



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)**

# 2019-2020 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 for continuing operations of approximately HK\$41.1 million for the six months ended 31 December 2019 (the “Six-month Period”), compared with approximately HK\$33.7 million (restated) for the corresponding period in 2018. For the Six-month Period, a loss attributable to owners of the Company of approximately HK\$143.8 million was recorded whilst in the corresponding period of last year, a loss attributable to owners of the Company of approximately HK\$96.6 million (restated) was recorded.

Due to the uncertainties in the global economy, in particular those arising from the ongoing US-China trade tension as well as local political turmoil, including but not limited to the recent social unrest in Hong Kong since late June 2019 and a novel coronavirus (2019-nCoV) pneumonia outbreak occurred in Wuhan, Hubei Province in end of December 2019, are likely to continue to affect the consumption as well as the lifestyle and entertainment industry in Hong Kong and the mainland China. The effects of the coronavirus are hitting China’s box office hard as shuttered theatres force studios to delay and even cancel Chinese movie premieres that were scheduled over the all-important Lunar New Year holiday season and up to today there is no sign showing when those shuttered theatres will be reopened again. Hence, the overall business environment will become more challenging in the forthcoming year.

The Group has been engaging mainly in the cultural and entertainment business in Greater China. 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.

For the continuing operations during the Six-month Period, artiste management services contributed a revenue of approximately HK\$2.51 million (2018: HK\$3.37 million)(restated). The revenue from entertainment business was approximately HK\$32.2 million (2018: HK\$11.1 million). The revenue from the money lending business was approximately HK\$6.41 million (2018: HK\$19.2 million). The revenue from the discontinued operations was Nil (2018: HK\$71.07 million).

Despite of the cultural and entertainment market in mainland China was affected by artist taxation issues and the changes of movie regulatory approval policies in the past year, the Group still prudently invested in film rights and produced films, television programmes in order to cope with the increasing demand for quality media contents in the Greater China market. The Group continues to create quality media contents and distribute the contents on new media platforms.

The Group will continue to put relentless efforts on our talented artists by tailor-made job arrangements and career path planning. Our artists will be entitled in our film and online television programme production as a synergy among our business segments.

## BUSINESS REVIEW

### LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2019, total borrowing of the Group (excluding payables) amounted to approximately HK\$785.6 million (30 June 2019: HK\$759.5 million). During the Six-month Period, the Group's gearing ratio (expressed as a percentage of total borrowing over total assets) was 70.59% (30 June 2019: 53.21%).

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 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 should the need arise. 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 2019 was approximately HK\$307.6 million (30 June 2019: HK\$309.4 million).

### NUMBER AND REMUNERATION OF EMPLOYEES

The Group's number of employees as at 31 December 2019 was 42 (31 December 2018: 254), 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 2019 together with the comparative unaudited figures for the corresponding period in 2018 as follows:

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

For the three months and six months ended 31 December 2019

	Notes	For the three months ended 31 December		For the six months ended 31 December	
		2019 HK\$'000	2018 HK\$'000 (Restated)	2019 HK\$'000	2018 HK\$'000 (Restated)
Revenue	2 & 3	11,341	18,162	41,139	33,698
Other income		3,257	6,794	3,651	12,495
Cost of sales	3	(19,471)	(26,347)	(40,832)	(28,195)
Selling and distribution costs		(59,983)	(2,198)	(62,951)	(5,981)
Administrative expenses		(11,021)	(14,765)	(25,939)	(25,817)
Net reversal of provision for expected credit loss on trade receivables		7,504	-	6,263	-
Net reversal of provision for expected credit loss on loan receivables		23,188	-	21,695	-
Impairment loss on the investment in an associate		(7,096)	-	(22,780)	(12,845)
Finance costs		(28,116)	(14,484)	(57,371)	(22,097)
Change in fair value of investment at fair value through profit or loss		(3,197)	26,772	(5,267)	26,550
Share of results of associates		(915)	838	(2,810)	7,170
Loss before taxation	5	(84,509)	(5,228)	(145,202)	(15,022)
Income tax credit	6	-	21	-	21
Loss for the period from continuing operations		(84,509)	(5,207)	(145,202)	(15,001)
Discontinued operations					
Loss for the period from discontinued operation		-	(65,801)	-	(82,094)
Loss for the period		(84,509)	(71,008)	(145,202)	(97,095)
Loss for the period attributable to:					
Owners of the Company		(83,741)	(70,429)	(143,777)	(96,640)
Non-controlling interests		(768)	(579)	(1,425)	(455)
		(84,509)	(71,008)	(145,202)	(97,095)

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

For the three months and six months ended 31 December 2019

Note	For the three months ended 31 December		For the six months ended 31 December	
	2019 HK\$'000	2018 HK\$'000 (Restated)	2019 HK\$'000	2018 HK\$'000 (Restated)
<b>Other comprehensive loss</b>				
Exchange differences on translating foreign operation	(33)	(1,395)	100	(2,213)
Share of other comprehensive income of an associate	-	57	26	1,304
Change in fair value of investments at fair value through other comprehensive income/(loss)	415	(3,635)	(1,500)	(6,949)
Total other comprehensive income/(loss) for the period, net of tax	382	(4,973)	(1,374)	(7,858)
Total comprehensive loss for the period	(84,127)	(75,981)	(146,576)	(104,953)
<b>Total comprehensive loss for the period attributable to:</b>				
Owners of the Company	(83,359)	(75,402)	(145,151)	(104,498)
Non-controlling interests	(768)	(579)	(1,425)	(455)
	(84,127)	(75,981)	(146,576)	(104,953)
<b>Loss per share attributable to owners of the Company</b>				
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From continuing and discontinued operations – Basic and diluted	HK\$(30.85) cents	HK\$(26.07) cents	HK\$(52.97) cents	HK\$(35.78) cents
From continuing operations – Basic and diluted	HK\$(30.85) cents	HK\$(1.71) cents	HK\$(52.97) cents	HK\$(5.39) cents
From discontinued operations – Basic and diluted	Nil	HK\$(24.36) cents	Nil	HK\$(30.39) cents

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Notes	31 December 2019 (Unaudited) HK\$'000	30 June 2019 (Audited) HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment	8	6,419	7,312
Intangible assets	9	4,204	4,279
Interest in associates	10	13,611	55,175
Goodwill	15	13,148	13,148
Interest in a joint venture		107	107
Investments at fair value through other comprehensive income	12	134,625	116,252
Investments at fair value through profit or loss	18	277,692	277,692
Prepayments, deposits and other receivables	13	32,617	27,201
Film rights and films production in progress	8	339,757	303,902
Rights of use assets		1,409	–
Deferred tax assets		1,535	1,535
		<b>825,124</b>	806,603
<b>Current assets</b>			
Inventories	16	5,793	9,201
Loans receivables	14	42,999	209,687
Trade receivables	17	5,564	6,949
Prepayments, deposits and other receivables	13	212,772	165,113
Investments at fair value through profit or loss	18	16,971	21,392
Bank and cash balances		3,642	28,399
		<b>287,741</b>	440,741
Asset of disposed group classified as held for sale		–	180,025
		<b>287,741</b>	620,766

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)**

As at 31 December 2019

		<b>31 December 2019 (Unaudited) HK\$'000</b>	30 June 2019 (Audited) HK\$'000
	<i>Note</i>		
<b>Current liabilities</b>			
Trade payables		<b>39,997</b>	31,543
Accruals, deposits received and other payables		<b>268,384</b>	292,202
Lease liabilities		<b>1,216</b>	–
Other borrowings	20	<b>96,392</b>	110,793
Convertible bonds		<b>247,842</b>	226,913
Promissory note payable		<b>441,339</b>	421,827
		<b>1,095,170</b>	1,083,278
Liabilities of disposal group classified as held for sale		–	180,025
		<b>1,095,170</b>	1,263,303
<b>Net current liabilities</b>		<b>(807,429)</b>	(642,537)
<b>Total assets less current liabilities</b>		<b>17,695</b>	164,066
<b>Non-current liabilities</b>			
Lease liabilities		<b>205</b>	–
Deferred tax liabilities		<b>2,243</b>	2,243
		<b>2,448</b>	2,243
<b>NET ASSETS</b>		<b>15,247</b>	161,823
<b>Capital and reserves</b>			
Share capital		<b>2,714</b>	2,714
Reserves		<b>21,639</b>	166,790
Equity attributable to owners of the Company		<b>24,353</b>	169,504
Non-controlling interests		<b>(9,106)</b>	(7,681)
<b>TOTAL EQUITY</b>		<b>15,247</b>	161,823



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

For the six months ended 31 December 2019

	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 2018 (As previously reported)	134,951	2,523,239	-	(173,836)	(2,644)	-	(3,083)	2,478,627	(382)	2,478,245
Prior year adjustments	-	3,571	-	(619)	823	35,790	(76,374)	(36,809)	-	(36,809)
	134,951	2,526,810	-	(174,455)	(1,821)	35,790	(79,457)	2,441,818	(382)	2,441,436
Transitional adjustments on initial application of Hong Kong Financial Reporting Standard ("HKFRS") 9 (2014)	-	-	-	-	-	-	(14,648)	(14,648)	-	(14,648)
At 1 July 2018 (As restated)	134,951	2,526,810	-	(174,455)	(1,821)	35,790	(94,105)	2,427,170	(382)	2,426,788
Total comprehensive loss for the period	-	-	-	(6,949)	(909)	-	(96,640)	(104,498)	(455)	(104,953)
Issue of share upon acquisition	1,035	13,443	-	-	-	-	-	14,478	(6,190)	8,288
Buy-back of shares	-	(4,948)	-	-	-	-	-	(4,948)	-	(4,948)
Transaction cost attributable to issues of shares	-	(71)	-	-	-	-	-	(71)	-	(71)
At 31 December 2018	135,986	2,535,234	-	(181,404)	(2,730)	35,790	(190,745)	2,332,131	(7,027)	2,325,104
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

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 31 December 2019

	For the six months ended 31 December	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Net cash used in operating activities	<b>(7,662)</b>	(45,865)
Net cash used in investing activities	<b>(2,694)</b>	(34,818)
Net cash used in financing activities	<b>(14,401)</b>	(22,032)
Net decrease in cash and cash equivalents	<b>(24,757)</b>	(102,715)
Effect of foreign exchanges rate changes	–	56
Cash and cash equivalents at beginning of the period	<b>28,399</b>	129,601
Cash and cash equivalents at end of the period	<b>3,642</b>	26,942
Analysis of the balances of cash and cash equivalents:		
Bank balances and cash	<b>3,642</b>	26,942

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### 1. BASIS OF PREPARATION

These unaudited condensed financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the applicable disclosures required by the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.

These unaudited condensed financial statements should be read in conjunction with the 2018–2019 annual financial statements. The accounting policies and methods of computation used in the preparation of these unaudited condensed financial statements are consistent with those used in the annual financial statements for the year ended 30 June 2019. The auditor has disclaimed an opinion on those consolidated financial statements in its report dated 26 September 2019.

The HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards. Except for the note 2, for those which are effective for accounting periods beginning on 1 July 2019, the adoption has no material impact on the reported results and the financial position of the Group for the current or prior accounting periods; and for those which are not yet effective, the Group is in the process of assessing their impact on the Group’s results and financial position.

The interim results are unaudited but have been reviewed by the Company’s audit committee.

In preparing the consolidated financial statements of the Group for the Six-month Period, the directors had noted that the accounting treatments adopted by the Group in its previously issued consolidated financial statements (i.e. Interim Report for the six months ended 31 December 2018) were not comparable with the Six-month Period. Thus, the amounts presented in the consolidated financial statements in respect of the period ended 31 December 2018 have been restated to make the quarterly financial figures more comparable.

Adjustments were made between the classification on the interests in associates and financial assets at FVTOCI. The financial assets at FVTOCI as at 31 December 2019 included investments represented by, 29.03% equity interest in HMVOD Limited (“HMVOD”), a company whose shares are listed on the GEM of the Stock Exchange. As the Group’s shareholding in HMVOD amounted to greater than 20%, the Group is presumed to have acquired significant influence over HMVOD on 14 July 2017. Accordingly, the Group’s investments in HMVOD should be equity accounted for with effect from 14 July 2017 instead of being recognized as financial assets at FVTOCI as at 31 December 2018.

With regards to “artiste management fee income”, the Group, after assessing the specific facts and circumstances and the terms of the related contracts, concluded that the performance obligations of the Group to the customers under the contractual arrangements entered into by the Group, the relevant artistes and the advertising clients were to arrange for, and ensure that the relevant artistes are made available were to be the spokesperson for the product/services of the clients during the contract periods and hence the Group concluded that the Group is acting as an agent of the artistes during the contract period and hence revenue should be recognised on a net basis (i.e. the stipulated portion of the gross amount received or receivable from the clients that the artistes agreed the Group would be entitled to retain when they entered into the master agreements with the Group for the Group to procure advertising clients for them). Before the adoption of HKFRS 15, revenue was recognised on a gross basis and the amounts of fees earned by the artistes were recognised as “cost of artiste management services”. Such a change does not affect the net profit recognised by the Group.

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

### 2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

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

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

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

#### ***Impacts and changes in accounting policies of application on HKFRS 16 Leases***

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

#### **(a) Key changes in accounting policies resulting from application of HKFRS 16**

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

##### Definition of a lease

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

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

##### As a lessee

##### Right-of-use assets

Except for short-term leases and leases of low value assets, the Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and

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

### 2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (Continued)

#### *Impacts and changes in accounting policies of application on HKFRS 16 Leases (Continued)*

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

###### As a lessee (Continued)

###### Right-of-use assets (Continued)

- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

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

The Group presents right-of-use assets as a separate line item on the condensed consolidated statement of financial position.

###### Lease liabilities

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

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- amounts expected to be paid under residual value guarantees;
- the exercise price of a purchase option reasonably certain to be exercised by the Group; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

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

The Group re-measures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

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

### 2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (Continued)

#### *Impacts and changes in accounting policies of application on HKFRS 16 Leases (Continued)*

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

###### As a lessee (Continued)

###### Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

##### (b) Impact of application of HKFRS 16

The following table summarises the impact of transition to HKFRS 16 on the condensed consolidated statement of financial position as of 30 June 2019 to that of 1 July 2019 as follows (increase/(decrease)):

<b>Condensed consolidated statement of financial position as at 1 July 2019:</b>	HK\$'000
Right-of-use assets	2,519
Lease liabilities (non-current)	195
Lease liabilities (current)	2,324

The following reconciliation explains how the operating lease commitments disclosed by applying HKAS 17 as of 30 June 2019 could be reconciled to the lease liabilities on the date of initial application of HKFRS 16 recognised in the condensed consolidated statement of financial position as at 1 July 2019:

<b>Reconciliation of operating lease commitment to lease liabilities</b>	HK\$'000
Operating lease commitment as of 30 June 2019	2,570
Less: Future interest expenses	(51)
<b>Total lease liabilities as of 1 July 2019</b>	<b>2,519</b>

The weighted average lessee's incremental borrowing rate applied to lease liabilities recognised in the condensed consolidated statement of financial position as at 1 July 2019 is 4.375%.

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

### 3. REVENUE

	Three months ended 31 December		Six months ended 31 December	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) (Restated) HK\$'000	2019 (Unaudited) HK\$'000	2018 (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	2,054	1,941	4,675	4,427
Sales of goods	2,292	2,948	4,624	2,948
	<b>4,346</b>	4,889	<b>9,299</b>	7,375
Recognised on over time basis:				
Artiste management services fee income	553	1,369	2,511	3,365
Distribution of new films	5,013	2,576	22,923	3,763
	<b>5,566</b>	3,945	<b>25,434</b>	7,128
<b>Revenue from other sources</b>				
Interest income and handling charge income from money lending	1,429	9,328	6,406	19,195
	<b>1,429</b>	9,328	<b>6,406</b>	19,195
	<b>11,341</b>	18,162	<b>41,139</b>	33,698

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

### 4. 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 six reportable segments, (i) artiste management services, (ii) entertainment business, (iii) money lending, (iv) securities and bonds investment, (v) operation of cinemas, and (vi) HMV Business. 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		Operation of cinemas		HMV Business		Total	
	Six months ended		Six months ended		Six months ended		Six months ended		Six months ended		Six months ended		Six months ended	
	31 December		31 December		31 December		31 December		31 December		31 December		31 December	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue														
Revenue from external customers	2,511	3,365	32,222	11,138	6,406	19,195	-	-	-	20,362	-	50,707	41,139	104,767
Segment results	318	182	(77,029)	(44,170)	26,666	16,293	(5,268)	26,550	-	(6,278)	-	(45,011)	(55,313)	(52,434)
Bank interest income													2	13
Unallocated corporate expenses, net													(6,930)	(16,923)
Finance costs													(57,371)	(22,097)
Shares of results of associates													(2,810)	7,170
Impairment of associate													(22,780)	(12,845)
Loss before taxation													(145,202)	(97,116)
Income tax credit													-	21
Loss for the period													(145,202)	(97,095)

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)

### 5. LOSS BEFORE TAXATION

	Three months ended 31 December		Six months ended 31 December	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) (Restated) HK\$'000	2019 (Unaudited) HK\$'000	2018 (Unaudited) (Restated) HK\$'000
Loss before taxation has been arrived at after charging:				
<b>Continuing operations</b>				
Staff costs, including directors' remuneration				
– Basic salaries and allowances	5,608	5,803	11,434	17,344
– Retirement benefits scheme contributions	205	523	408	1,095
<b>Total staff costs</b>	<b>5,813</b>	<b>6,326</b>	<b>11,842</b>	<b>18,439</b>
Depreciation of property, plant and equipment	678	391	1,341	697
Minimum lease payments under operating leases:				
– Land and buildings	–	1,220	–	2,878
Exchange loss	2,360	458	5,873	458

### 6. 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 2018: 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)

### 7. LOSS PER SHARE

(i) *From continuing and discontinued operations*

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	
	2019 HK\$'000	2018 (Restated) HK\$'000	2019 HK\$'000	2018 (Restated) HK\$'000
Loss attributable to owners of the Company (HK\$'000)	<b>(83,741)</b>	(70,429)	<b>(143,777)</b>	(96,640)
Weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share	<b>271,407,779</b>	270,106,885	<b>271,407,779</b>	270,106,885

(ii) *From continuing operations*

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	
	2019 HK\$'000	2018 (Restated) HK\$'000	2019 HK\$'000	2018 (Restated) HK\$'000
Loss from continuing operations attributable to owners of the Company (HK\$'000)	<b>(83,741)</b>	(4,628)	<b>(143,777)</b>	(14,546)
Weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share	<b>271,407,779</b>	270,106,885	<b>271,407,779</b>	270,106,885

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

### 7. LOSS PER SHARE (Continued)

(iii) From discontinued operations

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	
	2019 HK\$'000	2018 (Restated) HK\$'000	2019 HK\$'000	2018 (Restated) HK\$'000
Loss from discontinued operations attributable to owners of the Company (HK\$'000)	–	(65,801)	–	(82,094)
Weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share	271,407,779	270,106,885	271,407,779	270,106,885

### 8. 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 2019	7,312	53,244	250,658
Additions	448	22,793	32,669
Transfer to film rights	–	70,512	(70,512)
Depreciation and amortisation	(1,341)	(19,607)	–
At 31 December 2019	6,419	126,942	212,815

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

### 8. 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 2019, 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 2018: 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.

### 9. 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 2019 and 31 December 2019	7,840	2,930	731	1,499	13,000
Accumulated amortization and impairment:					
At 1 July 2019	7,840	-	731	150	8,721
Charged for the period	-	-	-	75	75
At 31 December 2019	7,840	-	731	225	8,796
Carrying amounts:					
<b>At 31 December 2019</b>	<b>-</b>	<b>2,930</b>	<b>-</b>	<b>1,274</b>	<b>4,204</b>
At 30 June 2019	-	2,930	-	1,349	4,279

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

### 9. INTANGIBLE ASSETS (Continued)

Notes:

- (a) Trademarks of 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 “HMV”, the various HMV trademarks and trade mark applications, and the HMV domain names for the purposes of conducting the retail business of “HMV” operating through retail stores selling music, movies and television series related contents and products located in Taiwan and Macau. The patents and trademarks are considered to have indefinite useful life.

The recoverable amounts of the Trademark are 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 are those regarding the discount rates, growth rates and budgeted gross margin and revenue during the period. The Group estimates 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 are based on past practices and expectations on market development. The discount rate for the Trademark was 14% (2018: 20%).

The Group prepares cash flow forecasts for Trademark derived from the most recent financial budgets approved by the directors for the next five years with the residual period using the growth rate of 3% (2018: 3%). This rate does not exceed the average long-term growth rate for the relevant markets.

Based on the assessment, the Group made 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 (2018: HK\$2,930,000) as at 31 December 2019 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 2019 and 2018 (level 2 fair value measurements).

- (c) Customer relationship of approximately HK\$1,499,000 arose from the acquisition of Parkway Licensing Company Limited (“Parkway”) on 1 November 2018. Customer relationship represent the long and good business relationship maintained by Parkway and the customer relationship has useful lives of 10 years. As at 31 December 2019, the carrying amount of the customer relationship was approximately HK\$1,274,000.

The recoverable amounts of the customer relationship are determined on the basis of fair value less costs of disposal using discounted cash flow method (level 3 fair value measurements). The key assumptions for the discounted cash flow method are those regarding the discount rates, growth rates and budgeted gross margin and revenue during the period. The Group estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the customer relationship. The growth rates are based on 10-year economic growth rate of the geographical area in which the businesses of Parkway operate. Budgeted gross margin and revenue are based on past practices and expectations on market development. The discount rate for the customer relationship was 15.6% (2018: Nil).

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

### 10. INTERESTS IN ASSOCIATES

	As at 31 December 2019 (Unaudited) HK\$'000	As at 30 June 2019 (Audited) HK\$'000
Unlisted investments		
Share of net assets (liabilities)	6,712	(45,232)
Goodwill	10,532	110,595
Less: Provision for impairment	(3,633)	(10,188)
	<b>13,611</b>	55,175

The following table show, in aggregate, the Group's share of the amounts of all individually immaterial associates that are accounted for using the equity method.

	As at 31 December 2019 (Unaudited) HK\$'000	As at 30 June 2019 (Audited) HK\$'000
Fair value of listed investment, listed in Hong Kong	–	41,305

	For the six months ended 31 December	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
(Loss) Profit from operations	(1,949)	315
(Loss) Profit and total comprehensive income for the period	(1,923)	315

Note:

#### (a) Disposal of 29.04% interest in HMVOD Limited ("HMVOD")

The Group disposed 29.04% equity interest, representing 41,305,000 ordinary shares of HMVOD during the period on the open market.

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

### 11. 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 2019 (Unaudited) HK\$'000</b>	As at 30 June 2019 (Audited) HK\$'000
In respect of:		
Rented premises		
Within one year	–	2,369
In the second to fifth year, inclusive	–	201
Over fifth year	–	–
<b>Total</b>	<b>–</b>	<b>2,570</b>

#### (b) Other commitments

	<b>As at 31 December 2019 (Unaudited) HK\$'000</b>	As at 30 June 2019 (Audited) HK\$'000
Amounts contracted for but not provided in the consolidated financial statements in respect of:		
Film production costs	<b>160,211</b>	169,296
Guaranteed sum to be paid under distributors agreements	<b>147,350</b>	137,550
	<b>307,561</b>	306,846

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

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

	<i>Notes</i>	<b>As at 31 December 2019 (Unaudited) HK\$'000</b>	As at 30 June 2019 (Audited) HK\$'000
Listed securities			
– Equity securities listed in Hong Kong and overseas, at fair value	<i>(a)</i>	<b>30,355</b>	31,983
Unlisted securities, at fair value	<i>(b)-(e)</i>	<b>104,270</b>	84,269
		<b>134,625</b>	116,252

#### Notes:

- (a) These investments are designated as at fair value through other comprehensive income (“FVTOCI”) in order to avoid volatility to the 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.
- (b) During the year ended 30 June 2018, Creative Projects Company Limited (“Creative Projects”), a wholly-owned subsidiary of the Company, acquired 12% interests in GME H at a cash consideration of HK\$2,000,000 and 10% interests on Touchbase Tech. Inc. at a cash consideration of approximately HK\$19,700,000.
- (c) During the year ended 30 June 2017, Horizon Coast Limited (“Horizon Coast”), a wholly-owned subsidiary of the Company, acquired 4% interests in Prime Focus World N. V. (“Prime Focus”) at a consideration comprising of 259,106,982 shares of the Company. The fair value of 259,106,982 shares of the Group on the date of acquisition was approximately HK\$264,289,000.

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 complete within one year. The buyer cancelled the transaction during the year ended 30 June 2019. Hence, the Group recognised the deposit received of US\$1,380,000 (equivalent to approximately HK\$10,764,000) as waiver of deposit received during the year ended 30 June 2019.



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

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

Notes: (Continued)

(c) (Continued)

On 25 March 2019, First Digital Group Limited, a wholly-owned subsidiary of the Company, 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. 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\$134,789,000 charged to investment revaluation reserve in the consolidated statement in changes in equity during the year ended 30 June 2019. The cumulative loss on disposal of approximately HK\$96,500,000 has been transferred to accumulated losses.

(d) The Group entered into loan agreements with Party A and Party B on 5 January 2018 and 7 February 2018 respectively.

The loan to Party A with principal amount of HK\$30,000,000 was secured by shares of Bintan Mining Corporate ("Bintan"), interest bearing at 25% per annum and repayable on 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 on 7 August 2018.

On 20 November 2018, the Group agreed with Party A and Party B to settled their loan totalling of HK\$90,000,000 by 2,148 ordinary shares of Bintan of approximately HK\$42,000 each representing 10.57% of equity interest in Bintan.

(e) The Group entered into a sale and purchase agreement with an independent third party to acquire 3,000 ordinary shares of Shadow Factory Limited ("Shadow Factory"), representing 3% equity interest of Shadow Factory, at the consideration of US\$750,000 (equivalent to approximately HK\$5,850,000).

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

### 13. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	<b>As at 31 December 2019 (Unaudited) HK\$'000</b>	As at 30 June 2019 (Audited) HK\$'000
Prepayments	<b>83,760</b>	49,539
Deposits	<b>2,213</b>	2,364
Other receivables	<b>159,416</b>	140,411
	<b>245,389</b>	192,314

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

	<b>As at 31 December 2019 (Unaudited) HK\$'000</b>	As at 30 June 2019 (Audited) HK\$'000
- Non-current portion		
Prepayments	<b>31,896</b>	26,480
Deposits	<b>721</b>	721
	<b>32,617</b>	27,201
- Current portion		
Prepayments	<b>51,864</b>	23,059
Deposits	<b>1,492</b>	1,643
Other receivables	<b>159,416</b>	140,411
	<b>212,772</b>	165,113
	<b>245,389</b>	192,314

*Note:*

Prepayments, deposits and other receivables mainly represent upfront payments for film productions, distribution rights and prepaid administrative expenses. As at 31 December 2019, 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)

### 14. LOAN RECEIVABLES

	<b>As at 31 December 2019 (Unaudited) HK\$'000</b>	As at 30 June 2019 (Audited) HK\$'000
Loans receivables	<b>97,528</b>	285,911
Less: impairment loss	<b>(54,529)</b>	(76,224)
	<b>42,999</b>	209,687
Analysed as:		
Non-current assets	–	–
Current assets	<b>42,999</b>	209,687
	<b>42,999</b>	209,687

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

	<b>As at 31 December 2019 (Unaudited) HK\$'000</b>	As at 30 June 2019 (Audited) HK\$'000
At the beginning	<b>76,224</b>	10,789
Impairment loss recognised during the period	<b>1,922</b>	65,975
Reversal of impairment loss recognised during the period	<b>(23,617)</b>	(540)
	<b>54,529</b>	76,224

All loans receivables are denominated in HK\$ and carried fixed interest rates with effective interest rate ranging from 5% to 25% (2018: 5% to 25%) per annum and with the terms ranging from 1 month to 4 years (2018: 3 months to 10 years).

As at 31 December 2019, all loan receivables are denominated in Hong Kong dollars, secured by customers' pledged properties, carried at fixed interest rate ranging from 5% to 25% (30 June 2019: 5% to 25%) per annum with the payment term ranging from 3 months to 10 years (30 June 2019: 3 months to 10 years).

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

### 14. LOAN RECEIVABLES (Continued)

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

	<b>As at 31 December 2019 (Unaudited) HK\$'000</b>	As at 30 June 2019 (Audited) HK\$'000
0-30 days	-	-
31-90 days	-	-
91-180 days	-	2,647
181-365 days	<b>17,632</b>	81,851
Over 365 days	<b>25,367</b>	125,189
	<b>42,999</b>	209,687

### 15. GOODWILL

#### Group

	HK\$'000
Cost:	
<b>At 1 July 2019 and 31 December 2019</b>	27,601
Accumulated impairment losses:	
At 1 July 2019 and 31 December 2019	14,453
Net carrying amount:	
<b>At 31 December 2019</b>	<b>13,148</b>
At 30 June 2019	13,148

### 16. INVENTORIES

	<b>As at 31 December 2019 (Unaudited) HK\$'000</b>	As at 30 June 2019 (Audited) HK\$'000
Finished goods	<b>5,793</b>	9,201

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

### 17. TRADE RECEIVABLES

	<b>As at 31 December 2019 (Unaudited) HK\$'000</b>	As at 30 June 2019 (Audited) HK\$'000
Trade receivables	<b>88,582</b>	96,230
Less: Credit loss allowance ("ECL")/impairment loss	<b>(83,018)</b>	(89,281)
	<b>5,564</b>	6,949

- (a) The Group allows credit periods of from 30 days to 60 days to its trade debtors. As at 31 December 2019, 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:

	<b>As at 31 December 2019 (Unaudited) HK\$'000</b>	As at 30 June 2019 (Audited) HK\$'000
0 to 90 days	<b>3,013</b>	4,337
91 to 180 days	<b>1,438</b>	2,612
181 days to 365 days	<b>1,113</b>	–
	<b>5,564</b>	6,949

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

### 18. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<b>As at 31 December 2019 (Unaudited) HK\$'000</b>	As at 30 June 2019 (Audited) HK\$'000
Listed securities held for trading, at fair value:		
Equity securities listed in Hong Kong ( <i>Note (a)</i> )	<b>5,571</b>	9,992
Investments in film production ( <i>Note (b)</i> )	<b>286,752</b>	286,752
Other debt investment ( <i>Note (c)</i> )	<b>2,340</b>	2,340
	<b>294,663</b>	299,084
Analysed as:		
Non-current assets	<b>277,692</b>	277,692
Current assets	<b>16,971</b>	21,392
	<b>294,663</b>	299,084

#### 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 amounting to approximately HK\$81,838,000 as at 31 December 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 an additional return from the loans, with reference to sum received or receivable from the film producers in connection to the box office of the film. The fair values of the loans have been determined based on the best estimation of the management on the expected future revenue generated by the films less relevant costs.

The Group had made certain investments to other film producers of approximately HK\$204,914,000 for certain films during the year and entitled certain profits sharing from the revenue generated by the films. The fair values of the loans and investments have been determined based on the best estimation of the management on the expected future revenue generated by the films less relevant costs.

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

### 18. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS (Continued)

Notes: (Continued)

- (c) The Group entered into a note purchase agreement with Maventus Group Inc. (“Maventus”) to subscribe for US\$500,000 convertible bond of Maventus at interest-bearing of 10% per annum during the year ended 30 June 2019. The maturity date is 23 July 2021. At the reporting date, the Group did not have the convertible option until Maventus launches next equity financing.

As at 31 December 2019, the Group had subscribed US\$300,000 (equivalent to HK\$2,340,000) convertible bond of Maventus. The bond of Maventus contains convertible option with criteria. At the end of the reporting period, the criteria of the bond has not been fulfilled. Thus, the Group did not have the convertible option as at 31 December 2019.

### 19. 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 2019 (Unaudited) HK\$'000</b>	As at 31 December 2018 (Unaudited) HK\$'000
Film production cost paid to related company (Note (i))	–	1,500
Film production cost paid to directors (Note (i))	–	2,000

Notes:

- (i) The amount represent final payment for film production paid to the director of the Company.

### 20. OTHER BORROWINGS

	<b>As at 31 December 2019 (Unaudited) HK\$'000</b>	As at 30 June 2019 (Audited) HK\$'000
Secured	<b>93,392</b>	107,793
Unsecured	<b>3,000</b>	3,000
	<b>96,392</b>	110,793

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

### 20. OTHER BORROWINGS (Continued)

Other borrowings of HK\$93,392,000 (30 June 2019: HK\$107,793,000) are secured by the followings:

	<b>As at 31 December 2019 (Unaudited) HK\$'000</b>	As at 30 June 2019 (Audited) HK\$'000
Personal guaranteed by a director	40,000	40,000
Pledged property	21,667	30,217
Equity securities listed in HK	31,725	37,576
	<b>93,392</b>	107,793

Interest rate of other borrowings are as follows:

	<b>As at 31 December 2019 (Unaudited) HK\$'000</b>	As at 30 June 2019 (Audited) HK\$'000
Interest free	21,667	30,217
8.75% per annum	31,725	37,576
9% per annum	3,000	3,000
10% per annum	30,000	30,000
14% per annum	10,000	10,000
	<b>96,392</b>	110,793

### 21. 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.



## DIVIDEND

The Board did not recommend the payment of an interim dividend for the Six-month Period (31 December 2018: Nil).

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

As at 31 December 2019, 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%
Ms. Li Mau (Note 2)	Family interest	10,364,279	3.82%

#### 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.
- 2 Ms. Li Mau ("Ms. Li") is the executive Director of the Company. AID Partners Urban Development Company Limited ("AID Partners") indirectly holds 10,364,279 shares. 60% of the issued share capital of AID Partners are held by Mr. Wu King Shiu, Kelvin ("Mr. Wu"). Accordingly, Mr. Wu is deemed to be interested in the shares held by AID Partners. Ms. Li is the spouse of Mr. Wu. Ms. Li is also deemed to be interested in the shares held by AID Partners.

Save as disclosed above, as at 31 December 2019, 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 2019, 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

Name	No. of shares	Percentage
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

Name	Conversion Price HK\$	No. of Underlying Shares	Percentage
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:*

- 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.
- 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 19 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 enquiry has 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 2019 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 two Independent Non-executive Directors of the Company, namely Mr. Lee King Fui and Mr. Lee Wing Lun.

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.

The Company has only two independent non-executive Directors which deviated from the requirement under the Rule 5.05(1) of the GEM Listing Rules; and (ii) the Company has only two members in the Audit Committee which deviated from the requirement under the Rule 5.28 of the GEM Listing Rules. The Board will make its best endeavours to identify an appropriate person to fill the vacancy of independent non-executive Director and member of the Audit Committee as required under Rules 5.05(1) and 5.28 of the GEM Listing Rules as soon as practicable.

## REMUNERATION COMMITTEE

A remuneration committee (the “Remuneration Committee”) consisting of two 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 two 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 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 two Independent Non-executive Directors of the Company, namely Mr. Lee King Fui and Mr. Lee Wing Lun.

## 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, 13 February 2020

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  
Ms. Li Mau

Independent Non-executive Directors:

Mr. Lee King Fui  
Mr. Lee Wing Lun