	<b>113,639</b>	111,547

### 18. COMPARATIVE FIGURES

Certain comparative figures have been re-stated to conform with the current period presentation to align with the financial statements presentation of the Group.

The effects on the unaudited condensed consolidated statement of profit or loss and other comprehensive income are set out below:

	For the three months ended 31 December 2019			For the six months ended 31 December 2019		
	As previously report HK\$'000	Adjustments relating to classification of cost HK\$'000	As restated HK\$'000	As previously report HK\$'000	Adjustments relating to classification of cost HK\$'000	As restated HK\$'000
Revenue	11,341	(3,583)	7,758	41,139	(15,873)	25,266
Cost of distribution and production of films, television episodes and music production	(19,471)	(53,702)	(73,173)	(40,832)	(41,412)	(82,244)
Selling and distribution costs	(59,983)	57,285	(2,698)	(62,951)	57,285	(5,666)

## DIVIDEND

The Board did not recommend the payment of an interim dividend for the Six-month Period (31 December 2019: Nil).

## DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2020, the interests and short positions of the Directors and chief executive of the Company and their 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 maintained by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by the Directors as referred to in Rules 5.46 to 5.67 of the GEM Listing Rules were as follows:

### Long positions in shares of the Company

Name of Director	Capacity/ Nature of Interests	Number of ordinary/ underlying shares held	Approximate percentage holding
Mr. Shiu Stephen Junior (Note 1)	Beneficial owner	22,297,676	8.22%

Note:

- 1 Mr. Shiu Stephen Junior is the Chairman and executive Director of the Company. 22,200,000 shares were pledged to Wan Tai Investments Limited, a subsidiary of CCB International (Holdings) Limited on 2 January 2018.

Save as disclosed above, as at 31 December 2020, none of the Directors or chief executive of the Company nor their associates had any interests or short positions in shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

## INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

Save as disclosed below, so far as known to the Directors, as at 31 December 2020, the Directors were not aware of any other person (other than the Directors and chief executive of the Company as disclosed above) who had any interests or short position in the shares or underlying shares or debentures of the Company which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or who was interested in 5% or more of the nominal value of any class of share capital, or options in respect of such capital, carrying rights to vote in all circumstances at general meetings of the Company.

**(i) Interests in the Shares**

<b>Name</b>	<b>No. of shares</b>	<b>Percentage</b>
AID Treasure Investment Ltd ( <i>Note</i> )	30,149,720 shares	11.11%

*Note:*

AID Treasure Investment Ltd is an indirect wholly-owned subsidiary of AID Life Science Holdings Limited, a listed company on GEM (Stock code: 8088).

**(ii) Interests in the Convertible Bonds**

<b>Name</b>	<b>Conversion Price HK\$</b>	<b>No. of Underlying Shares</b>	<b>Percentage</b>
AID Treasure Investment Ltd ( <i>Note 1</i> )	15.25	3,278,688	1.21%
Wan Tai Investments Limited ( <i>Note 2</i> )	0.273	549,450,549	4.07%

*Notes:*

1. AID Treasure Investment Ltd is an indirect wholly-owned subsidiary of AID Life Science Holdings Limited, a listed company on GEM (Stock code: 8088). The conversion price was adjusted with effect from 23 May 2019.
2. Wan Tai Investments Limited is a limited liability business company incorporated under the laws of the British Virgin Islands and an indirectly wholly-owned special purpose vehicle of CCB International (Holdings) Limited. CCB International (Holdings) Limited is an investment services flagship which is a wholly-owned by China Construction Bank Corporation, a joint stock company incorporated in the PRC and listed on the Main Board of the Stock Exchange (stock code: 0939) and the Shanghai Stock Exchange (stock code: 601939).

The Company is still negotiating with the holder of the Convertible Bonds for any further actions, including but not limited to repayment, refinancing and extension of the Convertible Bonds. As such, subject to the negotiation progress with the holders of the Convertible Bonds and the compliance of the GEM Listing Rules, the conversion price and the number of shares of the Company falling to be issued upon the exercise of the conversion right attaching to the Convertible Bonds and the percentage has not been adjusted after the capital reorganisation took effect from 23 May 2019.

## SHARE OPTION SCHEME, DIRECTORS' AND CHIEF EXECUTIVE'S RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At the special general meeting of the Company held on 9 July 2014, the shareholders of the Company approved the adoption of a new share option scheme which became effective from 9 July 2014 and is valid for the next ten years ("New Scheme").

The major terms of the New Scheme are summarized as follows:

1. The purpose of the New Scheme is to enable the Group to grant options to the eligible participants as incentives or rewards for their contribution to the Group.
2. The Board of Directors may, at its discretion, offer the options to any full-time or part-time employees and Executive, Non-executive and Independent Non-executive Directors of the Company and/or any of its subsidiaries, suppliers, customers, advisors, shareholder of any member of the Group, consultants to subscribe for shares of the Company.
3. The maximum number of ordinary shares which may be allotted and issued upon exercise of all outstanding options granted and yet to be exercised under the New Scheme and any other share option scheme adopted by the Group shall not exceed 30 per cent. Of the share capital of the Company in issue from time to time.

The total number of ordinary shares which may be issued upon exercise of all options to be granted under the New Scheme and any other share option scheme of the Company shall not in aggregate exceed 10% of the ordinary shares in issue on the date of approval of the New Scheme (the "Scheme Limit") or as at the date of the Shareholders' approval of the refreshed Scheme Limit.

4. The total number of ordinary shares issued and which may fall to be issued upon exercise of the options and the options granted under any other share option scheme of the Group (including both exercised or outstanding options) to each grantee in any 12-month period shall not exceed 1 per cent. of the issued share capital of the Company for the time being.
5. The exercise period of any option granted under the New Scheme shall be determined by the Board but such period shall not exceed 10 years from the date of grant.
6. The New Scheme does not specify any minimum holding period.
7. The acceptance of an offer of the grant of the option under the New Scheme ("Offer") must be made within 21 days from the date on which the letter containing the Offer is delivered to that participant together with a non-refundable payment of HK\$1.00 from each grantee.
8. The subscription price will be determined by the Board of Directors of the Company and shall not be less than the highest of (i) the nominal value of the shares, (ii) the quoted closing price of the Company's shares on the date of offer of the options, and (iii) the average of the quoted closing prices of the Company's shares on the five trading days immediately preceding the date of offer of the options.
9. The New Scheme is valid for ten years from the date of adoption.

All share-based employee compensation will be settled in equity. The Group has no legal or constructive obligation to repurchase or settle the options. For the Six-month Period, no option was granted under the New Scheme.

## COMPETING INTERESTS

Up to the reporting date, Mr. Shiu Stephen Junior (“Mr. Shiu”), the Chairman and Executive Director of the Company, is a director of One Dollar Movies Productions Limited (“ODMP”), a company engaged in the production of movies, and together with his associate(s) hold indirectly as to 60% equity interests in ODMP. The businesses of ODMP may constitute competition with the business of the Group.

Save as disclosed above, the Directors believe that none of the Directors nor the controlling shareholders of the Company (as defined in the GEM Listing Rules) had any interest in a business which causes or may cause significant competition with the business of the Group.

## DIRECTORS’ INTERESTS IN CONTRACTS

Save as disclosed in note 16 to the financial statements, no other contracts of significance in relation to the Group business to which the Company, any of the subsidiaries or its holding company was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at Six-month Period.

## SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the required standard of dealings set out in Rules 5.48 to 5.67 (the “Required Standard of Dealings”) of the GEM Listing Rules.

Specific enquiries have been made of all the Directors and the Directors have confirmed that they have complied with the Required Standard of Dealings throughout the Six-month Period.

## CORPORATE GOVERNANCE

The Company is committed to maintaining a high standard of corporate governance practices and procedures with an aim to maximizing the shareholders’ interests as well as to enhancing the stakeholders’ transparency and accountability. In this respect, the Company had complied with all of the code provisions set out in the Code on Corporate Governance (“Code”) contained in Appendix 15 of the GEM Listing Rules during the Six-month Period.

The Company has prepared a corporate governance report in accordance with Rule 18.44(2) of the GEM Listing Rules attached to the 2020 annual report of the Company.

The positions of Chairman of the Board and Chief Executive Officer (“CEO”) of the Company are both currently carried on by the same person. The Board considers that this structure does not undermine the balance of power and authority between the Board and the management. The Board members have considerable experience and qualities which they bring to the Company and there is a balanced composition of executive Directors and non-executive Directors (including independent non-executive Directors). Given the composition of the Board, the Board believes that it is able to ensure that the balance of power between the Board and the management is not impaired. The Board believes that having the same person performing the roles of both Chairman and CEO does provide the Group with strong and consistent leadership and that, operating in this manner allows for more effective and efficient overall strategic planning of the Group.

## AUDIT COMMITTEE

As required by Rules 5.28 to 5.33 of the GEM Listing Rules, the Company has established an audit committee (the “Audit Committee”) in 2004 with written terms of reference, which deal clearly with its authorities and duties. The primary duties of the Audit Committee are to review the Company’s annual reports and financial statements, interim reports and quarterly reports and discuss with the management over issues relating to auditing, internal control and financial reporting. As at the date hereof, the Audit Committee comprises three Independent Non-executive Directors of the Company, namely Mr. Lee King Fui, Mr. Lee Wing Lun and Mr. Lee Lun Cheong.

The Group’s unaudited results for the Six-month Period were reviewed by the Audit Committee, which was of the opinion that the preparation of such results had complied with the applicable accounting standards and requirements and that adequate disclosures had been made.

## REMUNERATION COMMITTEE

A remuneration committee (the “Remuneration Committee”) consisting of three Independent Non-executive Directors and one Executive Director was set up by the Company in accordance with the Code. The major responsibilities of the Remuneration Committee include: (i) to make recommendations to the Board on the Company’s policy and structure for all remuneration of Directors’ and senior management and in the establishment of a formal and transparent procedure for developing such remuneration policy; (ii) to review and determine the remuneration packages of the executive directors and senior management and to ensure that no director is involved in deciding his own remuneration; and (iii) to review and make recommendations to the Board about the overall remuneration policy of the Company.

## NOMINATION COMMITTEE

A nomination committee (the “Nomination Committee”) consisting of three Independent Non-executive Directors and one Executive Director was set up by the Company in accordance with the Code. The Nomination Committee has adopted a written nomination procedure specifying the process and criteria for the selection and recommendation of candidates for directorship of the Company. The Nomination Committee will base on the priority of the criteria in the procedure (such as appropriate experience, personal skills and time commitment, etc.) to identify and commend proposed candidates to the Board.

## REVIEW OF INTERIM RESULTS

The unaudited consolidated results of the Group for the Six-month Period have not been audited nor reviewed by the Company’s auditor, Moore Stephens CPA Limited, but have been reviewed by the Audit Committee of the Company, who is of the opinion that the preparation of such results has complied with the applicable accounting standards and requirements and that adequate disclosures have been made. As at the date hereof, the Audit Committee comprises three Independent Non-executive Directors of the Company, namely Mr. Lee King Fui, Mr. Lee Wing Lun and Mr. Lee Lun Cheong.

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

During the Six-month Period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

By order of the Board  
**China Creative Digital Entertainment Limited**  
**Shiu Stephen Junior**  
*Chairman*

Hong Kong, 5 February 2021

As at the date hereof, the Board comprises:

*Executive Directors:*

Mr. Shiu Stephen Junior (*Chairman*)  
Mr. Sun Lap Key, Christopher  
Mr. Lee Wing Ho, Albert

*Independent Non-executive Directors:*

Mr. Lee King Fui  
Mr. Lee Wing Lun  
Mr. Lee Lun Cheong