ALLEN亚伦®

CHINA CREATIVE GLOBAL HOLDINGS LIMITED
中創環球控股有限公司

(incorporated in the Cayman Islands with limited liability)

Stock Code: 1678

INTERIM REPORT 2018

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CORPORATE INFORMATION

CORPORATE PROFILE

China Creative Global Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group" or "China Creative Global") is one of the leading manufacturers of branded electric fireplaces and home decor products in the People's Republic of China (the "PRC"). The Group aims to create new and diversified products with artistic design and functionality to enhance the quality of users' surroundings that reflect their furnishing styles. The Group sells its products under the "Allen (亚伦)" brand in the PRC and also exports products to overseas customers in the United States, Canada, Germany, France, the United Kingdom, etc on ODM/OEM basis. The shares of the Company (the "Shares") were listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 20 December 2013.

BOARD OF DIRECTORS

Executive Directors

Mr. Chen Fanglin *(Chairman)*
Mr. Shen Jianzhong
Mr. Chen Jiang
Mr. Xu Qiang
Mr. Zheng Hebin

Independent Non-executive Directors

Mr. Dai Jianping
Mr. Ng Wing Keung
Ms. Sun Kam Ching

AUDIT COMMITTEE

Mr. Ng Wing Keung *(Chairman)*
Mr. Dai Jianping
Ms. Sun Kam Ching

REMUNERATION COMMITTEE

Ms. Sun Kam Ching *(Chairman)*
Mr. Ng Wing Keung
Mr. Dai Jianping
Mr. Shen Jianzhong

NOMINATION COMMITTEE

Mr. Dai Jianping *(Chairman)*
Mr. Ng Wing Keung
Ms. Sun Kam Ching
Mr. Shen Jianzhong

COMPANY SECRETARY

Mr. Hui Hung Kwan, *CPA, FCCA*

AUTHORISED REPRESENTATIVES

Mr. Chen Fanglin
Mr. Hui Hung Kwan

AUDITORS

PricewaterhouseCoopers
Certified Public Accountants
22nd Floor, Prince's Building
Central, Hong Kong

PRINCIPAL BANKERS

China Merchants Bank, Quanxiu Branch
China Construction Bank, Licheng Branch
Industrial Bank

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 913
China Merchants Tower
168–200 Connaught Road Central
Sheung Wan
Hong Kong

HEAD OFFICE IN THE PRC

Allen Electronic Industrial Park
Heshi
Luojiang District
Quanzhou
Fujian Province
China

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN CAYMAN ISLANDS

Codan Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712–1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

WEBSITE

www.cchome.hk

STOCK CODE

1678

FINANCIAL HIGHLIGHTS

	Six months ended 30 June		
	2018	2017	Change
	RMB'000	RMB'000	%
	(Unaudited)	(Unaudited)	
Revenue	**60,961**	26,716	128.5
Gross profit	**11,417**	6,367	78.1
Loss before income tax	**(28,783)**	(42,124)	-31.7
Loss and total comprehensive loss for the period attributable to owners of the Company	**(28,831)**	(41,312)	-30.3
Loss per share-Basic (RMB)[1]	**(0.01)**	(0.02)	-50.0
Gross profit margin (%)	**18.7%**	23.8%	

	As at 30 June 2018	As at 31 December 2017
Current ratio[2]	**5.8**	17.9
Gearing ratio (%)[3]	**7.8**	7.1

Notes:

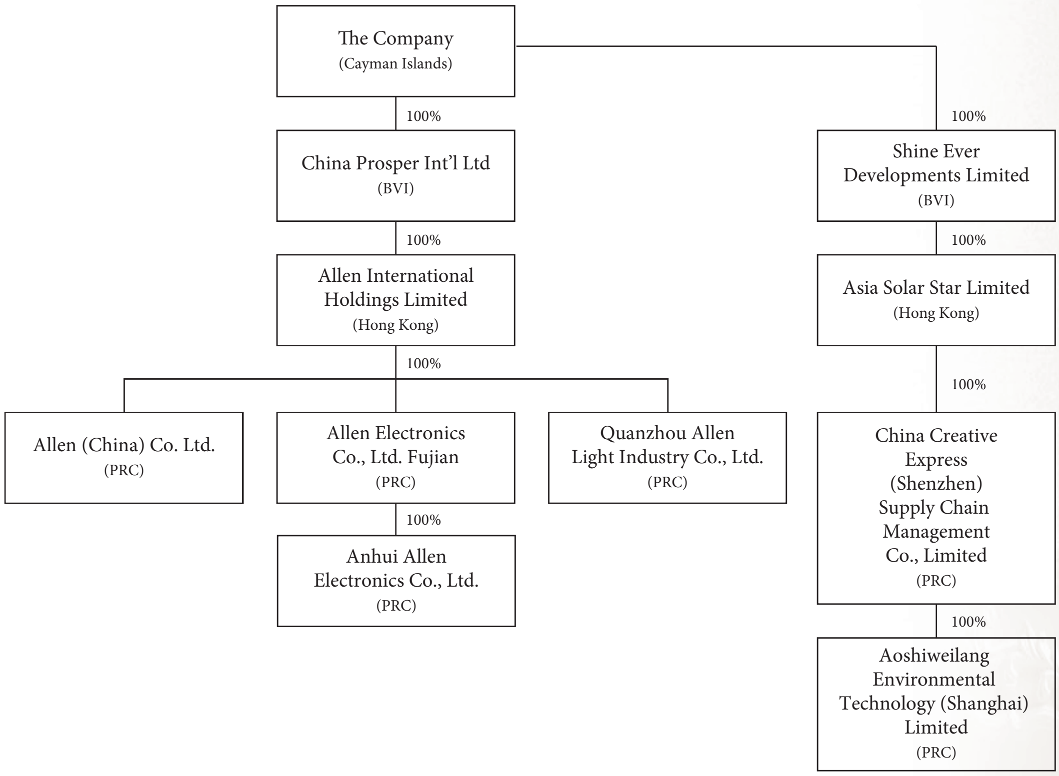
1. Basic loss per share is calculated by dividing the loss attributable to owners of the Company by the weighted average number of ordinary shares in issue during the period.

2. Current ratio is calculated based on the total current assets divided by the total current liabilities.

3. Gearing ratio calculated based on the total debts (being the borrowings) divided by the total equity.

MANAGEMENT DISCUSSION AND ANALYSIS

Set out below is an organization chart of the Group as of 30 June 2018:



INDUSTRY REVIEW

The PRC's GDP for the first half of 2018 totaled to RMB41.9 trillion, a year-on-year expansion of 6.8%, demonstrating signs of the country's stabilized economic growth.

A gentle upward trend in the standard of living in the PRC which drives growth in consumer expenditure, is expected to endure. As recorded by National Bureau of Statistics of China, total retail sales of consumer goods in the first half of 2018 was RMB18,001.8 billion, representing a 9.4% year-on-year increase. These signify the takeoff of the rise in the PRC's domestic consumption, in line with its economic transition.

Information from the National Bureau of Statistics of China indicates that per capita disposable income in the PRC in the first half of 2018 was RMB14,063, representing an increase of 6.6% as compared with that of last year. Per capita consumption expenditure also increased 6.7% to RMB9,609, while the Engel coefficient, i.e. the proportion of income spent on food, continued to fall, indicating an increasing living standard in the country.

After rapid growth in previous two decades, the PRC has become the largest home furniture production base and exporter. With the growing wealth of the PRC population, people are more willing to purchase and replace home furnishing products. However, the home furnishing manufacturers in the PRC are much less concentrated than in other industries, posing pressures on many of the market players.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

China Creative Global is principally engaged in the business of design, development, manufacture and sales of home decor products and electric fireplaces. The Group sells its products domestically in PRC under its "Allen (亚伦)" brand and export its products on ODM/OEM basis to countries including the U.S., Canada, Germany, France and the U.K.

For the six months ended 30 June 2018, the Group's revenue increased by 128.5% to RMB61.0 million from RMB26.7 million of the six months ended 30 June 2017 (the "corresponding period last year"). Loss attributable to the owners of the Company decreased by 30.3% to RMB28.8 million from RMB41.3 million for the corresponding period last year, which can be explained by (1) an increase in sales of electric fireplaces and home decor products due to better market demand; and (2) nil share of loss of an associate due to the disposal of the associate in March 2018.

The Group's products are under two major categories, namely (1) electric fireplaces and (2) home decor products. Revenue distribution by the two categories for the six months ended 30 June 2018 was 56.6% and 43.4% respectively, and was 67.9% and 32.1% in the corresponding period last year.

Overseas markets are the major revenue generator of the Group, contributing to RMB35.8 million (2017: RMB22.5 million) or 58.7% (2017: 84.1%) to the total revenue for the six months ended 30 June 2018. Europe covered the largest share of products sales, contributing to RMB27.8 million (2017: RMB18.5 million) or 45.6% (2017: 69.2%) of the total sales for the six months ended 30 June 2018.

The domestic PRC market generated revenue of RMB25.2 million (2017: RMB4.2 million) for the six months ended 30 June 2018, representing 41.3% (2017: 15.9%) of the total revenue.

In January 2018, the Group was appointed as a non-exclusive agent for the distribution and management of the O2U purebed air purifiers for infants in the PRC, Hong Kong and the Macau Special Administrative Region of the PRC. In the light of the growing infant care market brought by the PRC's two-child policy and increasing concerns over the health impact of worsening environment conditions, this agency appointment is expected to give a positive impact to the operations, financial results and profitability of the Group.

The Group considers innovation as the core element of our development. Our growing design team consists of 93 staff as at 30 June 2018.

PROSPECTS

The economy of the PRC is anticipated to enter a steadier path with expansion in domestic consumption, posing a promising sales outlet for manufacturers. The Group has confidence in the PRC's future domestic buying power. As a leading brand in the home furnishing market in the PRC, it is in our clear vision to continue as consumers' top choice for home decor products and electric fireplaces.

The Group intends to diversify its business into the forestry sector and expand its existing business by tapping into the development and manufacturing of water purifiers and fresh air system.

Riding on its rich history, outstanding product development capacity and the reputation of "Allen (亚伦)" brand, the Group aims to optimize its business model and diversifying sources of income in the business of elegant electric fireplaces and distinctive home decor products, while developing high-tech and environment-friendly business segments.

FINANCIAL REVIEW

Revenue

During the reporting period, the Group's revenue increased by RMB34.3 million from RMB26.7 million to RMB61.0 million, represented an increase of 128.5% compared with the corresponding period in 2017. The increase was mainly driven by the increase in sales of home decor products.

Revenue analysis by product type is as follows:

	Six months ended 30 June			
	2018		2017	
	RMB'000	**% of revenue**	RMB'000	% of revenue
Electric fireplaces				
Frame electric fireplaces				
– Wood series	**3,119**	**5.1**	936	3.5
Non-framed electric fireplaces	**2,673**	**4.4**	462	1.7
Heater	**15,633**	**25.6**	12,051	45.1
Others	**13,076**	**21.5**	4,699	17.6
	34,501	**56.6**	18,148	67.9
Home decor products				
– Polyresin series	**26,460**	**43.4**	8,568	32.1
	60,961	**100.0**	26,716	100.0

The increase in the sales of electric fireplaces and home decor products was primarily due to the increase in sales volume due to the better market demand.

Gross Profit And Gross Profit Margin

The Group's gross profit increased by RMB5.0 million from RMB6.4 million for the six months ended 30 June 2017 to RMB11.4 million for the six months ended 30 June 2018. The gross profit margin decreased from 23.8% for the six months ended 30 June 2017 to 18.7% for the six months ended 30 June 2018. The decrease was primarily due to the increase in the purchase prices of raw materials.

Selling And Distribution Costs

The Group's selling and distribution costs decreased by RMB1.8 million, or approximately 48.6%, from RMB3.7 million for the six months ended 30 June 2017 to RMB1.9 million for the six months ended 30 June 2018 primarily due to decrease in (i) staff costs; and (ii) advertising and promotion expenses.

Administrative Expenses

The Group's administrative expenses decreased by RMB5.8 million, or approximately 15.7%, from RMB37.0 million for the six months ended 30 June 2017 to RMB31.2 million for the six months ended 30 June 2018. The decrease was mainly due to (i) the decrease in staff costs; and (ii) the decrease in research and development costs; and (iii) partly set off by the increase in amortization of intangible asset.

Other Income

The Group's other income decreased by RMB2.2 million or approximately 28.2%, from RMB7.8 million for the six months ended 30 June 2017 to RMB5.6 million for the six months ended 30 June 2018 primarily due to the decrease in rental income.

Other Losses – Net

The Group's other losses for the six months ended 30 June 2018 represented net foreign exchange loss of RMB3.0 million. The losses for the six months ended 30 June 2017 represented net foreign exchange loss of RMB0.7 million and loss on disposal of property, plant and equipment of RMB1.9 million.

Finance Costs

The Group's finance costs increased by RMB6.8 million, or approximately 234.5%, from RMB2.9 million for the six months ended 30 June 2017 to RMB9.7 million for the six months ended 30 June 2018. The increase was mainly due to the net foreign exchange loss on borrowings denominated in HKD.

Share of Loss of an Associate

The Group disposed of 49% of the entire issued share capital in Radiant Forever Development Limited in March 2018, therefore there was no share of loss of an associate for the period ended 30 June 2018.

Income Tax (Expenses)/Credit

The Group's income tax expenses for the six months ended 30 June 2018 amounted to RMB0.05 million. The Group's income tax credit amounted to RMB0.8 million mainly representing overprovision of income tax in prior period for the six months ended 30 June 2017.

Loss for the Period Attributable To Owners of the Company

As a result of the foregoing factors, loss attributable to Owners of the Company decreased by RMB12.5 million, or approximately 30.3%, from RMB41.3 million for the six months ended 30 June 2017 to RMB28.8 million for the six months ended 30 June 2018, primarily as a result of the increase in revenue and nil share of loss of an associate.

Working Capital

The Group's net current assets decreased from RMB1,080.0 million as at 31 December 2017 to RMB938.1 million as at 30 June 2018, representing a decrease of RMB141.9 million or 13.1%. The decrease in working capital is a result of the decrease in trade receivables and assets classified as held for sale, increase in borrowings, and partially offset by the increase in inventories and cash and cash equivalents.

The decrease in trade receivables was mainly due to the decrease in sales in the second quarter of 2018 as compared with that in fourth quarter of 2017. The increase in cash and cash equivalents was mainly due to the cash inflow from the investing activities during the six months ended 30 June 2018.

Financial Ratios

	At 30 June 2018	At 31 December 2017
Current ratio[1]	**5.8**	17.9
Gearing ratio (%)[2]	**7.8%**	7.1%

(1) Current ratio is calculated based on our total current assets divided by our total current liabilities.

(2) Gearing ratio calculated based on our total debts (being our borrowings) divided by our total equity.

Use Of Proceeds

The Shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 20 December 2013. Net proceeds from the global offering were approximately HKD597.2 million (after deducting the underwriting commission and relevant expenses). As at 30 June 2018, the unused proceeds were deposited in licensed banks in the PRC.

	Percentage to total amount	Net Proceeds HKD' million	Utilised Amount as at 30 June 2018 HKD' million	Unutilised Amount as at 30 June 2018 HKD' million
Establishing new production facilities	53.7%	320.7	320.7	–
Establishing seven creative home furnishing concept shops	16.0%	95.6	36.8	58.8
Expanding overseas sales network under our own brand overseas	7.3%	43.6	12.4	31.2
Own-brand promotion	7.0%	41.8	41.8	–
Increasing and enhancing our research and development activities	6.0%	35.8	35.8	–
General working capital	10.0%	59.7	59.7	–
		597.2	507.2	90.0

LIQUIDITY AND FINANCIAL RESOURCES

In order to achieve better cost control and minimise the costs of funds, the Group's treasury activities are centralised and cash is generally deposited with banks and denominated mostly in RMB, HKD and USD. As at 30 June 2018, the Group had net current assets of RMB938.1 million (31 December 2017: RMB1,080.0 million), of which cash and cash equivalents were RMB982.9 million (31 December 2017: RMB777.2 million).

The Group principally meets its working capital and other liquidity requirements through a combination of operating cash flows, capital contributions and borrowings. As at 30 June 2018, the Group's bank and other borrowings amounted to RMB161.8 million (31 December 2017: RMB147.8 million) and these bank and other borrowings were denominated in RMB and HKD. As at 30 June 2018, the effective interest rate on the Group's bank borrowings was 7.0% (31 December 2017: 8.12%).

The Group manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustment to the capital structure in light of changes in economic conditions affecting the Group.

The Group has not experienced any material difficulties or effects on its operations or liquidity as a result of fluctuations in currency exchange rates during the six months ended 30 June 2018.

CAPITAL EXPENDITURE

For the six months ended 30 June 2018, the capital expenditure of the Group amounted to RMB15.3 million. It was mainly comprised of property, plant and equipment, and an intangible asset.

MATERIAL ACQUISITION AND DISPOSALS AND SIGNIFICANT INVESTMENTS

In January 2018, the Group had entered into an agreement to dispose of 49% of the entire issued capital in Radiant Forever Development Limited, to an independent third party, at the consideration of HKD225.0 million. The transaction was completed in March 2018.

Saved as disclosed above, the Group did not have any material investments or capital assets, or material acquisitions or disposals of subsidiaries or significant investments for the six months ended 30 June 2018.

MANAGING CURRENCY RISK

Our functional currency is RMB. Our Group's foreign exchange risk mainly relate to fluctuations in exchange rates of RMB against our bank balances in USD and HKD and trade receivables denominated in USD, and these may affect our operation results. The Group does not have a hedging policy. However, the management of the Group monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

CHARGE ON ASSETS

At 30 June 2018, the Group had pledged its certain land use right with net book value of RMB72.0 million mainly for the purpose of securing bank loans.

HUMAN RESOURCES

As at 30 June 2018, we employed a total of 782 (as at 31 December 2017: 717) full time employees in the PRC and Hong Kong with total staff costs of RMB22.3 million for the six months ended 30 June 2018 (six months ended 30 June 2017: RMB20.1 million). The Group's emolument policies are formulated based on the performance of individual employee which will be reviewed periodically. Apart from the provident fund scheme (operation in accordance with the provisions of the Mandatory Provident Fund Schemes Ordinance for Hong Kong employees) or social insurance fund (including retirement pension insurance, medical insurance, unemployment insurance, injury insurance and maternity insurance for the PRC employees), discretionary bonuses and employee share options are also awarded to employees according to the assessment of individual performance. Since the adoption of the share option scheme on 2 December 2013 and up to 30 June 2018, no options have been granted.

CONTINGENT LIABILITIES

As at 30 June 2018, the Group did not have any significant contingent liabilities.

OTHER INFORMATION

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

As at 30 June 2018, the interests and short positions of the Directors of the Company in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein or which will be required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listing Issuers (the "Model Code") contained in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") will be as follows:

Name of Director	Capacity/Nature of interest	Number of Shares	Approximate Percentage of Shareholding Interest (%)
Mr. Chen Fanglin	Interest in controlled corporation/ Long position (Note 1)	1,135,669,180	52.33%
	Beneficial owner/long position	166,000	0.01%
	Interest of spouse/Long position (Note 2)	1,886,000	0.09%
		1,137,721,180	53.43%

Note 1: Mr. Chen Fanglin is deemed to be interested in the Shares held by China Wisdom Asia Limited in which Central Profit Group Limited holds entire interests. Central Profit Group Limited is his wholly-owned company. The details are set out as below:

Name of Director	Name of associated corporation	Capacity/ Nature of interest	Number of Shares	Approximate Percentage of Shareholding Interests (%)
Mr. Chen Fanglin	China Wisdom Asia Limited	Interest in controlled corporation	50,000 shares of US$1.00 each	100%
Mr. Chen Fanglin	Central Profit Group Limited	Beneficial owner	one share of US$1.00	100%

Note 2: Chen Fanglin is the spouse of Chen Xiangqun and he is deemed to be interested in the Shares interested by Chen Xiangqun.

Save as disclosed above, none of the Directors of the Company had interests or short positions in the Shares, underlying Shares of equity derivatives or debentures of the Company or any associated corporation defined under the SFO which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein or which will be required to be notified to the Company and the Stock Exchange pursuant to the Model Code as at 30 June 2018.

ARRANGEMENT FOR DIRECTORS TO PURCHASE SHARES OR DEBENTURES

Saved as disclosed in this report, at no time from the Listing Date up to the date of this report were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director of the Company or their respective spouses or minor children, or were such rights exercised by them, or was the Company, its holding company or any of its subsidiaries a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of the Company or any other body corporate.

INTERESTS AND SHORT POSITIONS OF THE SUBSTANTIAL SHAREHOLDERS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 June 2018, the following persons (other than a Director of the Company), who had interests or short positions in the Shares or the underlying Shares which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein, were as follows:

Name of Director	Capacity/Nature of interest	Number of Shares	Approximate Percentage of Shareholding Interest (%)
China Wisdom Asia Limited	Beneficial owner/Long position (Note 1)	1,135,669,180	52.33
Central Profit Group Limited	Interest in controlled corporation/ Long position (Note 1)	1,135,669,180	52.33
Chen Xiangqun	Interest of spouse/Long position (Note 2)	1,135,835,180	52.34
	Beneficial owner	1,886,000	0.09

Notes:

1. The entire issued share capital of China Wisdom Asia Limited is held by Central Profit Group Limited, which is deemed to be interested in the Shares held by China Wisdom Asia Limited.

2. Chen Xiangqun is the spouse of Chen Fanglin and she is deemed to be interested in the Shares interested by Chen Fanglin.

Save as disclosed above, the Directors are not aware of any person, other than the Directors whose interests are set out in the section “Directors’ Interests and Short Positions in Shares, Underlying Shares and Debentures” above, who had an interest or short positions in the Shares or underlying Shares that were required to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO, or recorded pursuant to Section 336 of Part XV of the SFO as of 30 June 2018.

OTHER INFORMATION

SHARE OPTION SCHEME

Pursuant to a resolution passed by all the shareholders on 2 December 2013, the Company has conditionally adopted the share option scheme (the "Share Option Scheme") for the purpose of recognising and acknowledging the contributions the eligible participants had or may have made to the Group. The Board of Directors (the "Board") may, at its discretion, grant options pursuant to the Share Option Scheme to the Directors (including executive Directors and independent non-executive Directors), the Directors of the Company's subsidiaries and employees of the Group and any other persons (including consultants or advisers) whom the Board considers, in its absolute discretion, have contributed or will contribute to the Group. The Directors were authorised to grant options to subscribe for shares of the Company and to allot, issue and deal with the shares pursuant to the exercise of options granted under the Share Option Scheme and to take all such steps as may be necessary and/or desirable to implement and give effect to the Share Option Scheme. The maximum number of shares in respect of which options may be granted under the Share Option Scheme and under any other share option schemes of the Company must not in aggregate exceed 10% of the total number of shares in issue immediately following completion of the Global Offering, being 180,000,000 Shares, excluding any shares that may be issued under the options which have lapsed in accordance with the terms of the Share Option Scheme (or any other share option schemes of the Company), unless otherwise approved by the shareholders of the Company in general meeting and/or such other requirements prescribed under the Listing Rules from time to time.

Unless otherwise approved by the shareholders of the Company in general meeting, the number of shares that may be granted to an eligible participant under the Share Option Scheme and any other share option schemes of the Company (including both exercised and outstanding options) shall not exceed 1% of the shares in issue of the Company within any 12-month period. Any grant of options to a Director, or substantial shareholder (as defined in the Listing Rules) of the Company or any of their respective associates (as defined in the Listing Rules) is required to be approved by our independent non-executive Directors. Unless otherwise approved by the shareholders of the Company in general meeting and/or such other requirements prescribed under the Listing Rules, the number of shares that may be granted to a substantial shareholder or any independent non-executive Director or their respective associates under the Share Option Scheme and any other share option schemes of the Company (including both exercised and outstanding options) shall not exceed 0.1% of the shares in issue, having an aggregate value in excess of HKD5 million, within any 12-month period.

There is no minimum period for which an option must be held before it can be exercised, and the period during which an option may be exercised will be determined by the Board in its absolute discretion, however, no options shall be exercised 10 years after they have been granted. The subscription price of a share in respect of a particular option shall be not less than the highest of (a) the official closing price of the Shares on the daily quotation sheet of the Stock Exchange; (b) the average official closing price of the shares on the daily quotation sheet of the Stock Exchange for the five business days immediately preceding the date of grant; and (c) the nominal value of a share. The Share Option Scheme shall take effect from the date it is adopted and shall remain effective within a period of 10 years from that date.

From the date that the Share Option Scheme became effective and unconditional and up to the date of this interim report, no share options were granted under the Share Option Scheme.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

The Company has not redeemed any of the shares during the six months ended 30 June 2018. Neither the Company nor any of its subsidiaries had purchased or sold any of the Company's securities during the six months ended 30 June 2018.

ALLOTMENT AND ISSUE OF NEW SHARES

On 2 February 2018, the Company allotted and issued 90,000,000 new shares in satisfaction of the aggregate consideration of HKD18,000,000 to O2U Limited for the appointment of the Company by O2U Limited as a non-exclusive agent for the distribution and management of the O2U purebed air purifiers for infants in the PRC, Hong Kong and the Macau Special Administrative Region of the PRC from 11 January 2018 to 20 December 2022. The closing price of the Company's share on 2 February 2018 was HKD0.199 per share.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Throughout the six months ended 30 June 2018, the Company complied with the code provisions of the Corporate Governance Code (the "Code Provisions") set out in Appendix 14 to the Listing Rules.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as its own code of conduct for dealing in securities of the Company by the Directors. Specific enquiries have been made with the Directors, and all Directors confirmed in writing that they have complied with the required standards set out in the Model Code regarding their securities transactions for the six months ended 30 June 2018.

AUDIT COMMITTEE

The Company has established the audit committee and adopted the written terms of reference in compliance with the Code Provisions. The primary duties of the audit committee are to review and approve the Group's financial reporting process and internal control system. The audit committee comprises all independent non-executive Directors, namely, Mr. Ng Wing Keung, Mr. Dai Jianping and Ms. Sun Kam Ching. Mr. Ng Wing Keung is the chairman of the audit committee.

The Group's interim results for the six months ended 30 June 2018 and this interim report have been reviewed by the audit committee of the Company.

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2018 (six months ended 30 June 2017: Nil).

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2018

	Note	(Unaudited) Six months ended 30 June 2018 RMB'000	2017 RMB'000
Revenue	6	**60,961**	26,716
Cost of sales	7	**(49,544)**	(20,349)
Gross profit		**11,417**	6,367
Selling and distribution costs	7	**(1,877)**	(3,688)
Administrative expenses	7	**(31,229)**	(36,982)
Other income	6	**5,575**	7,790
Other losses — net	8	**(3,004)**	(2,620)
Operating loss		**(19,118)**	(29,133)
Finance costs		**(9,665)**	(2,937)
Share of loss of an associate		**—**	(10,054)
Loss before income tax		**(28,783)**	(42,124)
Income tax (expense)/credit	9	**(48)**	812
Loss and total comprehensive loss for the period attributable to owners of the Company		**(28,831)**	(41,312)
Loss per share for loss attributable to owners of the Company			
— Basic and diluted (expressed in RMB per share)	10	**(0.01)**	(0.02)

The above condensed consolidated statement of comprehensive income should be read in conjunction with the accompanying note.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2018

	Note	(Unaudited) As at 30 June 2018 RMB'000	(Audited) As at 31 December 2017 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	12	**534,985**	548,049
Investment property	13	**70,000**	70,000
Land use rights		**180,962**	182,952
Intangible assets	12	**23,420**	9,509
Prepayments	15	**340,964**	333,612
		1,150,331	1,144,122
Current assets			
Inventories		**28,694**	14,141
Trade receivables	14	**45,823**	92,176
Deposits, prepayments and other receivables	15	**77,080**	73,147
Cash and cash equivalents		**982,885**	777,201
		1,134,482	956,665
Assets classified as held for sale	16	**—**	187,200
		1,134,482	1,143,865
Total assets		**2,284,813**	2,287,987
EQUITY			
Equity attributable to owners of the Company			
Share capital	17	**171**	164
Share premium	17	**717,318**	702,809
Reserves		**1,356,428**	1,385,259
Total equity		**2,073,917**	2,088,232

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2018

	Note	(Unaudited) As at 30 June 2018 RMB'000	(Audited) As at 31 December 2017 RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings	18	**8,439**	129,762
Deferred tax liabilities		**6,092**	6,133
		14,531	135,895
Current liabilities			
Trade and other payables	19	**37,294**	45,244
Borrowings	18	**153,376**	18,000
Current income tax liabilities		**5,695**	616
		196,365	63,860
Total liabilities		**210,896**	199,755
Total equity and liabilities		**2,284,813**	2,287,987

The above condensed consolidated statement of financial position should be read in conjunction with the accompanying note.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2018

				(Unaudited)				
				Reserves				
		Share capital	**Share premium**	**Capital reserve**	**Statutory reserve**	**Revaluation reserve**	**Retained earnings**	**Total**
	Note	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2017		160	693,494	406,736	144,178	1,642	1,007,255	2,253,465
Comprehensive loss								
Loss for the period		—	—	—	—	—	(41,312)	(41,312)
As at 30 June 2017		160	693,494	406,736	144,178	1,642	965,943	2,212,153
As at 1 January 2018		164	702,809	406,736	144,178	1,642	832,703	2,088,232
Comprehensive loss								
Loss for the period		—	—	—	—	—	(28,831)	(28,831)
Transaction with owners:								
Issue of new shares	17	7	14,509	—	—	—	—	14,516
As at 30 June 2018		171	717,318	406,736	144,178	1,642	803,872	2,073,917

The above condensed consolidated statement of change in equity should be read in conjunction with the accompanying notes.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2018

	(Unaudited) Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
Cash flows from operating activities		
Cash generated from operations	**18,408**	6,657
Interest paid	**(7,612)**	(4,064)
Income tax refund	**4,990**	2,799
Net cash generated from operating activities	**15,786**	5,392
Cash flows from investing activities		
Proceeds from disposal of assets classified as held for sale	**183,375**	25,000
Purchases of property, plant and equipment	**(194)**	(273)
Prepayments for property, plant and equipment	**(7,352)**	—
Interest received	**2,059**	1,910
Net cash generated from investing activities	**177,888**	26,637
Cash flows from financing activities		
Proceeds from borrowings	**30,000**	30,000
Repayments of borrowings	**(18,000)**	(25,000)
Net cash generated from financing activities	**12,000**	5,000
Net increase in cash and cash equivalents	**205,674**	37,029
Cash and cash equivalents at beginning of the period	**777,201**	817,213
Exchange difference on cash and cash equivalents	**10**	134
Cash and cash equivalents at end of the period	**982,885**	854,376

The above condensed consolidated statement of cash flows should be read in conjunction with the accompanying notes.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1 GENERAL INFORMATION

China Creative Global Holdings Limited (the "Company") was incorporated in the Cayman Islands on 7 July 2011 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, The Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries (together the "Group") are principally engaged in the business of design, development, manufacturing and sales of home decor products and electric fireplaces primarily in the People's Republic of China (the "PRC").

The Company has its primary listing on the Main Board of The Stock Exchange of Hong Kong Limited.

This condensed consolidated financial information is presented in thousands of units of Renminbi ("RMB'000"), unless otherwise stated.

This condensed consolidated financial information has not been audited.

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

This condensed consolidated financial information for the six months ended 30 June 2018 has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34, "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants. The condensed consolidated financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2017, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

2.2 Summary of significant accounting policies

Except as described below, the accounting policies applied are consistent with those of the Group's consolidated financial statements for the year ended 31 December 2017.

A number of new or amended standards became applicable for the current reporting period and the Group had to change its accounting policies as a result of adopting the following standards:

- HKFRS 9 Financial Instruments
- HKFRS 15 Revenue from Contracts with Customers

The impact of adoption of the above new and revised HKFRSs is disclosed in Note 2.3 below.

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Summary of significant accounting policies (Continued)

The following amendments to existing standards are effective to the Group for accounting periods beginning on or after 1 January 2018 but did not result in any significant impact on the results and financial position of the Group. No retrospective adjustments are required.

HKFRS 2 (Amendment)	Classification and Measurement of Share-based Payment Transactions
HKFRS 4 (Amendment)	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
HKAS 28 (Amendments)	Investment in Associates and Joint Ventures
HKAS 40 (Amendments)	Transfers of Investment Property
Annual improvement project	Annual Improvements 2014–2016 Cycle
HKFRIC-Int 22	Foreign Currency Transactions and Advance Consideration

The following new standards, amendments to standards and interpretations are mandatory for accounting periods beginning on or after 1 January 2019.

		Effective for accounting periods beginning on or after
HKFRS 9 (Amendments)	Prepayment Features with Negative Compensation	1 January 2019
HKFRIC — Int 23	Uncertainty over Income Tax Treatments	1 January 2019
HKFRS 16	Leases	1 January 2019
HKFRS 17	Insurance Contracts	1 January 2021
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate and Joint Venture	To be determined
HKAS 19 (Amendments)	Employee Benefits	1 January 2019
Annual improvement project	Annual Improvements 2015–2017 Cycle	1 January 2019

Impact of standards issued but not yet applied by the entity

(i) HKFRS 16 Leases

HKFRS 16 was issued in January 2016. It will result in almost all leases being recognized on the condensed consolidated statement of financial position, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognized. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Summary of significant accounting policies (Continued)

Impact of standards issued but not yet applied by the entity (Continued)

(i) HKFRS 16 Leases (Continued)

The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of approximately RMB878,000. However, the Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows.

Some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under HKFRS 16.

The standard is mandatory for first interim periods within annual reporting periods beginning on or after 1 January 2019. The Group does not intend to adopt the standard before its effective date.

2.3 Changes in accounting policies

This note explains the impact of the adoption of HKFRS 9 Financial Instruments and HKFRS 15 Revenue from Contracts with Customers on the Group's condensed consolidated interim financial information and also discloses the new accounting policies that have been applied from 1 January 2018, where they are different to those applied in prior periods.

(a) HKFRS 9 — Impact on the financial statements

As a result of the changes in the entity's accounting policies, prior year financial statements had to be restated. As explained in the notes below, HKFRS 9 was generally adopted without restating comparative information with the exception of certain aspects of hedge accounting. The reclassifications and the adjustments arising from the new impairment rules are therefore not reflected in the restated balance sheet as at 31 December 2017, but are recognized in the opening balance sheet on 1 January 2018.

(i) Classification and measurement

On 1 January 2018 (the date of initial application of HKFRS 9), the Group's management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate HKFRS 9 categories. All classes of financial assets and financial liabilities had the same carrying amounts in accordance with HKAS 39 and HKFRS 9 on 1 January 2018.

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Changes in accounting policies (Continued)

(a) HKFRS 9 — Impact on the financial statements (Continued)

(ii) Impairment of financial assets

The Group's significant financial assets which are subject to the new expected credit loss model include trade receivables and other receivables. The Group was required to revise its impairment methodology under HKFRS 9 for these classes of financial assets.

While cash and cash equivalents are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial.

For other receivables, management considers that its credit risk has not increased significantly since initial recognition with reference to the counterparty historical default rate and current financial position. The impairment provision is determined based on the 12-month expected credit losses which is close to zero.

For trade receivables, the Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected losses for all trade receivables. To measure the expected credit losses, trade receivables have been Grouped based on shared credit risk characteristics and the days past due. The adoption of the simplified expected loss approach under HKFRS 9 has not resulted in any additional impairment loss for trade receivables as at 1 January 2018.

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group.

(b) HKFRS 9 — Financial Instruments — Accounting policies applied from 1 January 2018

(i) Classification

From 1 January 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income ("OCI"), or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Changes in accounting policies (Continued)

(b) HKFRS 9 — Financial Instruments — Accounting policies applied from 1 January 2018 (Continued)

(i) Classification (Continued)

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income ("FVOCI").

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(ii) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss and presented in other gains/(losses), together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the condensed consolidated statement of comprehensive income.

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Changes in accounting policies (Continued)

(b) HKFRS 9 — Financial Instruments — Accounting policies applied from 1 January 2018 (Continued)

(ii) Measurement (Continued)

Debt instruments (Continued)

FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the condensed consolidated statement of comprehensive income.

FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognized in condensed consolidated statement of comprehensive income and presented net within other losses — net in the period in which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognized in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognized in other gains/(losses) in the condensed consolidated statement of comprehensive income as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Changes in accounting policies (Continued)

(b) HKFRS 9 — Financial Instruments — Accounting policies applied from 1 January 2018 (Continued)

(ii) Measurement (Continued)

Impairment

The impairment of financial assets has changed from the incurred loss model under HKAS 39 to the expected credit loss model under HKFRS 9. Under the new expected loss approach, it is no longer necessary for a loss event to occur before an impairment loss is recognized. Impairment is made on the expected credit losses, which are the present value of the cash shortfalls over the expected life of the financial assets. The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables.

(c) HKFRS 15 Revenue from Contracts with Customers — Accounting policies applied from 1 January 2018

The Group has adopted HKFRS 15 Revenue from Contracts with Customers from 1 January 2018 which resulted in changes in accounting policies. In accordance with the transitional provisions in HKFRS 15, comparative figures have not been restated.

The Group manufactures and sells a range of home decor products and electric fireplaces in the wholesale market. Sales are recognized when control of the products has transferred, being when the products are delivered to the customers, the customers have full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been delivered to the specific location, the risks of obsolescence and loss have been transferred to the customers, and either the customers have accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

A receivable is recognized when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

3 ESTIMATES

The preparation of condensed consolidated financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this condensed consolidated financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the Group's consolidated financial statements for the year ended 31 December 2017.

4 FINANCIAL RISK MANAGEMENT

4.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

The condensed consolidated financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2017.

There have been no changes in the risk management department or in any risk management policies since the year end.

4.2 Liquidity risk

Compared to the year end, there was no material change in the contractual undiscounted cash out flows for financial liabilities.

4.3 Fair value estimation

The Group's financial instruments carried at fair value as at balance sheet date are measured by the inputs to valuation techniques. Such inputs are categorised into three levels within a fair value hierarchy as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

There have been no transfer of financial assets and liabilities between levels 1, 2 and 3 during the period.

4 FINANCIAL RISK MANAGEMENT (Continued)

4.3 Fair value estimation (Continued)

Assets and liabilities held by the Group using the fair value method include investment property and assets classified as held for sale (Notes 13 and 16).

For other current financial assets of the Group, including trade and other receivables, pledged deposits, cash and cash equivalents, and current financial liabilities of the Group including trade and other payables and short-term borrowings approximate their fair values due to their short term maturities.

The Group does not have any financial assets/liabilities that are subject to offsetting, enforceable master netting arrangements and similar agreements during the period.

5 SEGMENT REPORTING

Management has determined the operating segments based on the reports reviewed by the chief operating decision-maker that are used to making strategic decisions.

The chief operating decision-maker is identified as the executive directors of the Company. The executive directors consider the business from a product perspective and assess the performance of the operating segments based on a measure of revenue and segment results.

The Group's two reportable operating segments are as follows:

Electric fireplaces and air purifiers	— Design, development, manufacturing and sales of electric fireplaces and air purifiers
Home decor products	— Design, development, manufacturing and sales of home decor products

Other activities primarily relate to investment in an associate, provision of corporate services for investment holding companies and holding corporate assets and liabilities. Corporate assets and liabilities mainly include investment property held for rental income, investment in an associate, property, plant and equipment and land use rights for corporate use. These activities are excluded from the reportable operating segments.

Segment assets consist primarily of certain property, plant and equipment, land use rights, inventories, trade receivables, deposits, prepayments and other receivables and cash and cash equivalents. They exclude investment property, intangible assets, investment in an associate and other assets for corporate functions.

Segment liabilities consist primarily of trade and other payables. They exclude current income tax liabilities, deferred tax liabilities, general borrowings and other liabilities for corporate functions.

All non-current assets of the Group are located in the PRC.

5 SEGMENT REPORTING (Continued)

The segment information provided to the executive directors is as follows:

	Electric fireplaces and air purifiers RMB'000	Home decor products RMB'000	Others RMB'000	Total RMB'000
For the six months ended 30 June 2018:				
Segment revenue				
— PRC	6,771	18,607	—	25,378
— International	27,837	7,924	—	35,761
	34,608	26,531	—	61,139
Less: Inter-segment revenue	(107)	(71)	—	(178)
Revenue from external customers	34,501	26,460	—	60,961
Segment results	(15,575)	2,165	(5,448)	(18,858)
Unallocated expense				(260)
Finance costs				(9,665)
Loss before income tax				(28,783)
Income tax expense				(48)
Loss for the period				(28,831)
Other segment items:				
Additions to:				
Intangible assets	15,126	—	—	15,126
Property, plant and equipment	194	—	—	194
Depreciation and amortization	15,641	562	260	16,463
Interest income	1,749	310	—	2,059

5 SEGMENT REPORTING (Continued)

	Electric fireplaces and air purifiers RMB'000	Home decor products RMB'000	Others RMB'000	Total RMB'000
For the six months ended 30 June 2017:				
Segment revenue				
— PRC	1,398	2,856	—	4,254
— International	16,750	5,724	—	22,474
	18,148	8,580	—	26,728
Less: Inter-segment revenue	—	(12)	—	(12)
Revenue from external customers	18,148	8,568	—	26,716
Segment results	(19,969)	(4,515)	(14,181)	(38,665)
Unallocated expense				(522)
Finance costs				(2,937)
Loss before income tax				(42,124)
Income tax credit				812
Loss for the period				(41,312)
Other segment items:				
Additions to:				
Property, plant and equipment	273	—	—	273
Depreciation and amortization	14,321	332	522	15,175
Interest income	1,453	447	10	1,910

5 SEGMENT REPORTING (Continued)

The information on segment assets and liabilities provided to the executive directors is as follows:

	Electric fireplaces and air purifiers RMB'000	Home decor products RMB'000	Others RMB'000	Total RMB'000
As at 30 June 2018:				
Segment assets	**1,803,947**	**400,396**	**80,470**	**2,284,813**
Segment liabilities	**20,644**	**9,403**	**180,849**	**210,896**
As at 31 December 2017:				
Segment assets	1,619,510	400,730	267,747	2,287,987
Segment liabilities	22,839	16,038	160,878	199,755

For the six months ended 30 June 2018, there are two individual external customers which contributed 46% and 20% of the Group's revenue.

For the six months ended 30 June 2017, there are two individual external customers which contributed 37% and 15% of the Group's revenue.

6 REVENUE AND OTHER INCOME

	Six months ended 30 June	
	2018 RMB'000	2017 RMB'000
Sales of products		
— Electric fireplaces and purifiers	**34,501**	18,148
— Home decor products	**26,460**	8,568
	60,961	26,716
Timing of revenue recognition		
At a point in time	**60,961**	26,716
Other income		
— Interest income	**2,059**	1,910
— Rental income	**3,516**	5,880
	5,575	7,790

The sales of electric fireplaces are subject to seasonal fluctuations, with higher demand in the second half of the year due to seasonal weather conditions.

7 EXPENSES BY NATURE

The loss before income tax is stated after charging the following:

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
Cost of inventories	**34,199**	14,866
Depreciation of property, plant and equipment (Note 12)	**13,258**	13,019
Amortization of intangible assets (Note 12)	**1,215**	—
Amortization of land use rights	**1,990**	2,156
Employee benefit expenses	**22,274**	20,147

8 OTHER LOSSES — NET

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
Net foreign exchange losses	**3,004**	685
Loss on disposal of property, plant and equipment	**—**	1,935
	3,004	2,620

9 INCOME TAX EXPENSE/(CREDIT)

Under the Enterprise Income Tax Law of the PRC (the "New EIT Law"), the applicable income tax rate for the Group's entities in the PRC, except for Allen Electronics Co., Ltd. Fujian, is 25%.

Pursuant to the New EIT Law, with respect to a new and high technology enterprise, the tax levied on its income will be charged at a preferential rate of 15% after obtaining the High New Technology Enterprise Certificate (the "Certificate") and completing the tax reduction and exemption filing with the tax authorities. Allen Electronics Co., Ltd. Fujian obtained the Certificate on 5 September 2013 and renewed the Certificate on 1 December 2016. The Certificate will expire on 30 November 2019.

Pursuant to the New EIT Law, a 10% withholding tax is levied on dividends declared by PRC companies to their foreign investors. A lower withholding tax rate of 5% is applicable if direct foreign investors with at least 25% equity interest in the PRC company are incorporated in Hong Kong and meet the relevant requirements pursuant to the tax arrangement between the PRC and Hong Kong. Since the equity holder of the PRC subsidiaries of the Company is a Hong Kong incorporated company, the Company has used 5% to provide for deferred tax liabilities on retained earnings which are anticipated to be distributed as at 30 June 2018 and 31 December 2017.

9 INCOME TAX EXPENSE/(CREDIT) (Continued)

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
Current income tax	**89**	—
Over-provision in prior period	**—**	(645)
Deferred income tax	**(41)**	(167)
Total taxation expense/(credit)	**48**	(812)

Income tax expense/(credit) is recognized based on management's estimate of the weighted average annual income tax rate for the full financial year.

10 LOSS PER SHARE

Basic loss per share is calculated by dividing the loss attributable to owners of the Company by the weighted average number of ordinary shares in issue during the period.

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
Loss attributable to owners of the Company	**(28,831)**	(41,312)
Weighted average number of ordinary shares in issue (in thousands)	**2,154,000**	2,030,000
Basic and diluted loss per share (expressed in RMB per share)	**(0.01)**	(0.02)

Note:

Diluted loss per share for the periods ended 30 June 2018 and 2017 equal the basic loss per share as there were no dilutive potential ordinary shares outstanding during the periods.

11 DIVIDEND

The Board has resolved not to declare the payment of an interim dividend for the six months ended 30 June 2018 (2017: Nil).

12 PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

	Property, plant and equipment	Intangible asset — distribution right	Intangible asset — goodwill
	RMB'000	RMB'000	RMB'000
Six months ended 30 June 2018			
Net book value			
At 1 January 2018	**548,049**	**—**	**9,509**
Additions	**194**	**15,126**	**—**
Depreciation and amortization (Note 7)	**(13,258)**	**(1,215)**	**—**
At 30 June 2018	**534,985**	**13,911**	**9,509**
Six months ended 30 June 2017			
Net book value			
At 1 January 2017	627,856	—	—
Additions	273	—	—
Disposal	(2,272)	—	—
Depreciation (Note 7)	(13,019)	—	—
At 30 June 2017	612,838	—	—

During the period ended 30 June 2018, the Company issued 90,000,000 ordinary shares as a consideration for obtaining a distribution right for purebed air purifier (Note 17). The distribution right is carried at cost less amortization over its useful lives, which is approximately 5 years, and impairment for finite life assets.

13 INVESTMENT PROPERTY

As at 30 June 2018, the Group's investment property is a hotel building located in Quanzhou, the PRC. The carrying amount of the investment property in the condensed consolidated statement of financial position is as follows:

	As at 30 June 2018 RMB'000	As at 31 December 2017 RMB'000
At valuation	**70,000**	70,000

The investment property was valued at 31 December 2017 by an independent professional qualified valuer, Roma Appraisals Limited, who is a member of the Hong Kong Institute of Surveyors and has appropriate qualifications and recent experiences in the valuation of similar properties.

The valuation of the investment property as at 31 December 2017 was determined using income approach based on significant unobservable inputs. The directors have reviewed the valuation of the investment property as at 30 June 2018 and considered that there are no significant changes in the underlying assumptions and the key unobservable inputs, and the valuation of the investment property remains the same as at 30 June 2018.

14 TRADE RECEIVABLES

The majority of the Group's sales are with credit terms of 60 to 90 days. As at 30 June 2018 and 31 December 2017, the aging analysis of the trade receivables based on invoice date was as follows:

	As at 30 June 2018 RMB'000	As at 31 December 2017 RMB'000
0 to 30 days	**11,344**	12,850
31 to 60 days	**16,306**	20,739
61 to 90 days	**2,520**	20,977
Over 90 days	**15,653**	37,610
	45,823	92,176

15 DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	As at 30 June 2018 RMB'000	As at 31 December 2017 RMB'000
Current		
Deposits and prepayments	**1,897**	1,086
Receivables from disposal of assets classified as held for sale (note (a))	**54,210**	54,210
Receivables for disposal of a land use right (note (b))	**17,353**	17,353
Accrued rental income	**727**	—
Other tax receivables	**2,175**	—
Others	**718**	498
	77,080	73,147
Non-current		
Prepayment for commercial buildings (note (c))	**272,360**	272,360
Prepayments for construction costs	**19,604**	12,252
Prepayments for land use rights and property, plant and equipment (note (d))	**49,000**	49,000
	340,964	333,612
	418,044	406,759

Notes:

(a) During the year ended 31 December 2017, certain assets classified as held for sale amounting to RMB89,752,000 have been resumed by the local government of Quanzhou. As at 30 June 2018 and 31 December 2017, the compensation amounting to RMB54,210,000 has not yet been received by the Group.

(b) On 31 October 2017, the Group entered into a sales and purchase agreement with a related party to sell a land use right with a consideration of RMB17,353,000 in Quanzhou, the PRC and the balance has not yet been received by the Group. The amount is unsecured, non-interest bearing, denominated in RMB and approximate the fair value.

(c) The balance represents the prepayment to purchase commercial buildings and the respective land use rights from an independent third party with a consideration of RMB272,360,000. The construction of the commercial buildings and the transfer of ownership of these assets are expected to be completed in year 2018.

15 DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES (Continued)

Notes: (Continued)

(d) On 28 November 2014, the Group entered into a sales and purchase agreement ("the agreement") with an independent third party ("the seller") to purchase certain land use rights and buildings in Quanzhou, the PRC, with a total consideration of RMB98,000,000. On 3 December 2014, the Group paid RMB49,000,000 as a prepayment to the seller. During the year ended 31 December 2016, the seller was not able to complete the registration of transfer of the land use rights and buildings to the Group. On 25 August 2015, the seller refunded RMB47,000,000 to the Group but refused to refund the remaining balance of RMB2,000,000 to the Group.

During the year ended 31 December 2015, the seller filed a dispute case to the People's Court of Quangang ("the court") in respect of this transaction against the Group. Subsequently, the Group filed a defense to the court on 30 October 2015. No legal proceeding has been commenced.

During the year ended 31 December 2016, the dispute had been resolved and management expected that this transaction will be completed in 2018. As at 30 June 2018 and 31 December 2017, the Group paid a total of RMB49,000,000 as a prepayment to the seller.

16 ASSETS CLASSIFIED AS HELD FOR SALE

On 30 September 2014, Quanzhou Allen Light Industry Co., Ltd., a wholly owned subsidiary of the Group, was notified by the local government of Quanzhou that certain land use rights and properties will be resumed for redevelopment.

The compensation of these properties and land use rights will be RMB109,552,000 according to the correspondences from the local government of Quanzhou and these properties and land use rights are classified as assets held for sale. The valuation was determined based on the compensation and was categorized in level 2 of the fair value hierarchy. During the year ended 31 December 2017, certain assets classified as held for sale amounted to RMB89,752,000 have been resumed by the local government of Quanzhou respectively.

During the year ended 31 December 2017, the directors considered that the business development and financial performance of the associate is unsatisfactory and decided to dispose the investment in the associate. Management has been in active discussions with the potential buyer for the disposal during the year ended 31 December 2017 and expected to complete the disposal within the next 12 months starting from 31 December 2017. As such, the investment in an associate has been classified as assets held for sale and recognized at fair value less cost to sale as at 31 December 2017. On 6 March 2018, the Group completed the disposal of investment in an associate.

	As at 30 June 2018 RMB'000	As at 31 December 2017 RMB'000
At beginning of the period/year	**187,200**	89,752
Transfer	**—**	187,200
Disposal	**(187,200)**	(89,752)
At end of the period/year	**—**	187,200

17 SHARE CAPITAL AND SHARE PREMIUM

	Number of ordinary shares (thousands)	Nominal value of ordinary shares HKD
Authorized:		
At 1 January 2017, 30 June 2017, 1 January 2018 and 30 June 2018	10,000,000	1,000,000

	Number of ordinary shares	Nominal value of ordinary shares HKD'000	Equivalent nominal value of ordinary shares RMB'000	Share premium RMB'000	Total RMB'000
Issued and fully paid:					
At 1 January 2018	2,080,000,000	208	164	702,809	702,973
Issue of new shares (Note)	90,000,000	9	7	14,509	14,516
At 30 June 2018	2,170,000,000	217	171	717,318	717,489
At 1 January 2017 and 30 June 2017	2,030,000,000	203	160	693,494	693,654

Note:

On 2 February 2018, the Company issued 90,000,000 ordinary shares of HKD0.0001 each at a premium of HKD0.2 as a consideration for obtaining a distribution right for purebed air purifier (Note 12). The premium on issue of these shares of HKD17,991,000 (equivalent to RMB14,509,000) was credited to the share premium account.

18 BORROWINGS

	As at 30 June 2018 RMB'000	As at 31 December 2017 RMB'000
Non-current		
Bonds — unsecured (note (a))	**8,439**	129,762
Current		
Bonds — unsecured (note (a))	**123,376**	—
Bank borrowings — unsecured (note (b))	**30,000**	18,000
	153,376	18,000
Total borrowings	**161,815**	147,762

18 BORROWINGS (Continued)

An analysis of the Group's borrowings into principal amounts is as follows:

	As at 30 June 2018 RMB'000	As at 31 December 2017 RMB'000
Bonds — unsecured (note (a))	**133,782**	132,454
Bank borrowings — unsecured (note (b))	**30,000**	18,000
	163,782	150,454
Adjusted by: unamortized loan arrangement fees	**(1,967)**	(2,692)
	161,815	147,762

Notes:

(a) Bonds comprise principal amounts of:

(i) HKD7,000,000 (approximately RMB5,883,000) due in 2023 issued by the Company to an independent third party in March 2016. The bond is unsecured and bears interest at a fixed rate of 6% per annum; and

(ii) HKD148,200,000 (approximately RMB124,538,000) due in 2019 issued by the Company to an independent third party in April 2016. The bond is unsecured and bears interest at a fixed rate of 7% per annum.

(iii) HKD4,000,000 (approximately RMB3,361,000) due in 2024 issued by the company to an independent third party in July 2016. The bond unsecured and bears interest at a fixed rate of 6% per annum.

(b) As at 30 June 2018 and 31 December 2017, the bank borrowings are either repayable within one year or repayable on demand. The Group's bank borrowings approximate their fair values due to short maturity date.

As at 30 June 2018, the Group's bank borrowings were secured by land use rights with aggregate net book value of approximately RMB72,026,000.

As at 30 June 2018, the effective interest rate of the Group's borrowings is 7% (31 December 2017: 8.12%).

Interest expense on borrowings charged to the condensed consolidated statement of comprehensive income for the six months ended 30 June 2018 is RMB8,341,000 (30 June 2017: RMB6,937,000).

18 BORROWINGS (Continued)

The carrying values of the borrowings are denominated in the following currencies:

	As at 30 June 2018 RMB'000	As at 31 December 2017 RMB'000
HKD	**131,815**	129,762
RMB	**30,000**	18,000
	161,815	147,762

19 TRADE AND OTHER PAYABLES

	As at 30 June 2018 RMB'000	As at 31 December 2017 RMB'000
Trade payables	**18,314**	28,424
Other tax payable	**644**	1,204
Salary and welfare payables	**6,684**	4,405
Retention fee payables	**3,330**	3,330
Interest payables	**2,036**	2,178
Others	**6,286**	5,703
	37,294	45,244

The aging analysis of the Group's trade payables based on invoice date is as follows:

	As at 30 June 2018 RMB'000	As at 31 December 2017 RMB'000
0 to 30 days	**8,147**	7,215
31 to 60 days	**5,594**	3,081
61 to 90 days	**4,472**	11,914
Over 90 days	**101**	6,214
	18,314	28,424

20 COMMITMENTS

Capital expenditure contracted for at the end of the period/year but not yet incurred is as follows:

	As at 30 June 2018 RMB'000	As at 31 December 2017 RMB'000
Contracted but not provided for		
— Land use rights	**17,210**	17,210
— Property, plant and equipment	**37,230**	45,390
	54,440	62,600

21 RELATED-PARTY TRANSACTIONS

As at 30 June 2018, the Group is controlled by China Wisdom Asia Limited (incorporated in the BVI), which owns 52% of the Company's shares. The remaining 48% of the shares are widely held. The ultimate parent of the Group is Central Profit Group Limited (incorporated in the BVI). The ultimate controlling party of the Group is Mr. Chen Fanglin.

Key management compensation

Key management includes directors and other key management of the Group. The compensation paid or payable to key management for employee services is shown below:

	Six months ended 30 June	
	2018 RMB'000	2017 RMB'000
Directors' fees	**633**	159
Basic salaries, housing allowances, other allowances and benefits in kind	**1,716**	1,824
Social security and pension costs	**656**	515
	3,005	2,498