中國創意
Creative China

Creative China Holdings Limited
中國創意控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8368)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2016

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

This announcement, for which the directors (the "Directors") of Creative China Holdings 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 announcement 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 announcement misleading.

The board of Directors of the Company (the "Board") is pleased to present the audited results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2016, together with comparative figures for the preceeding financial year as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
Turnover	5	**78,435**	72,596
Direct costs		**(67,430)**	(39,568)
Gross profit		**11,005**	33,028
Other revenue	6	**2,563**	1,683
Other gains and losses	7	**5,257**	356
Selling and distribution costs		**(13,907)**	(3,293)
Listing expenses		–	(10,430)
Administrative expenses		**(27,155)**	(17,058)
(Loss)/profit from operation		**(22,237)**	4,286
Finance costs	8	**(141)**	(185)
(Loss)/profit before income tax	9	**(22,378)**	4,101
Income tax credit/(expense)	10	**4,669**	(3,784)
(Loss)/profit and total comprehensive (loss)/income for the year		**(17,709)**	317
Attributable to:			
Owners of the Company		**(16,138)**	528
Non-controlling interests		**(1,571)**	(211)
		(17,709)	317
(Loss)/earnings per share			
– Basic and diluted (RMB cents)	12	**(1.3430)**	0.0609

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
Non-current assets			
Property, plant and equipment		**10,244**	9,170
Goodwill		**31,262**	3,555
Intangible assets		**1,776**	2,664
Prepayment for acquisition of property, plant and equipment		**238**	238
Deferred tax assets		**6,298**	–
Total non-current assets		**49,818**	15,627
Current assets			
Trade and other receivables	*13*	**74,579**	25,155
Amounts due from non-controlling interests		**441**	–
Cash and cash equivalents		**43,349**	109,631
Total current assets		**118,369**	134,786
Total assets		**168,187**	150,413
Current liabilities			
Trade payables	*14*	**1,712**	3,122
Other payables		**14,983**	14,928
Current tax liabilities		**3,771**	3,151
Contingent consideration payables		**3,739**	–
Total current liabilities		**24,205**	21,201
Net current assets		**94,164**	113,585
Total assets less current liabilities		**143,982**	129,212

	Note	2016 RMB'000	2015 RMB'000
Non-current liabilities			
Other payables		**–**	585
Deferred tax liabilities		**444**	666
Contingent consideration payables		**4,919**	–
Total non-current liabilities		**5,363**	1,251
Total liabilities		**29,568**	22,452
NET ASSETS		**138,619**	127,961
Capital and reserves			
Share capital	*15*	**9,884**	9,821
Reserves		**119,053**	117,601
Equity attributable to owners of the Company		**128,937**	127,422
Non-controlling interests		**9,682**	539
TOTAL EQUITY		**138,619**	127,961

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2016

		Reserves						
	Share capital	Share premium	Other reserve	Merger reserve	(Accumulated losses) / Retained earnings	Equity attributable to the owners of the Company	Non-controlling interests	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at 1 January 2015	–*	1,574	5,362	9,300	7,247	23,483	–	23,483
Capital injection from non-controlling interests of a subsidiary	–	–	–	–	–	–	750	750
Issue of ordinary shares *(note 15(b))*	1	15,814	–	–	–	15,815	–	15,815
Capitalisation issue of shares *(note 15(c))*	7,351	(7,351)	–	–	–	–	–	–
Issue of shares under placing *(note 15(d))*	2,469	93,833	–	–	–	96,302	–	96,302
Share issue expenses	–	(8,706)	–	–	–	(8,706)	–	(8,706)
Profit and total comprehensive income for the year	–	–	–	–	528	528	(211)	317
Balance at 31 December 2015	9,821	95,164	5,362	9,300	7,775	127,422	539	127,961
Issue of shares for payment of services fee *(note 15(e))*	63	17,149	–	–	–	17,212	–	17,212
Acquisition of subsidiaries	–	–	–	–	–	–	10,714	10,714
Disposal of partial interest in a subsidiary without loss of control	–	–	–	–	441	441	–	441
Loss and total comprehensive loss for the year	–	–	–	–	(16,138)	(16,138)	(1,571)	(17,709)
Balance at 31 December 2016	9,884	112,313	5,362	9,300	(7,922)	128,937	9,682	138,619

* Represents amount less than RMB1,000

Notes:

1. CORPORATE INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands. Its principal place of business is located at Building C9-A, Universal Creative Park, 9 Jiuxianqiao North Road, Chaoyang District, the People's Republic of China (the "PRC").

The principal activity of the Company is investment holding while its subsidiaries are principally engaged in the provision of program production services, event organisation services, mobile live broadcasting services and entertainment contents on demand system services in the PRC.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

(a) Adoption of new/revised HKFRSs – effective on 1 January 2016

HKFRSs (Amendments)	Annual Improvements 2012-2014 Cycle
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKAS 27	Equity Method in Separate Financial Statements
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
HKFRS 14	Regulatory Deferral Accounts
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations

The adoption of these amendments has no material impact on the Group's financial statements.

(b) New/revised HKFRSs that have been issued but are not yet effective

The following new/revised HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group. The Group's current intention is to apply these changes on the date they become effective.

Amendments to HKAS 7	Disclosure Initiative[1]
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Lossess[1]
Amendments to HKFRS 2	Classification and Measurement of Share-Based Payment Transactions[2]
HKFRS 9	Financial Instruments[2]
HKFRS 15	Revenue from Contracts with Customers[2]
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarification of HKFRS15)[2]
HKFRS 16	Leases[3]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]

[1] Effective for annual periods beginning on or after 1 January 2017

[2] Effective for annual periods beginning on or after 1 January 2018

[3] Effective for annual periods beginning on or after 1 January 2019

[4] The amendments were originally intended to be effective for periods beginning on or after 1 January 2016. The effective date has now been deferred/removed. Early application of the amendments of the amendments continue to be permitted.

The Group is not yet in a position to state whether these new pronouncements will result in substantial changes to the Group's accounting policies and financial statements.

3. BASIS OF PRESENTATION

The consolidated financial statements have been prepared in accordance with all applicable HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as the "HKFRSs") and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the financial statements include applicable disclosures required by the GEM Listing Rules.

The consolidated financial statements have been prepared under the historical cost basis.

The consolidated financial statements are presented in Renminbi ("RMB"), which is the same as the functional currency of the Company and its subsidiaries, and all values are rounded to the nearest thousand except when otherwise indicated.

4. SEGMENT INFORMATION

The Group determines its operating segments based on the reports reviewed by the chief operating decision maker that are used to make strategic decisions.

The Group has four reportable segments. The segments are managed separately as each business offers different products and services and requires different business strategies. The following summary describes the operations in each of the Group's reportable segments:

– Program production and related services ("Program Production");

– Event organisation and related services ("Event Organisation");

– Mobile live broadcasting and related services ("Mobile Live Broadcasting");

– Entertainment contents on demand system and related services ("Entertainment On Demand System").

Inter-segment transactions are priced with reference to prices charged to external parties for similar order. Central revenue and expenses are not allocated to the operating segments as they are not included in the measure of the segments' profit that is used by the chief operating decision maker for assessment of segment performance.

(a) Business segments

The following is an analysis of the Group's revenue and results by reportable and operating segment:

For the year ended 31 December 2016

	Program Production *RMB'000*	**Event Organisation** *RMB'000*	**Mobile Live Broadcasting** *RMB'000*	**Entertainment On Demand System** *RMB'000*	**Total** *RMB'000*
Reportable segment revenue from external customers	**49,254**	**29,018**	**120**	**43**	**78,435**
Reportable segment profit/(loss)	**945**	**256**	**(12,077)**	**(4,339)**	**(15,215)**
Interest income	**18**	**13**	**1**	**1**	**33**
Interest expense	**141**	**–**	**–**	**–**	**141**
Depreciation of property, plant and equipment	**1,889**	**613**	**7**	**40**	**2,549**
Amortisation of intangible assets	**–**	**888**	**–**	**–**	**888**
Reportable segment assets	**40,501**	**27,381**	**39,350**	**30,363**	**137,595**
Additions to non-current assets *(note)*	**1,048**	**613**	**169**	**981**	**2,811**
Reportable segment liabilities	**6,372**	**8,614**	**684**	**1,188**	**16,858**

Note:

Non-current assets include property, plant and equipment.

For the year ended 31 December 2015

	Program Production *RMB'000*	Event Organisation *RMB'000*	Mobile Live Broadcasting *RMB'000*	Entertainment On Demand System *RMB'000*	Total *RMB'000*
Reportable segment revenue from external customers	35,663	36,933	–	–	72,596
Reportable segment profit	5,565	9,329	–	–	14,894
Interest income	19	12	–	–	31
Interest expense	185	–	–	–	185
Depreciation of property, plant and equipment	1,914	516	–	–	2,430
Amortisation of intangible assets	–	888	–	–	888
Reportable segment assets	22,949	55,918	–	–	78,867
Additions to non-current assets *(note)*	436	172	–	–	608
Reportable segment liabilities	10,145	9,805	–	–	19,950

Note:

Non-current assets include property, plant and equipment.

(b) Reconciliation of reportable segment revenues, profit or loss, assets and liabilities

	2016	2015
	RMB'000	*RMB'000*
Revenue		
Reportable segment and consolidated revenue	**78,435**	72,596

	2016	2015
	RMB'000	*RMB'000*
(Loss)/profit before income tax		
Reportable segment (loss)/profit	**(15,215)**	14,894
Other revenue:		
– Interest income	**79**	5
– Exchange gain	**2,396**	1,460
– Sponsorship	**–**	97
Other gains and losses:		
– Change in fair value of contingent consideration	**5,252**	–
Unallocated corporate expenses:		
– Auditor's remuneration	**(802)**	(550)
– Directors' emoluments	**(3,337)**	(134)
– Listing expenses	**–**	(10,430)
– Legal and professional fee	**(2,703)**	(381)
– Salaries and other benefits for key management and administration staff	**(4,039)**	(394)
– General operating expenses	**(3,115)**	(296)
– Others	**(894)**	(170)
Consolidated (loss)/profit before income tax	**(22,378)**	4,101

	2016	2015
	RMB'000	*RMB'000*
Assets		
Reportable segment assets	**137,595**	78,867
Unallocated corporate assets:		
– Property, plant and equipment	**855**	–
– Cash and cash equivalents	**29,601**	71,451
– Others	**136**	95
Consolidated total assets	**168,187**	150,413

	2016	2015
	RMB'000	*RMB'000*
Liabilities		
Reportable segment liabilities	**16,858**	19,950
Unallocated corporate liabilities:		
– Accruals	**4,052**	2,502
– Contingent consideration payables	**8,658**	–
Consolidated total liabilities	**29,568**	22,452

(c) Geographic information

All revenue from external customers are located in the PRC. Geographical location of customers is based on the location at which the services are provided. No geographical location of non-current assets is presented as substantial non-current assets are physically based in the PRC.

(d) Information about major customers

For the year ended 31 December 2016, revenues from five customers (2015: two customers) with whom transactions have exceeded 10% of the Group's revenue for the year. Details were as follows:

	2016	2015
	RMB'000	*RMB'000*
Revenue from the customer:		
Customer I:		
– Program production and related income	**20,431**	21,005
– Event organisation and related income	**–**	2,391
	20,431	23,396
Customer II:		
– Program production and related income	**16,623**	10,604
Customer III:		
– Program production and related income	**11,604**	N/A *(note)*
Customer IV:		
– Program production and related income	**877**	N/A *(note)*
– Event organisation and related income	**9,159**	N/A *(note)*
	10,036	N/A *(note)*
Customer V:		
– Event organisation and related income	**8,283**	N/A *(note)*
	66,977	34,000

Note:

The corresponding revenue in year ended 31 December 2015 for Customer III, IV and V did not contribute over 10% of the total revenue of the Group.

5. TURNOVER

Turnover of the Group represents revenue generated from (i) program production and related services, (ii) event organisation and related services, (iii) mobile live broadcasting and related services and (iv) entertainment contents on demand system and related services. The amounts of each significant category of revenue recognised in turnover during the year are as follows:

	2016	2015
	RMB'000	*RMB'000*
Program production and related income:		
– Service income	**49,254**	35,625
– Advertising income	**–**	38
	49,254	35,663
Event organisation and related income:		
– Service income	**29,018**	34,905
– Advertising income	**–**	2,028
	29,018	36,933
Mobile live broadcasting and related income	**120**	–
Entertainment contents on demand system and related income	**43**	–
	78,435	72,596

6. OTHER REVENUE

	2016	2015
	RMB'000	*RMB'000*
Interest income from bank deposits	**95**	36
Exchange gain	**2,430**	1,544
Sponsorship	**–**	97
Sundry income	**38**	6
	2,563	1,683

7. OTHER GAINS AND LOSSES

	2016	2015
	RMB'000	*RMB'000*
Gain on disposal of property, plant and equipment	**5**	47
Gain on disposal of a subsidiary	**–**	309
Change in fair value of contingent consideration	**5,252**	–
	5,257	356

8. FINANCE COSTS

	2016	2015
	RMB'000	*RMB'000*
Imputed interest on other payables	**141**	185

9. (LOSS)/PROFIT BEFORE INCOME TAX

	2016	2015
	RMB'000	*RMB'000*
(Loss)/profit before income tax is arrived at after (crediting)/charging:		
Staff costs	**22,780**	12,686
Auditor's remuneration	**802**	1,600
Depreciation of property, plant and equipment *(note (i) below)*	**2,679**	2,430
Amortisation of intangible assets	**888**	888

Note:

(i) Depreciation charge of RMB1,085,000 (2015: RMB1,150,000) has been included in direct costs for the year.

10. INCOME TAX CREDIT/(EXPENSE)

	2016	2015
	RMB'000	*RMB'000*
Current tax – the PRC		
– provision for the year	**(883)**	(3,958)
– over/(under) provision in respect of prior years	**60**	(48)
Deferred tax	**5,492**	222
Income tax credit/(expense)	**4,669**	(3,784)

PRC enterprise income tax is calculated at 25% (2015: 25%) on the estimated assessable profits during the year.

11. DIVIDEND

No dividend had been paid or declared by the Company during the year (2015: Nil).

12. (LOSS)/EARNINGS PER SHARE

The calculation of the basic and diluted (loss)/earnings per share attributable to the ordinary equity holders of the Company is based on the following data:

	2016	2015
	RMB'000	*RMB'000*
(Loss)/earnings for the purposes of basic (loss)/earnings per share	**(16,138)**	528

	2016	2015
	'000	*'000*
Number of shares		
Issued ordinary shares of 1 January *(note below)*	**1,200,000**	675,000
Effect of issuance of ordinary shares as payment for service fee *(note 15(e))*	**1,727**	–
Effect of issuance of shares upon group reorganisation	**–**	156,575
Effect of issuance of shares under the placing *(note 15(d))*	**–**	35,343
Weighted average number of ordinary shares	**1,201,727**	866,918

Note:

In the calculation of the weighted average of ordinary shares, the number of shares in issue immediately after the completion of capitalisation issue of shares, as detailed in note 15(c), are deemed to have been issued to the ordinary shareholders since the date becoming the ordinary shareholders up to 31 December 2014 or up to 18 November 2015, immediately before the completion of the placing of shares, as detailed in note 15(d).

Diluted (loss)/earnings per share was the same as basic (loss)/earnings per share as there were no dilutive effect on the potential dilutive ordinary shares outstanding for the years ended 31 December 2016 and 2015.

On 18 January 2017, the Company had completed the placing of 200,000,000 new ordinary shares and leaded to the number of issued number of shares increased from 1,223,513,043 to 1,423,513,043. Please refer to note 16 for details.

13. TRADE AND OTHER RECEIVABLES

	2016	2015
	RMB'000	*RMB'000*
Trade receivables	**32,226**	14,554
Prepayments and deposits	**36,053**	7,747
Other receivables	**6,300**	2,854
	74,579	25,155

The aging analysis of trade receivables (net of impairment losses), based on invoice dates, as of the end of year, is as follows:

	2016	2015
	RMB'000	*RMB'000*
Within 30 days *(note)*	**30,156**	13,306
31 to 90 days	**1,090**	409
91 to 180 days	**300**	–
Over 180 days	**680**	839
	32,226	14,554

Note:

Included in trade receivables within 30 days as at 31 December 2016 are the amounts of RMB29,336,000 (2015: RMB11,869,000) for which all services were provided but not yet invoiced.

The credit period granted to trade debtors ranges 0-90 days from the invoice dates.

At the end of reporting period, the Group reviews trade and other receivables for evidence of impairment on both an individual and collective basis. Based on the impairment assessment, no impairment loss has been recognised as at 31 December 2016 (2015: nil). The Group did not hold any collateral as security or other credit enhancement over the trade receivables.

The aging analysis of trade receivables (net of impairment losses), based on due dates, as of the end of year, is as follows:

	2016	2015
	RMB'000	*RMB'000*
Not past due	**29,806**	6,746
Past due but not impaired		
Within 30 days	**1,090**	6,309
31 to 90 days	**300**	–
91 to 180 days	**680**	997
Over 180 days	**350**	502
	32,226	14,554

Trade receivables that were not past due relate to customers for whom there was no recent history of default.

Trade receivables that were past due but not impaired relate to customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there have not been a significant change in credit quality and the balances are still considered fully recoverable.

14. TRADE PAYABLES

The aging analysis of trade payables, based on invoice dates, as of the end of year is as follows:

	2016	2015
	RMB'000	*RMB'000*
Within 30 days *(note)*	**1,486**	2,668
31 to 90 days	**82**	–
91 to 365 days	**21**	453
Over 365 days	**123**	1
	1,712	3,122

Note:

Included in trade payables within 30 days as at 31 December 2016 are the amounts of RMB904,000 (2015: RMB2,004,000) for which all services were provided by the suppliers but not yet invoiced.

15. SHARE CAPITAL

Authorised and issued share capital

	2016			2015		
	Number	***HKD'000***	**Equivalent to *RMB'000***	Number	*HKD'000*	Equivalent to *RMB'000*
Ordinary shares of HK$0.01 each						
Authorised						
At 1 January	**8,000,000,000**	**80,000**	**67,024**	38,000,000	380	299
Increase in authorised share capital on 3 November 2015 *(note (a))*	–	–	–	7,962,000,000	79,620	66,725
At 31 December	**8,000,000,000**	**80,000**	**67,024**	8,000,000,000	80,000	67,024
Issued and fully paid						
Ordinary shares						
At beginning of the year	**1,200,000,000**	**12,000**	**9,821**	1,000	–*	–*
Issue of ordinary shares *(note (b))*	–	–	–	99,000	1	1
Capitalisation issue of shares *(note (c))*	–	–	–	899,900,000	8,999	7,351
Issue of shares under placing *(note (d))*	–	–	–	300,000,000	3,000	2,469
Issue of shares for payment of service fee *(note (e))*	**7,246,376**	**72**	**63**	–	–	–
Issue of shares for acquisition of a subsidiary *(note (f))*	**16,266,667**	**163**	**144**	–	–	–
	1,223,513,043	**12,235**	**10,028**	1,200,000,000	12,000	9,821
Less: Consideration shares which are subjected to recall *(note (f))*	**(16,266,667)**	**(163)**	**(144)**	–	–	–
At end of the year	**1,207,246,376**	**12,072**	**9,884**	1,200,000,000	12,000	9,821

Notes:

(a) Pursuant to the written resolutions passed on 3 November 2015 the authorised share capital of the Company was increased from HK$380,000 to HK$80,000,000 by the creation of an additional 79,620,000 ordinary shares.

(b) On 21 April 2015, 25,000 shares of the Company were alloted to an independent third party at cash consideration of HK$20,000,000. At the same date, 66,600 and 7,400 shares of the Company were allotted to Guang Rui Investments Limited and Ever Ring Holdings Limited respectively at par value.

(c) On 3 November 2015, a total of 899,900,000 shares of the Company were allotted to the existing shareholders, credited as fully paid at par by way of capitalisation of the sum of HK$8,999,000 standing to the credit of the share premium account of the Company.

(d) Under the placing took place during the year ended 31 December 2015, 300,000,000 new ordinary shares of HK$0.01 each were issued at a price of HK$0.39 per share for a total cash consideration (before share issuance expenses) of approximately HK$117,000,000.

(e) On 14 September 2016, the Group entered into two agreements with two independent broadcasters (the "Broadcasters") separately pursuant to which Broadcasters agreed to provide certain service to the Group's mobile live broadcasting platform and the Company had allotted and issued 7,246,376 ordinary shares of the Company to the Broadcasters in total on 5 October 2016.

(f) Included in the shares issued for acquisition of a subsidiary were 16,266,667 shares which are subjected lock-up and dealing restrictions and adjustments. These shares are classified as financial liabilities until the date when the relevant restrictions are released.

* Represents amount less than 1,000 of relevant currency

16. EVENTS AFTER THE REPORTING PERIOD

On 18 January 2017, the Company had completed the placing of 200,000,000 new ordinary shares of the Company (with aggregate nominal value of HK$2,000,000) (the "Placing Share(s)") to not less than six placees at the placing price of HK$0.265 (the "Placing Price") per Placing Share (the "2017 Placing"). The Placing Price was agreed with the placing agent in the placing agreement dated 13 December 2016 and the closing price quoted on the Stock Exchange per ordinary share of the Company as at that date was HK$0.295. The gross proceeds from the 2017 Placing is HK$53,000,000 and the net proceeds from the is approximately HK$50,700,000 after deducting the placing commission and other related expenses. The net issue price was approximately HK$0.25 per Placing Share. Each of the placees and its ultimate beneficial owners (where applicable) is an independent third party and none of the placees has become a substantial shareholder (as defined in the GEM Listing Rules) after the completion of the 2017 Placing. The Group intend to use the net proceeds from the 2017 Placing for the general working capital. The 2017 Placing was a good opportunity to raise additional funds as working capital of the Group without any interest burden and can broaden the Company's capital base and shareholders base.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Turnover

For the year ended 31 December 2016, the Group recorded turnover of approximately RMB78.4 million (2015: RMB72.6 million), representing an 8.0% increase as compared to the last year.

An analysis of the Group's turnover for the year is as follows:

	2016	2015
	RMB'000	*RMB'000*
Program production	**49,254**	35,663
Event organisation	**29,018**	36,933
Mobile live broadcasting	**120**	–
Entertainment On Demand System	**43**	–
	78,435	72,596

The increase in turnover was mainly due to (i) considerable income from the production of variety programs to television station; and (ii) more service income generated from the increased number of automobile exhibitions during the year ended 31 December 2016.

Gross profit and gross profit margin

For the year ended 31 December 2016, the Group recorded a gross profit of approximately RMB11.0 million and a gross profit margin of approximately 14.0% (2015: gross profit of approximately RMB33.0 million and gross profit margin of approximately 45.5%). Due to the intense competition, the increasing cost of artists and production teams, the strategy of offering more competitive prices to new customers of variety programs and corporate activities in order to increase our market share and the additional operating costs for the new mobile live broadcasting business, there is a decrease in the overall gross profit margin of the Group during the year ended 31 December 2016.

Expenses

Selling and distribution costs for the year ended 31 December 2016 was approximately RMB13.9 million, representing an increase of approximately RMB10.6 million as compared to 2015. This significant increase was mainly due to (i) the increased number of marketing staff and resources utilised during the year ended 31 December 2016 for pitching activities to explore new business opportunities; (ii) marketing expenses, content production costs and development costs of the new mobile live broadcasting business; and (iii) the marketing and promotion expenses incurred for the Entertainment On Demand System since Capital Land became the subsidiary of the Company.

Administrative expenses increased by approximately RMB10.1 million, from approximately RMB17.1 million for the year ended 31 December 2015 to approximately RMB27.2 million for the year ended 31 December 2016. The increase was due to (i) higher legal and professional expenses after the Company was listed on GEM in the fourth quarter of 2015; and (ii) the increase in staff cost for staff employed during the year ended 31 December 2016 for the expansion of our existing businesses and the development of technology, operation, maintenance and content production for mobile live broadcasting and Entertainment On Demand System businesses.

Income tax credit/(expense)

Income tax credit for the year ended 31 December 2016 was approximately RMB4.7 million as compared to income tax expense of approximately RMB3.8 million in last year. Income tax credit/(expense) mainly represented PRC enterprise income tax for the group companies calculated at 25% on taxable income in accordance with the relevant PRC laws and regulations. The income tax credit for the year was mainly contributed by the recognition of deferred tax asset for the unutilised tax losses of certain subsidiaries of the Company in the PRC.

(Loss)/profit for the year

Loss for the year ended 31 December 2016 was approximately RMB17.7 million as compared to a profit of approximately RMB0.3 million in last year. The Group recorded net loss for the year due to: (i) our competitive pricing strategy which decreased the gross profit margin; (ii) the higher costs incurred during the production of variety programs, such as cost of artists and production costs and (iii) an increase in selling and distribution costs and administrative expenses as mentioned above.

Financial resources, liquidity and capital structure

During the year ended 31 December 2016, the Group financed its operations by internally generated cash flow and shareholders' equity. As at 31 December 2016, the Group had net current assets of approximately RMB94.2 million (31 December 2015: RMB113.6 million) including cash and cash equivalents of approximately RMB43.3 million (31 December 2015: RMB109.6 million). The current ratio, being the ratio of current assets to current liabilities, was approximately 4.9 as at 31 December 2016 (31 December 2015: 6.4).

The capital of the Group comprises only ordinary shares. Total equity attributable to owners of the Company amounted to approximately RMB128.9 million as at 31 December 2016 (31 December 2015: RMB127.4 million).

BUSINESS REVIEW AND PROSPECTS

Overview

The Group is principally engaged in the businesses of program production and event organisation in the PRC. The turnover from program production segment and event organisation segment for the year ended 31 December 2016 increased by approximately 38.1% and decreased by approximately 21.4% respectively as compared to 2015 respectively. The increase in total turnover was resulted from the enlarged customer base of the Group and has affirmed the effort of the Group's expansion plan of the business. In addition, the Group has entered into the mobile live broadcasting and Entertainment On Demand System business during the year and attempts to become one of the major participants in these two rapidly developing markets. However, the higher costs incurred for artists and productions, combining with the effect of the increasing marketing expenses and administrative expenses for the increase in business scale for our existing businesses and development of new operation outside the core businesses of the Group, has led to a net loss before income tax of approximately RMB22.4 million during the year ended 31 December 2016.

Program Production

During the year ended 31 December 2016, the production of variety shows to the television station was the main reason of the increase in turnover. The turnover from program production and related services amounted to approximately RMB49.2 million, which increased by approximately 38.1% in comparison with the last year. This segment recorded a reportable segment profit of approximately RMB0.9 million during the year (2015: approximately RMB5.6 million). The decrease in reportable segment profit is due to the decrease in gross profit margin strategy for revenue from new customers, higher costs incurred for artists and production and increased staff costs on the larger scale of operation.

Event Organisation

During the year ended 31 December 2016, the turnover from event organisation and related services amounted to approximately RMB29.0 million, which represented a decrease of approximately 21.4% in comparison with 2015. The main reason of the decrease was because the Group did not derive any revenue from the organisation of film premiere ceremonies and awards ceremonies during the year ended 31 December 2016, while approximately RMB11.2 million was recorded from the organisation of film premiere ceremonies and awards ceremonies during the year ended 31 December 2015. This segment recorded a reportable segment profit of approximately RMB0.3 million during the year (2015: approximately RMB9.3 million). The significant decrease in reportable segment profit is due to (i) the decrease in revenue as mentioned above; (ii) the adoption of decreased gross profit margin strategy for revenue from new customers; (iii) the increased number of staff and marketing expenditure for pitching activities.

Mobile Live Broadcasting

During the year ended 31 December 2016, the Group has started the mobile live broadcasting business and launched a mobile phone application called "Great Star" to provide live broadcasting programs to users. Also, the Group has entered into agreements with Mr. Huang Xiaoming and Mr. Tong Dawei during the year and these two famous movie stars in the Greater China Area will provide live broadcasting service in "Great Star". This segment recorded a reportable segment loss of approximately RMB12.1 million during the year which is mainly contributed by the initial development costs, content production costs and marketing and promotion expenses.

Entertainment On Demand System

The Company acquired 51% equity interest of Capital Land on 15 November 2016 which engages in technical development, consultancy and promotion of an Entertainment On Demand System called "Fengtingxun" in the PRC. "Fengtingxun" focuses on the post-cinema market in the PRC and has obtained authorisations of different high quality contents from a number of famous IP holders to develop a pan-entertainment system. Customers can pay on demand in the entertainment locations like mini-cinemas, internet cafes, karaoke boxes and hotels etc., which can promote a new spending pattern and lead to a form of entertainment. This segment recorded a reportable segment loss of approximately RMB4.3 million during the year which is mainly contributed by initial marketing and promotion expenses for "Fengtingxun".

Prospects

Compared to maximising profits in the near-term, the Group is more focused on our long-term strategic development. Nowadays, internet is well-developed in the PRC and relevant industries are continuing to expand. Confining the Group's development in program production and event organisation would limit our potential in utilising our competitive advantages. Therefore, we believe the strategy of increasing the scale of our core business and currently spending more on the development of opportunities from various related business will enable our Group to be more cost-effective and competitive in the long run.

The mobile live broadcasting and Entertainment On Demand System businesses are in the fast-growing internet market. The Group expects "Great Star" can leverage on star effect to attract more loyal users. In addition, the Group will continue to seek different forms of cooperation with more famous movie stars in order to increase the popularity and the market share of "Great Star". As for "Fengtingxun", following the continuing development of post-cinema market and the growing market demand of pan-entertainment, we believe that the high-quality contents of "Fengtingxun" will attract more entertainment locations like mini-cinemas, KTV, internet cafes, hotels to become our cooperative partners. Together with the entertainment contents from famous IP holders, we expect that the coverage of "Fengtingxun" will increase continuously and bring more potential revenue to the Group. Overall speaking, although the development of the new internet-related businesses comes along with certain risks, these new businesses can accommodate current market change and demand in the PRC and provide a good foundation for the Group to develop apart from to our traditional core businesses.

Our professional team and loyal customers of traditional core businesses are our important assets. Together with the proactive development of new businesses, seeking cooperation with different customers, maintaining good relationship with our major customers and exploration of different and new cooperation models are also the key focuses to maintain our competitive advantage. The Group believes the new businesses will not jeopardise our traditional core businesses. On the contrary, it can diversify the Group's businesses and expand our operation scale which will benefit the overall development of the Group.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2016, The Group had a total of 225 employees (2015: 123). The increase in number of employees was mainly contributed by the employees of mobile live broadcasting and Entertainment On Demand System businesses. The Group remunerates its employees based on their performance, experience and the prevailing market situation. Their remuneration packages are normally renewed on an annual basis, based on performance appraisals and other relevant factors. The Group may pay a discretionary bonus to its employees based on individual performance.

FOREIGN EXCHANGE RISKS

The turnover and direct costs of the Group are mainly in Renminbi ("RMB"). The Group will review and monitor from time to time the risk relating to foreign exchanges.

CAPITAL EXPENDITURE

The Group purchased property, plant and equipment amounting to approximately RMB2.8 million for the year ended 31 December 2016 (2015: approximately RMB0.6 million).

CAPITAL COMMITMENTS

As at 31 December 2016, the Group did not have any capital commitments.

CONTINGENT LIABILITIES

As at 31 December 2016, there were no significant contingent liabilities for the Group.

SIGNIFICANT INVESTMENT, MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

There were no significant investments held as at 31 December 2016 (as at 31 December 2015: nil). Apart from the acquisition of Capital Land on 15 November 2016, there were no other material acquisition and disposal of subsidiary or affiliated company made by the Group during the year ended 31 December 2016 (during the year ended 31 December 2015: nil).

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

An analysis comparing the business objectives as set out in the prospectus (the "Prospectus") for the period from 6 November 2015, being the latest practicable date as defined in the Prospectus, to 31 December 2016 (the "Review Period") with the Group's actual business progress for the Review Period is set out as follows:

Business objectives	**Actual progress**
Expanding the spectrums of video categories to be broadcasted online and related services	During the Review Period, the Group has launched a mobile phone application called "Great Star" to provide the live broadcasting videos to users. Also, the Group has entered into agreements with Mr. Huang Xiaoming and Mr. Tong Dawei during the year. Both of them are famous movie stars in the Greater China Area. They will provide certain live broadcasting service in "Great Star". The costs incurred for "Great Star" during the Review Period were mainly contributed by the development, content production and promotional expenditure.
Exploring additional and diversified revenue streams to share the advertising profits of the customers generated from the television and online programs produced by the Group in addition to charging a fixed production fee	The Group has been engaged in production of some variety programs with profit sharing arrangement with our customers and recognised corresponding income during the Review Period. The Group will continue to seek opportunities to share profits from our customers in addition to the fixed production fee.
Setting up a studio for shooting programs, holding promotional events for brand owners and other related uses	The Group had continued to identify a suitable location to set up the studio and negotiated with certain landlords on the detailed terms but no formal agreements had been reached during the Review Period. Therefore, there was no use of fund during the Review Period.

Use of Proceeds from the Placing of Shares

The Company was successfully listed on GEM on 18 November 2015 by way of the placing of a total of 300,000,000 new shares in the Company at the placing price of HK$0.39 each (the "Placing") and the net proceeds raised from the Placing were about HK$101.2 million after deduction of underwriting commission and relevant expenses.

The use of the net proceeds from the Placing as at 31 December 2016 was approximately as follows:

	Adjusted use of proceeds in the same manner and proportion as stated in Prospectus *HK$ million*	**Utilised amount** *HK$ million*
Expanding the spectrums of video categories to be broadcasted online and related services *(note (i))*	50.6	25.0
Exploring additional and diversified revenue streams to share the advertising profits of the customers generated from the television and online programs produced by us in addition to charging a fixed production fee *(note (ii))*	25.3	25.3
Setting up a studio for shooting programs, holding promotional events for brand owners and other related uses *(note (iii))*	15.2	–
Expanding the program production and event organisation businesses, and as general working capital	10.1	6.4
	101.2	56.7

Notes:

(i) Compare to the estimation in the Prospectus, the schedule of launching the application for the live stream videos to be watched online via mobile and other platforms had been delayed, therefore the utilised amount of the net proceeds from the Placing as at 31 December 2016 was lower than the estimated relative utilisation as at the same date disclosed in the Prospectus.

(ii) During the Review Period, the Group had provided production services to a television station for certain variety programs. As the cost for artists and production teams were higher than the estimated production costs in the Prospectus, the utilisation of the net proceeds from the Placing as at 31 December 2016 was higher than the estimated relative utilisation as at the same date disclosed in the Prospectus.

(iii) During the Review Period, the Group tried to identify a suitable location to set up the studio. However, there was no suitable site identified. Therefore, no relative net proceeds from the Placing were utilised. The Group intends to change the use of this part of proceeds from the Placing to the recent developed Entertainment On Demand System business. Please refer to the following paragraphs headed "Change in use of proceeds" for the details.

Change in use of proceeds

As stated in the section headed "Future Plans and Use of Proceeds" of the Prospectus, approximately 15% the net proceeds from the Placing (i.e. approximately HK$15.2 million, the "Relevant Net Proceeds") is intended for setting up a studio for shooting programs, holding promotional events for brand owners and other related uses. The set-up of the studio has been delayed as the Group cannot identify a suitable location. Up to the date of this announcement, the Company has not utilised any amount of net proceeds from the Placing for setting up the studio. The Group has started the Entertainment On Demand System business in the PRC recently and believes this business has great potential because of the rapid growth in the post-cinema market and huge market demand in pan-entertainment. In order to allow more flexibility for the Company to capture market opportunities, on the date of this announcement, the Board resolved to change the proposed use of Relevant Net Proceeds to the promotion and operation of the digital entertainment platform of the Group. The Directors consider that the change in the use of the Relevant Net Proceeds can reallocate more resources to the development of the Entertainment On Demand System of the Group, which will be in the interest of the Company as Entertainment On Demand System business would bring considerable revenue as mentioned in the paragraphs headed "Prospects" above and save time and cost as compared with that may incur for time-consuming negotiation and decoration of setting up the studio of the Group and is more in line with the current needs of the Group. Accordingly, the business objective disclosed in the Prospectus in relation to setting up a studio for shooting programs, holding promotional events for brand owners and other related uses (the "Relevant Business Objective") will also be changed. As the Group currently focuses on developing the new business of Entertainment On Demand System and the Relevant Business Objective does not have any substantial progress, the Directors consider the Relevant Business Objective does not conform with the current market and industry situation as well as latest development of the Group. The Board believes the change from the Relevant Business Objective to develop and expand the Entertainment On Demand System business would be more in line with the future plans of the Group under current situation.

Save for the aforesaid changes, there has been no other change in the use of the net proceeds from the Placing and business objectives disclosed in the Prospectus.

For the reasons aforesaid, the Directors consider that the change in proposed use of Relevant Net Proceeds conforms with the development of the market and industry and will improve efficiency of use of proceeds of the Group, which is advantageous to the diversification of the Group's business and will provide a steady income stream of the Group. The Directors consider that the change in use of net proceeds is fair and reasonable and in the interests of the Company and the shareholders of the Company as a whole.

CORPORATE GOVERNANACE

The Board strives to uphold the principles of corporate governance set out in the Corporate Governance Code (the "CG Code") contained in Appendix 15 to the GEM Listing Rules, and adopted various measures to enhance the internal control system, the Directors' continuous professional development and other areas of practice of the Company. While the Board strives to maintain a high level of corporate governance, it also works hard to create value and achieve maximum return for its shareholders. The Board will continue to conduct review and improve the quality of corporate governance practices with reference to local and international standards.

For the year ended 31 December 2016, the Company has complied with the code provisions set out in the CG Code except the following deviations (Code Provisions A.2.1, A.4.1 and C.2.5):

Chairman and Chief Executive Officer

Mr. Philip Jian Yang is the Chairman of the Board and the Chief Executive Officer of the Company and is responsible for the overall operations, management, business development and strategy planning of the Group.

The Chairman also takes the lead to ensure that the Board works effectively and acts in the best interest of the Company by encouraging the directors to make active contribution in Board's affairs and promoting a culture of openness and debate.

The Board is of the view that although Mr. Yang is both Chairman and the Chief Executive Officer, the balance of power and authority is ensured by the operation of the Board, which comprises experienced individuals who would meet from time to time to discuss issues affecting operation of the Company.

Non-executive directors

The non-executive directors of the Company were not appointed for a specific term but their respective terms of office are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Articles of Association. The rotation clause sets up a mechanism to ensure that all Directors shall retire at least once every three years and be eligible for re-election.

Internal Audit Function

The Company does not have an internal audit function and is currently of the view that there is no immediate need to set up an internal audit function within the Group in light of the size, nature and complexity of the Group's business. This situation will be reviewed from time to time.

PURCHASES, SALES OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries have purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2016.

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules. The primary duties of the audit committee are to review and supervise the financial control, internal control and risk management systems of the Group, and provide advice and comments on the Group's financial reporting matters to the Board.

As at the date of this announcement, the audit committee comprises three independent non-executive directors, namely Mr. Law Kin Ho, Mr. Li Fei and Mr. Tan Song Kwang.

The audited annual results of the Company for the year ended 31 December 2016 have been reviewed by the audit committee members who have provided advice and comments thereon.

DIVIDEND

The Board does not recommend the payment of any dividend for the year ended 31 December 2016.

SCOPE OF WORK OF BDO LIMITED

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of comprehensive income, consolidated statement of changes in equity and the related notes thereto for the year ended 31 December 2016 as set out in this preliminary announcement have been agreed by the Group's auditor, BDO Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by BDO Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagement issued by Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by BDO Limited on this preliminary announcement.

ANNUAL GENERAL MEETING (THE "AGM")

The 2017 AGM of the Company will be held on Friday, 31 March 2017 at 2:30 p.m., the AGM notice will be published and dispatched to the shareholders of the Company in due course.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 29 March 2017 to Friday, 31 March 2017, both days inclusive, for the purpose of ascertaining shareholders' entitlement to attend and vote at the 2017 AGM. In order to be eligible to attend and vote at the 2017 AGM, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's share registrars in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Tuesday, 28 March 2017.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This results announcement is published on the GEM website at www.hkgem.com and the Company's website at www.ntmediabj.com. The annual report of the Company for the year ended 31 December 2016 will be dispatched to the shareholders of the Company and will be available on the respective websites of the Stock Exchange and the Company in due course.

By order of the Board
Creative China Holdings Limited
Philip Jian Yang
Chairman

Hong Kong, 24 February 2017

As at the date of this announcement, the Board of Directors of the Company comprises Mr. Philip Jian Yang, Mr. Li Lin, Mr. Yang Shiyuan and Mr. Sun Rui as executive Directors; Mr. Ge Xuyu and Mr. Wang Yong as non-executive Directors; and Mr. Li Fei, Mr. Law Kin Ho and Mr. Tan Song Kwong as independent non-executive Directors.

This announcement will remain on GEM website at www.hkgem.com on the "Latest Company Announcements" page for at least seven days from the date of its publication and will be published on the website of the Company at www.ntmediabj.com.