



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)

INTERIM REPORT

2021-2022



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

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATION REVIEW

The Company and its subsidiaries (collectively referred to as the “Group”) reported a total revenue of approximately HK\$20.1 million for the six months ended 31 December 2021 (the “Six-month Period”), compared with approximately HK\$13.6 million for the corresponding period in 2020. For the Six-month Period, a loss attributable to owners of the Company of approximately HK\$49.2 million was recorded whilst in the corresponding period of last year, a loss attributable to owners of the Company of approximately HK\$57.9 million was recorded.

During the Six-month Period, artiste management services contributed a revenue of approximately nil (2020: HK\$4.0 thousand). The revenue from entertainment business was approximately HK\$17.3 million (2020: HK\$10.6 million). The revenue from the money lending business was approximately HK\$2.7 million (2020: HK\$3.0 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 since 2020. The prolonged impact of COVID-19 pandemic (especially the recent spread of Omicron) may still affect the future growth of the business of the Company.

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

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

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

- (i) Actively negotiating with finance providers for the waiver of the repayable on demand clause and breach of the undertaking and restrictive covenant requirements of certain other borrowings;
- (ii) Actively negotiating with banks or other financial institutions to obtain additional new financing and other source of funding as and when required;
- (iii) Actively executing active measures to expedite collections of outstanding trade receivables, other receivables, loan receivables and loans classified as financial assets at fair value through profit or loss;

- (iv) Actively speeding up the launch of certain films that will contribute significant cash flows through film distribution;
- (v) Implementing comprehensive policies to monitor cash flows through cutting costs and capital expenditure; and
- (vi) Exploring the possibility of disposing certain assets of the Group, including non-core assets or investments classified as financial assets at fair value through profit or loss and other comprehensive income.

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

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2021, total borrowing of the Group (excluding payables) amounted to approximately HK\$1,069.4 million (30 June 2021: HK\$991.9 million). During the Six-month Period, the Group's gearing ratio (expressed as a percentage of total borrowing over total assets) was 1,200% (30 June 2021: 2,082%).

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

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

CAPITAL STRUCTURE

During the Six-month Period, the capital structure of the Company was changed as follows:

Placing of new shares under general mandate

On 26 November 2021, the Company completed the placing under general mandate ("Placing") of 65,000,000 placing shares at the placing price of HK\$0.05 per placing share. After completion of the Placing, the number of shares in issue will be increased from 325,607,779 shares to 390,607,779 shares.

As disclosed in the annual report of the Group for the year ended 30 June 2021, the Group recorded net current liabilities and net liabilities of approximately HK\$1,210.5 million and approximately HK\$1,189 million as at 30 June 2021 respectively while the bank balances and cash of the Group amounted to approximately HK\$4.7 million as at 30 June 2021. The auditors of the Group issued a disclaimer of opinion on the consolidated financial statements of the Group for the year ended 30 June 2021 because of multiple fundamental uncertainties relating to going concern.

In view of the abovementioned situations and given that the General Mandate has been granted to the Directors to allot, issue and otherwise deal with up to 20% of the then issued Shares as at the annual general meeting of the Company held on 5 November 2021, which would provide the Company with the flexibility and ability to capture appropriate capital raising or business opportunities in a timely manner, the Company intends to utilise the General Mandate and to conduct a fund raising exercise by way of Placing.

The closing price per share as quoted on the Stock Exchange on 11 November 2021 was HK\$0.06. The aggregate nominal value of the placing shares was HK\$650,000. The gross proceeds of the Placing was approximately HK\$3,250,000 and the net proceeds (after deduction of placing commission and other fees, costs, charges and expenses of the Placing) was approximately HK\$3,040,000. The Company applied all the net proceeds from the Placing to the Group's business operations and general working capital.

NUMBER AND REMUNERATION OF EMPLOYEES

The Group's number of employees as at 31 December 2021 was 27 (31 December 2020: 29), including full time and part time employees. Employees' remuneration was determined in accordance with individual responsibility, performance and experience. To provide incentives or rewards to the employees, the Company has adopted a new share option scheme in July 2014. No option was granted during the Six-month Period.

CONTINGENT LIABILITIES

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

RESULTS

The Board announces the unaudited condensed consolidated results of the Group for the three months and six months ended 31 December 2021 together with the comparative unaudited figures for the corresponding period in 2020 as follows:

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

For the three months and six months ended 31 December 2021

	Notes	For the three months ended 31 December		For the six months ended 31 December	
		2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
Revenue	2 & 3	13,812	3,753	20,054	13,583
Cost of distribution and production of films, television episodes and music production		(5,316)	(2,542)	(8,293)	(5,693)
Other income and gains		141	5,584	259	10,618
Selling and distribution costs		(333)	(138)	(1,344)	(269)
Administrative expenses		(3,305)	(9,697)	(16,212)	(17,141)
Net allowance for expected credit loss ("ECL")					
on trade receivables		-	(296)	-	(591)
Net allowance for ECL on loan receivables		(393)	(247)	(2,062)	(893)
Net allowance for ECL on other receivables		1,930	(489)	29,930	(707)
Gain on disposal of an associate		-	-	-	600
Finance costs		(34,224)	(27,085)	(71,677)	(56,345)
Change in fair value of financial assets at fair value through profit or loss		80	(1,015)	38	(1,331)
Loss before taxation	4	(27,608)	(32,172)	(49,307)	(58,169)
Taxation	5	-	-	-	-
Loss for the period		(27,608)	(32,172)	(49,307)	(58,169)
Loss for the period attributable to:					
Owners of the Company		(27,177)	(32,206)	(49,237)	(57,917)
Non-controlling interests		(431)	34	(70)	(252)
		(27,608)	(32,172)	(49,307)	(58,169)

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

For the three months and six months ended 31 December 2021

	Note	For the three months ended 31 December		For the six months ended 31 December	
		2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
Other comprehensive income/(loss)					
Exchange differences on translating foreign operation		(69)	(345)	(88)	(345)
Total other comprehensive income/(loss) for the period, net of tax		(69)	(345)	(88)	(345)
Total comprehensive loss for the period		(27,677)	(32,517)	(49,395)	(58,514)
Total comprehensive loss for the period attributable to:					
Owners of the Company		(27,246)	(32,551)	(49,325)	(58,262)
Non-controlling interests		(431)	34	(70)	(252)
		(27,677)	(32,517)	(49,395)	(58,514)
Loss per share attributable to owners of the Company					
– Basic and diluted	6	HK(8.18) cents	HK(11.87) cents	HK(14.81) cents	HK(21.34) cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION*As at 31 December 2021*

		31 December 2021 (Unaudited) HK\$'000	30 June 2021 (Audited) HK\$'000
	<i>Notes</i>		
Non-current assets			
Property, plant and equipment	7	–	–
Intangible assets	8	2,930	2,930
Interest in a joint venture		–	–
Financial assets at fair value through other comprehensive income		–	–
Prepayments, deposits and other receivables	9	2,436	2,117
Film rights and films production in progress	7	15,955	16,258
		21,321	21,305
Current assets			
Inventories	11	7,119	7,737
Loans receivables	10	–	–
Trade receivables	12	15,026	1,586
Prepayments, deposits and other receivables	9	30,701	5,755
Contract assets		5,828	5,827
Financial assets at fair value through profit or loss	13	1,167	736
Bank and cash balances		7,941	4,686
		67,782	26,327

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

As at 31 December 2021

		31 December 2021 (Unaudited) HK\$'000	30 June 2021 (Audited) HK\$'000
	<i>Note</i>		
Current liabilities			
Trade payables		43,247	34,687
Accruals, deposits received and other payables		206,913	208,103
Amount due to a director		2,569	4,534
Lease liabilities		899	899
Contract liabilities		2,379	2,379
Other borrowings	15	143,584	122,742
Convertible bonds		312,053	294,913
Promissory note payable		610,245	568,174
Bank overdraft		–	397
		1,321,889	1,236,828
Net current liabilities		(1,254,107)	(1,210,501)
Total assets less current liabilities		(1,232,786)	(1,189,196)
Non-current liabilities			
Lease liabilities		–	287
		–	287
NET LIABILITIES		(1,232,786)	(1,189,483)
Capital and reserves			
Share capital		3,906	2,714
Reserves		(1,204,245)	(1,159,820)
Equity attributable to owners of the Company		(1,200,339)	(1,157,106)
Non-controlling interests		(32,447)	(32,377)
TOTAL CAPITAL DEFICITS		(1,232,786)	(1,189,483)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the six months ended 31 December 2021

	Attributable to owners of the Company									
	Share capital	Share premium	Reorganization reserve	Investment revaluation reserve	Foreign currency translation reserve	Convertible bond equity reserve	Accumulated losses	Sub-total	Non-controlling interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 July 2020	2,714	2,537,203	132,990	(301,040)	355	34,059	(2,998,008)	(591,727)	(27,637)	(619,364)
Total comprehensive loss for the period	-	-	-	-	(345)	-	(57,917)	(58,262)	(252)	(58,514)
At 31 December 2020	2,714	2,537,203	132,990	(301,040)	10	34,059	(3,055,925)	(649,989)	(27,889)	(677,878)
At 1 July 2021	2,714	2,537,203	132,990	(328,673)	(25)	34,059	(3,535,374)	(1,157,106)	(32,377)	(1,189,483)
Total comprehensive loss for the period	-	-	-	-	(88)	-	(49,237)	(49,325)	(70)	(49,395)
Issue of shares upon placing	1,192	5,256	-	-	-	-	-	6,448	-	6,448
Transaction cost attributable to issue of shares	-	(356)	-	-	-	-	-	(356)	-	(356)
At 31 December 2021	3,906	2,542,103	132,990	(328,673)	(113)	34,059	(3,584,611)	(1,200,339)	(32,447)	(1,232,786)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 31 December 2021

	For the six months ended 31 December	
	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
Net cash generated from operating activities	3,094	7,278
Net cash used in investing activities	(4,305)	(328)
Net cash generated from/(used in) financing activities	4,466	(7,606)
Net increase/(decrease) in cash and cash equivalents	3,255	(656)
Cash and cash equivalents at beginning of the period	4,686	4,844
Cash and cash equivalents at end of the period	7,941	4,188
Analysis of the balances of cash and cash equivalents:		
Bank balances and cash	7,941	4,188

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements of the Company for the six months ended 31 December 2021 (the “Interim Financial Statements”) are prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and with the applicable disclosure requirements of Chapter 18 of the Rules Governing the Listing of Securities on GEM of the Stock Exchange.

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

The Interim Financial Statements include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since 30 June 2021, and therefore, do not include all of the information required for full set of financial statements prepared in accordance with the Hong Kong Financial Reporting Standards (“HKFRSs”) which collective term includes all applicable individual HKFRSs, HKAS and Interpretations issued by the HKICPA. They shall be read in conjunction with the Group’s audited financial statements for the year ended 30 June 2021.

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

The accounting policies adopted in preparing the Interim Financial Statements are consistent with those followed in the annual report of the Company for the year ended 30 June 2021, 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 adoption of these new and revised HKFRSs did not result in significant changes to the Group’s accounting policies, presentation of the Group’s Interim Financial Statements and amounts reported for the Period and prior periods.

The Group has not applied the new and revised HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of those new and revised HKFRSs but is not yet in a position to state whether these new and revised HKFRSs would have a material impact on its results of operations and financial position.

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

2. REVENUE

	Three months ended 31 December		Six months ended 31 December	
	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
Continuing operations				
Revenue from contracts with customers within the scope of HKFRS 15				
Recognised on point in time basis:				
Distribution and production of films, television programmes and music production	10,000	456	12,130	5,824
Sales of goods	2,769	2,475	5,212	4,780
	12,769	2,931	17,342	10,604
Recognised on over time basis:				
Artiste management services fee income	–	–	–	4
Distribution of new films	–	–	–	–
	–	–	–	4
Revenue from other sources				
Interest income and handling charge income from money lending	1,043	822	2,712	2,975
	13,812	3,753	20,054	13,583

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

3. SEGMENT INFORMATION

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

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

Segment revenue and results

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

	Artiste management services		Entertainment business		Money lending		Total	
	Six months ended 31 December		Six months ended 31 December		Six months ended 31 December		Six months ended 31 December	
	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
Segment revenue								
Revenue from external customers	–	4	17,342	10,604	2,712	2,975	20,054	13,583
Segment results	–	4	8,156	3,823	2,261	2,733	10,417	6,560
Bank interest income							1	1
Unallocated corporate expenses, net							11,952	(8,385)
Finance costs							(71,677)	(56,345)
Loss before taxation							(49,307)	(58,169)
Income tax credit							–	–
Loss for the period							(49,307)	(58,169)

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

4. LOSS BEFORE TAXATION

	Three months ended 31 December		Six months ended 31 December	
	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
Loss before taxation has been arrived at after charging:				
Continuing operations				
Staff costs, including directors' remuneration				
– Basic salaries and allowances	1,448	3,062	2,832	6,110
– Retirement benefits scheme contributions	56	145	106	290
Total staff costs	1,504	3,207	2,938	6,400
Depreciation of property, plant and equipment	–	548	–	1,227
Minimum lease payments under operating leases:				
– Land and buildings	60	367	244	734
Exchange loss/(gain)	234	(4,497)	234	(4,495)

5. TAXATION

No provision for Hong Kong Profits Tax has been made for the Six-month Period as the Group has statutory tax loss brought forward from prior years (six months ended 31 December 2020: Nil).

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

6. LOSS PER SHARE

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

	For the three months ended 31 December		For the six months ended 31 December	
	2021	2020	2021	2020
Loss attributable to owners of the Company (HK\$'000)	(27,177)	(32,206)	(49,237)	(57,917)
Weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share	332,433,866	271,407,779	332,433,866	271,407,779

7. PROPERTY, PLANT AND EQUIPMENT AND FILM RIGHTS

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

	Property, plant and equipment (Unaudited) HK\$'000	Film rights (Unaudited) HK\$'000	Film production in progress (Unaudited) HK\$'000
CARRYING AMOUNTS			
At 1 July 2021	–	16,258	–
Additions	–	3,489	348
Transfer to film rights	–	–	–
Depreciation and amortisation	–	(4,140)	–
At 31 December 2021	–	15,607	348

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

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

FILM RIGHTS AND FILMS PRODUCTION IN PROGRESS

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

Films production in progress represents films under production. During the period ended 31 December 2021, the Directors of the Company assessed of which no impairment loss is necessary in respect of the films production in progress (six months ended 31 December 2020: Nil). The estimated recoverable amount was determined based on the best estimation of the management on expected future revenue less the relevant costs arising from the distribution and sub-licensing of the film products.

8. INTANGIBLE ASSETS

	Club membership HK\$'000 <i>Note (a)</i>	Total HK\$'000
Cost:		
At 1 July 2021 and 31 December 2021	2,930	2,930
Accumulated amortization and impairment:		
At 1 July 2021	–	–
Charged for the period	–	–
At 31 December 2021	–	–
Carrying amounts:		
At 31 December 2021	2,930	2,930
At 30 June 2021	2,930	2,930

Note:

- (a) The Group's club membership of approximately HK\$2,930,000 as at 31 December 2021 and 30 June 2021 is assessed as having indefinite useful life because there is no time limit that the Group can enjoy the services provided by that club.

The recoverable amount of the club membership is determined on the basis of fair value less costs of disposal by reference to market price as at 31 December 2021 and 30 June 2021 (level 2 fair value measurements).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

9. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 31 December 2021 (Unaudited) HK\$'000	As at 30 June 2021 (Audited) HK\$'000
Prepayments	30,665	5,283
Deposits	2,167	2,256
Other receivables	305	333
	33,137	7,872

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

	As at 31 December 2021 (Unaudited) HK\$'000	As at 30 June 2021 (Audited) HK\$'000
– Non-current portion		
Prepayments	2,230	1,911
Deposits	206	206
	2,436	2,117
– Current portion		
Prepayments	28,435	3,372
Deposits	1,961	2,050
Other receivables	305	333
	30,701	5,755
	33,137	7,872

Note:

Prepayments, deposits and other receivables mainly represent upfront payments for film productions, distribution rights and prepaid administrative expenses. As at 31 December 2021, the amount of prepayments, deposits and other receivables that were expected to be settled within twelve months from the end of the reporting period was classified as current assets. The remaining balances were classified as non-current assets.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

10. LOAN RECEIVABLES

	As at 31 December 2021 (Unaudited) HK\$'000	As at 30 June 2021 (Audited) HK\$'000
Loans receivables	78,623	76,953
Less: Allowance for ECL	(78,623)	(76,953)
	-	-
Analysed as:		
Non-current assets	-	-
Current assets	-	-
	-	-

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

	As at 31 December 2021 (Unaudited) HK\$'000	As at 30 June 2021 (Audited) HK\$'000
At the beginning	76,953	50,641
ECL recognised during the period	1,670	40,164
Reversal of impairment loss recognised during the period	-	(13,852)
	78,623	76,953

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

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

	As at 31 December 2021 (Unaudited) HK\$'000	As at 30 June 2021 (Audited) HK\$'000
0-30 days	-	-
31-90 days	-	-
91-180 days	-	-
181-365 days	-	-
Over 365 days	-	-
	-	-

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

11. INVENTORIES

	As at 31 December 2021 (Unaudited) HK\$'000	As at 30 June 2021 (Audited) HK\$'000
Finished goods	3,125	3,309
Work in process	3,994	4,428
	7,119	7,737

12. TRADE RECEIVABLES

	As at 31 December 2021 (Unaudited) HK\$'000	As at 30 June 2021 (Audited) HK\$'000
Trade receivables	91,088	77,648
Less: Expected credit loss ("ECL")/impairment loss	(76,062)	(76,062)
	15,026	1,586

- (a) The Group allows credit periods of from 30 days to 60 days to its trade debtors. As at 31 December 2021, based on the repayment pattern of the debtors of the Group, trade receivables which are past due but not impaired were considered to be eventually recoverable. The management of the Group closely monitors the credit quality of debtors and considers the trade receivables that are neither past due nor impaired to be of a good credit quality with reference to their repayment history. The Group does not hold any collateral over these balances.
- (b) At the end of the reporting period, the aging analysis of the trade receivables, based on invoice date and net of ECL/impairment losses, is as follows:

	As at 31 December 2021 (Unaudited) HK\$'000	As at 30 June 2021 (Audited) HK\$'000
0 to 90 days	14,123	1,586
91 to 180 days	57	–
181 days to 365 days	846	–
	15,026	1,586

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December 2021 (Unaudited) HK\$'000	As at 30 June 2021 (Audited) HK\$'000
Listed securities held for trading, at fair value:		
Equity securities listed in Hong Kong (<i>Note (a)</i>)	470	41
Investments in film production and television episodes production	697	695
	1,167	736
Analysed as:		
Non-current assets	–	–
Current assets	1,167	736
	1,167	736

Notes:

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

Save for aforesaid, as at 30 June 2021, the Group has four (2020: four) agreements with production houses, which are independent third parties. The investments are governed by the relevant agreements entered into between the Group and the production houses whereby the Group is entitled to benefits generated from the distribution of the related films and television episodes productions.

During the year ended 30 June 2021, as affected by the COVID-19 pandemic, a number of films and television episodes invested by the Group had to be delayed in debuting on cinema screens or had to be temporarily suspended from filming due to travel restrictions, lockdown of cities and other uncertainties that may affect the film and television episodes' industries right after COVID-19 pandemic.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

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

Notes: (Continued)

(b) (Continued)

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

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

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

Based on the above assessments, a fair value loss of approximately HK\$22,180,000 (2020: HK\$247,189,000) was recognised in the consolidated statement of profit or loss during the year ended 30 June 2020.

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

14. MATERIAL RELATED PARTY TRANSACTIONS

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

	As at 31 December 2021 (Unaudited) HK\$'000	As at 31 December 2020 (Unaudited) HK\$'000
Film production cost paid to related company (Note (i))	–	950
Film production cost paid to directors (Note (ii))	75	–

Notes:

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

15. OTHER BORROWINGS

	As at 31 December 2021 (Unaudited) HK\$'000	As at 30 June 2021 (Audited) HK\$'000
Secured	88,667	83,321
Unsecured	54,917	39,421
	143,584	122,742

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

15. OTHER BORROWINGS (Continued)

Other borrowings of HK\$88,667,000 (30 June 2021: HK\$83,321,000) are secured by the followings:

	As at 31 December 2021 (Unaudited) HK\$'000	As at 30 June 2021 (Audited) HK\$'000
Personal guaranteed by a director	86,150	80,855
A combination of personal guarantee provided by a director of the Company, corporate guarantee, certain film rights and charged shares over a subsidiary of the Group	1,450	1,450
Share of profit from box office of certain films	1,067	1,016
	88,667	83,321

Interest rate of other borrowings are as follows:

	As at 31 December 2021 (Unaudited) HK\$'000	As at 30 June 2021 (Audited) HK\$'000
8% per annum	1,560	1,500
9% per annum	3,067	3,045
10% per annum	1,067	1,016
11.25% per annum	36,902	34,876
14% per annum	12,073	11,547
16% per annum	42,505	39,570
20% per annum	13,388	–
24% per annum	33,022	31,188
	143,584	122,742

DIVIDEND

The Board did not recommend the payment of an interim dividend for the Six-month Period (31 December 2020: Nil).

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

As at 31 December 2021, the interests and short positions of the Directors and chief executive of the Company and their associates in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register maintained by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by the Directors as referred to in Rules 5.46 to 5.67 of the GEM Listing Rules were as follows:

Long positions in shares of the Company

Name of Director	Capacity/ Nature of Interests	Number of ordinary/ underlying shares held	Approximate percentage holding
Mr. Shiu Stephen Junior (Note 1)	Beneficial owner	22,297,676	5.71%

Note:

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

Save as disclosed above, as at 31 December 2021, none of the Directors or chief executive of the Company nor their associates had any interests or short positions in shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

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

Save as disclosed below, so far as known to the Directors, as at 31 December 2021, 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	7.72%

Note:

AID Treasure Investment Ltd is an indirect wholly-owned subsidiary of 8088 Investment 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	0.84%
Wan Tai Investments Limited (<i>Note 2</i>)	0.273	10,989,010	2.81%

Notes:

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

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

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

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

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

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

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

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

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

COMPETING INTERESTS

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

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

DIRECTORS’ INTERESTS IN CONTRACTS

Save as disclosed in note 14 to the financial statements, no other contracts of significance in relation to the Group business to which the Company, any of the subsidiaries or its holding company was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at Six-month Period.

SECURITIES TRANSACTIONS BY DIRECTORS

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

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

CORPORATE GOVERNANCE

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

The Company has prepared a corporate governance report in accordance with Rule 18.44(2) of the GEM Listing Rules attached to the 2021 annual report of the Company.

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

AUDIT COMMITTEE

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

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

REVIEW OF INTERIM RESULTS

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

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

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

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

Hong Kong, 11 February 2022

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