



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

China Creative Digital Entertainment Limited

中國創意數碼娛樂有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 8078)

2020-2021

FIRST QUARTERLY REPORT



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This report, for which the directors (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 ("GEM Listing Rules") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATION REVIEW

The Company and its subsidiaries (collectively referred to as the “Group”) reported a total revenue of approximately HK\$9.83 million for the three months ended 30 September 2020 (the “Three-month Period”), compared with approximately HK\$29.8 million for the corresponding period in 2019. For the Three-month Period, a loss attributable to owners of the Company of approximately HK\$25.71 million was recorded whilst in the corresponding period of last year, a loss attributable to owners of the Company of approximately HK\$60.04 million was recorded.

During the Three-month Period, artiste management services contributed a revenue of approximately HK\$0.1 million (2019: HK\$1.96 million). The revenue from entertainment business was approximately HK\$7.67 million (2019: HK\$22.86 million). The revenue from the money lending business was approximately HK\$2.15 million (2019: HK\$4.98 million).

BUSINESS REVIEW

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

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

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

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

CAPITAL STRUCTURE

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

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. 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-month Period together with the comparative unaudited figures for the corresponding period in 2019 as follows:

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income For the three months ended 30 September 2020

		Three months ended 30 September	
	<i>Notes</i>	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Revenue	2	9,830	29,798
Cost of distribution and production of films, television episodes and music production		(3,151)	(21,361)
Other income and gains		5,034	394
Selling and distribution costs		(131)	(2,968)
Administrative expenses		(7,444)	(14,918)
Net allowance for expected credit loss ("ECL") on trade receivables		(295)	(1,241)
Net allowance for ECL on loan receivables		(646)	(1,493)
Net allowance for ECL on other receivables		(218)	-
Gain on disposal of an associate		600	-
Impairment loss on interests in associates		-	(15,684)
Finance costs		(29,260)	(29,255)
Change in fair value of financial assets at fair value through profit or loss		(316)	(2,070)
Share of results of associates		-	(1,895)
Loss before income tax		(25,997)	(60,693)
Income tax credit	3	-	-
Loss for the period		(25,997)	(60,693)
Loss for the period attributable to:			
Owners of the Company		(25,711)	(60,036)
Non-controlling interests		(286)	(657)
		(25,997)	(60,693)

RESULTS (Continued)

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income (Continued)

For the three months ended 30 September 2020

	Three months ended 30 September	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Other comprehensive income/(loss):		
Items that may be reclassified to profit or loss:		
Exchange differences on translating foreign operations	–	133
Items that will not be reclassified subsequently to profit or loss:		
Share of other comprehensive income of associates	–	26
Fair value change on financial assets at fair value through other comprehensive income	–	(1,915)
Total other comprehensive loss for the period, net of tax	–	(1,756)
Total comprehensive loss for the period	(25,997)	(62,449)
Total comprehensive loss for the period attributable to:		
Owners of the Company	(25,711)	(61,792)
Non-controlling interests	(286)	(657)
	(25,997)	(62,449)
Loss per share attributable to owners of the Company		
– Basic and diluted	HK\$(9.47) cent	HK\$(22.12) cent

NOTES:

1. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

The Group's unaudited quarterly financial statements have been prepared in accordance with the applicable disclosure requirement of Chapter 18 of the GEM Listing Rules. The amounts included in the unaudited consolidated results are computed based on all Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

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

The condensed consolidated accounts have not been audited by the Company's auditors but have been reviewed by the Company's audit committee.

2. REVENUE

	Three months ended 30 September	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Revenue from contracts with customers		
Recognised on point in time basis:		
Distribution and production of films, television episodes and music production	5,368	2,621
Sales of goods	2,305	2,332
	7,673	4,953
Recognised on over time basis:		
Artiste management services fee income	4	1,958
Distribution of new films	–	17,910
	4	19,868
Revenue from other sources		
Interest income and handling charge income from money lending	2,153	4,977
	2,153	4,977
	9,830	29,798

NOTES: (Continued)

3. TAXATION

No provision for Hong Kong Profits Tax is made in the three months ended 30 September 2020 as the Group either has no assessable profits or has a statutory tax loss brought forward from previous years.

No provision for income tax in respect of operations in overseas has been made as the Group has either no assessable profits or has a statutory tax loss brought forward from previous years in the respective jurisdictions for both periods.

4. LOSS PER SHARE

The calculations of basic loss per share are based on the loss for the Three-month Period attributable to the owners of the Company and the weighted average number of respective ordinary shares in issue during the Three-month Period.

The calculations of diluted loss per share are based on the respective adjusted loss for the Three-month Period attributable to the owners of the Company and the adjusted weighted average number of ordinary shares outstanding both of which are adjusted to assume exercise or conversion of all dilutive potential ordinary shares.

As at 30 September 2020 and 2019, the Company has outstanding convertible bonds, which were assumed to have been converted into ordinary shares, and the net loss is adjusted to eliminate the interest expense less the tax effect.

As the Company's outstanding convertible bonds for both the three months ended 30 September 2020 and 2019 had an anti-dilutive effect to the basic loss per share calculation, the conversion of these potential ordinary shares is not assumed in the computation of diluted loss per share.

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

	For the three months ended 30 September	
	2020	2019
Loss for the Three-month Period attributable to owners of the Company (HK\$'000)	(25,711)	(60,036)
Weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share	271,407,779	271,407,779

NOTES: (Continued)

5. CONSOLIDATED STATEMENT OF CHANGE IN EQUITY

For the period ended 30 September 2020

	Attributable to owners of the Company									
	Share capital	Share premium	Reorganisation reserve	Investment revaluation reserve	Foreign currency translation reserve	Convertible bond equity reserve	Accumulated losses	Sub-total	Non-controlling interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 July 2019	2,714	2,537,203	132,990	(245,144)	(700)	34,059	(2,291,618)	169,504	(7,681)	161,823
Total comprehensive loss for the period	-	-	-	(1,915)	159	-	(60,036)	(61,792)	(657)	(62,449)
At 30 September 2019	2,714	2,537,203	132,990	(247,059)	(541)	34,059	(2,351,654)	107,712	(8,338)	99,374
At 1 July 2020	2,714	2,537,203	132,990	(301,040)	355	34,059	(2,998,008)	(591,727)	(27,637)	(619,364)
Total comprehensive loss for the period	-	-	-	-	-	-	(25,711)	(25,711)	(286)	(25,997)
At 30 September 2020	2,714	2,537,203	132,990	(301,040)	355	34,059	(3,023,719)	(617,438)	(27,923)	(645,361)

6. COMPARATIVE FIGURES

Certain comparative figures have been re-classified to conform with the presentation of current period.

DIVIDEND

The Board did not recommend the payment of dividend for the Three-month Period (2019: Nil).

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

As at 30 September 2020, the interests and short positions of the Directors and chief executive of the Company and their associates in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register maintained by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by the Directors as referred to in Rules 5.46 to 5.67 of the GEM Listing Rules were as follows:

Long positions in shares of the Company

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

Note:

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 Group Holdings Limited on 2 January 2018.

Save as disclosed above, as at 30 September 2020, none of the Directors or chief executive of the Company nor their associates had any interests or short positions in shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

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 Three-month Period, no option was granted under the New Scheme.

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

(i) Interests in the Shares

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 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 be adjusted after the capital reorganisation took effect from 23 May 2019.

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 business of ODMP may constitute competition with the business of the Group.

Save as disclosed above, the Directors believed 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.

REVIEW OF FIRST QUARTERLY RESULTS

The unaudited consolidated results of the Group for the Three-month Period had not been audited nor reviewed by the Company’s auditor, Moore Stephens CPA Limited, but had been reviewed by the Audit Committee of the Company, who 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.

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

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

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 the three Independent Non-executive Directors of the Company, namely Mr. Lee King Fui, Mr. Lee Wing Lun and Mr. Lee Lun Cheong.

The Group’s unaudited results for the Three-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.

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 Three-month Period.

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

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

A nomination committee (the "Nomination Committee") consisting of three Independent Non-executive Directors and one Executive Director was set up by the Company in accordance with the Code. The Nomination Committee has adopted a written nomination procedure specifying the process and criteria for the selection and recommendation of candidates for directorship of the Company. The Nomination Committee will base 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.

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all Directors, all Directors confirmed that they had complied with the required standard of dealings and the code of conduct regarding securities transactions by directors adopted by the Company throughout the Three-month Period.

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

Hong Kong, 13 November 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

Independent Non-executive Directors:

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