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 2017

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

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 2017, together with comparative figures for the preceding financial year as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2017

	Notes	**2017** **RMB'000**	2016 *RMB'000*
Turnover	*5*	**20,085**	78,435
Direct costs		**(60,923)**	(67,430)
Gross (loss)/profit		**(40,838)**	11,005
Other revenue	*6*	**127**	133
Other gains and losses	*7*	**6,268**	7,687
Selling and distribution costs		**(16,370)**	(13,907)
Administrative expenses		**(29,167)**	(27,155)
Loss from operations		**(79,980)**	(22,237)
Finance costs	*8*	**–**	(141)
Loss before income tax	*9*	**(79,980)**	(22,378)
Income tax credit	*10*	**189**	4,669
Loss and total comprehensive loss for the year		**(79,791)**	(17,709)
Attributable to:			
Owners of the Company		**(73,292)**	(16,138)
Non-controlling interests		**(6,499)**	(1,571)
		(79,791)	(17,709)
Loss per share	*12*		
– Basic (RMB cents)		**(5.2431)**	(1.3430)
– Diluted (RMB cents)		**N/A**	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	Notes	2017 RMB'000	2016 RMB'000
Non-current assets			
Property, plant and equipment		**7,717**	10,244
Goodwill		**31,262**	31,262
Intangible assets		**888**	1,776
Programme cost		**4,336**	–
Prepayment for acquisition of property, plant and equipment		**–**	238
Deferred tax assets		**6,298**	6,298
Total non-current assets		**50,501**	49,818
Current assets			
Programme cost		**36,598**	–
Trade and other receivables	*13*	**24,233**	74,579
Amounts due from non-controlling interests		**252**	441
Cash and cash equivalents		**18,381**	43,349
Total current assets		**79,464**	118,369
Total assets		**129,965**	168,187
Current liabilities			
Trade payables	*14*	**9,681**	1,712
Other payables		**10,722**	14,983
Current tax liabilities		**3,613**	3,771
Contingent consideration payables		**–**	3,739
Total current liabilities		**24,016**	24,205
Net current assets		**55,448**	94,164
Total assets less current liabilities		**105,949**	143,982

	Notes	2017 RMB'000	2016 RMB'000
Non-current liabilities			
Deferred tax liabilities		**222**	444
Contingent consideration payables		**151**	4,919
Total non-current liabilities		**373**	5,363
Total liabilities		**24,389**	29,568
NET ASSETS		**105,576**	138,619
Capital and reserves			
Share capital	*15*	**11,788**	9,884
Reserves		**90,609**	119,053
Equity attributable to owners of the Company		**102,397**	128,937
Non-controlling interests		**3,179**	9,682
TOTAL EQUITY		**105,576**	138,619

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

		Reserves				Equity attributable to the owners of the Company		
	Share capital	Share premium	Other reserve	Merger reserve	(Accumulated losses) / Retained earnings		Non-controlling interests	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at 1 January 2016	9,821	95,164	5,362	9,300	7,775	127,422	539	127,961
Issue of shares for payment of services fee	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 income 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
Placing of new shares *(note 15(a))*	1,767	43,183	–	–	–	44,950	–	44,950
Issue of shares in relation to recalled consideration shares *(note 15(b))*	137	2,600	–	–	–	2,737	–	2,737
Acquisition of non-controlling interests	–	–	–	–	(935)	(935)	(4)	(939)
Loss and total comprehensive loss for the year	–	–	–	–	(73,292)	(73,292)	(6,499)	(79,791)
Balance at 31 December 2017	11,788	158,096	5,362	9,300	(82,149)	102,397	3,179	105,576

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 and e-commerce 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 2017

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Annual Improvements to HKFRSs 2014-2016 Cycle	Amendments to HKFRS 12, Disclosure of Interests in Other Entities

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.

Annual Improvements to HKFRSs 2014-2016 Cycle	Amendments to HKFRS 1, First-time adoption of Hong Kong Financial Reporting Standards[1]
Annual Improvements to HKFRSs 2014-2016 Cycle	Amendments to HKAS 28, Investments in Associates and Joint Ventures[1]
Amendments to HKFRS 2	Classification and Measurement of Share-Based Payment Transactions[1]
HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers[1]
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarification of HKFRS15)[1]
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[2]
HKFRS 16	Leases[2]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]

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

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

[3] 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.

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");

  Program Production segment provides traditional television program production and related services.

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

  Event Organisation segment provides organisation services, such as prize presentation ceremony, automobile shows, university alumni and other performance events.

– Mobile live broadcasting and e-commerce and related services ("Mobile Live Broadcasting and E-commerce");

  Mobile Live Broadcasting and E-commerce segment provides an electronic platform for entertainment contents consumption and e-commerce, such as online store. This segment also provides online programme production and related services.

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

  Entertainment on Demand System segment provides an entertainment on demand system named "Fengtingxun" which are installed at various karaoke boxes, mini-cinemas, hotels and internet cafes in the PRC.

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 2017

	Program Production *RMB'000*	**Event Organisation** *RMB'000*	**Mobile Live Broadcasting and E-commerce** *RMB'000*	**Entertainment On Demand System** *RMB'000*	**Total** *RMB'000*
Reportable segment revenue from external customers	**4,055**	**1,382**	**11,520**	**3,128**	**20,085**
Reportable segment loss	**(5,558)**	**(3,827)**	**(50,147)**	**(13,101)**	**(72,633)**
Interest income	**6**	**5**	**2**	**2**	**15**
Depreciation of property, plant and equipment	**1,888**	**372**	**70**	**322**	**2,652**
Amortisation of intangible assets	**–**	**888**	**–**	**–**	**888**
Reportable segment assets	**8,773**	**11,263**	**62,874**	**29,666**	**112,576**
Additions to non-current assets *(note)*	**–**	**–**	**61**	**31**	**92**
Reportable segment liabilities	**5,603**	**3,898**	**9,608**	**2,186**	**21,295**

For the year ended 31 December 2016

	Program Production *RMB'000*	Event Organisation *RMB'000*	Mobile Live Broadcasting and E-commerce *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.

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

	2017	2016
	RMB'000	*RMB'000*
Revenue		
Reportable segment and consolidated revenue	**20,085**	78,435

	2017	2016
	RMB'000	*RMB'000*
Loss before income tax		
Reportable segment loss	**(72,633)**	(15,215)
Other revenue:		
Interest income	**5**	79
Other gains and losses:		
Exchange (loss)/gain	**(1,687)**	2,396
Change in fair value of contingent consideration	**8,507**	5,252
Unallocated corporate expenses:		
Auditor's remuneration	**(718)**	(802)
Directors' emoluments	**(2,616)**	(3,337)
Legal and professional fee	**(3,529)**	(2,703)
Salaries and other benefits for key management and administration staff	**(4,000)**	(4,039)
General operating expenses	**(3,309)**	(3,115)
Others	**–**	(894)
Consolidated loss before income tax	**(79,980)**	(22,378)

	2017	2016
	RMB'000	*RMB'000*
Assets		
Reportable segment assets	**112,576**	137,595
Unallocated corporate assets:		
Property, plant and equipment	**717**	855
Cash and cash equivalents	**13,734**	29,601
Others	**2,938**	136
Consolidated total assets	**129,965**	168,187

	2017	2016
	RMB'000	*RMB'000*
Liabilities		
Reportable segment liabilities	**21,295**	16,858
Unallocated corporate liabilities:		
– Accruals	**2,943**	4,052
– Contingent consideration payables	**151**	8,658
Consolidated total liabilities	**24,389**	29,568

(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 2017, revenues from two customers (2016: five customers) with whom transactions have exceeded 10% of the Group's revenue for the year. Details were as follows:

	2017	2016
	RMB'000	*RMB'000*
Revenue from the customer:		
Customer I:		
– Program Production	**3,449**	20,431
Customer II:		
– Program Production	**N/A[(ii)]**	16,623
Customer III:		
– Program Production	**N/A[(ii)]**	11,604
Customer IV:		
– Program Production	**N/A[(ii)]**	877
– Event Organisation	**N/A[(ii)]**	9,159
	N/A[(ii)]	10,036
Customer V:		
– Event Organisation	**N/A[(ii)]**	8,283

	2017	2016
	RMB'000	*RMB'000*
Customer VI:		
− Mobile Live Broadcasting and E-commerce	**11,321**	N/A[(i)]
	14,770	66,977

Notes:

(i) The corresponding revenue in the year ended 31 December 2016 for Customer VI did not contribute over 10% of the total revenue of the Group.

(ii) The corresponding revenue in the year ended 31 December 2017 for Customers II, 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 e-commerce 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:

	2017	2016
	RMB'000	*RMB'000*
Program production and related income	**4,055**	49,254
Event organisation and related income	**1,382**	29,018
Mobile live broadcasting and e-commerce and related income	**11,520**	120
Entertainment contents on demand system and related income	**3,128**	43
	20,085	78,435

6. OTHER REVENUE

	2017	2016
	RMB'000	*RMB'000*
Interest income from bank deposits	**20**	95
Sundry income	**107**	38
	127	133

7. OTHER GAINS AND LOSSES

	2017	2016
	RMB'000	*RMB'000*
(Loss)/gain on disposal of property, plant and equipment	**(35)**	5
Written off of other receivables	**(517)**	–
Exchange (loss)/gain	**(1,687)**	2,430
Change in fair value of contingent consideration payables	**8,507**	5,252
	6,268	7,687

8. FINANCE COSTS

	2017	2016
	RMB'000	*RMB'000*
Imputed interest on other payables	**–**	141

9. LOSS BEFORE INCOME TAX

	2017	2016
	RMB'000	*RMB'000*
Loss before income tax is arrived at after charging:		
Staff costs	**20,644**	22,780
Auditor's remuneration	**718**	802
Depreciation of property, plant and equipment *(note (i) below)*	**2,983**	2,679
Amortisation of intangible assets	**888**	888

Note:

(i) Depreciation charge of RMB866,000 (2016: RMB1,085,000) has been included in direct costs for the year.

10. INCOME TAX CREDIT

	2017	2016
	RMB'000	*RMB'000*
Current tax – the PRC		
– provision for the year	**(33)**	(883)
– over provision in respect of prior years	**–**	60
Deferred tax	**222**	5,492
Income tax credit	**189**	4,669

PRC enterprise income tax is calculated at 25% (2016: 25%) on the estimated assessable profits during the year.

11. DIVIDEND

No dividend had been paid or declared by the Company during the year (2016: Nil).

12. LOSS PER SHARE

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

	2017	2016
	RMB'000	*RMB'000*
Loss for the purposes of basic loss per share	**(73,292)**	(16,138)

	2017	2016
	'000	*'000*
Number of shares		
Issued ordinary shares of 1 January	**1,207,246**	1,200,000
Effect of issuance of ordinary shares as payment for service fee	**–**	1,727
Effect of issuance of shares under the placing	**190,137**	–
Effect of issuance of shares in relation to recalled consideration shares	**446**	–
Weighted average number of ordinary shares	**1,397,829**	1,201,727

Note:

No diluted loss per share is presented as the effect of all potential ordinary shares is anti-dilutive for the years ended 31 December 2017 and 2016.

13. TRADE AND OTHER RECEIVABLES

	2017	2016
	RMB'000	*RMB'000*
Trade receivables, gross	**4,211**	32,226
Less: impairment allowance	**(1,592)**	–
Trade receivables, net	**2,619**	32,226
Prepayments and deposits	**21,140**	36,053
Other receivables	**474**	6,300
	24,233	74,579

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

	2017	2016
	RMB'000	*RMB'000*
Within 30 days	**4**	30,156
31 to 90 days	**–**	1,090
91 to 180 days	**–**	300
Over 180 days	**2,615**	680
	2,619	32,226

Note:

Included in trade receivables within 30 days as at 31 December 2017 are the amounts of RMB4,000 (2016: RMB29,336,000) 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.

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

	2017	2016
	RMB'000	*RMB'000*
Not past due	**4**	29,806
Past due but not impaired		
Within 30 days	**–**	1,090
31 to 90 days	**–**	300
91 to 180 days	**–**	680
Over 180 days	**2,615**	350
	2,619	32,226

The below table reconciled the impairment allowance of trade debtors for the year:

	2017	2016
	RMB'000	*RMB'000*
At beginning of year	**–**	–
Provision for the year	**1,592**	–
At end of year	**1,592**	–

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 mainly related to a customer who is being sued by the Group for the settlement of the receivables. Based on the current facts and the grounds, the management believes that no impairment allowance is necessary in respect of these balances 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:

	2017	2016
	RMB'000	*RMB'000*
Within 30 days *(note)*	**8,927**	1,486
31 to 90 days	**–**	82
91 to 365 days	**–**	21
Over 365 days	**754**	123
	9,681	1,712

Note:

Included in trade payables within 30 days as at 31 December 2017 are the amounts of RMB8,920,000 (2016: RMB904,000) for which all services were provided by the suppliers but not yet invoiced.

15. SHARE CAPITAL

Authorised and issued share capital

	2017			2016		
			Equivalent to			Equivalent to
	Number	***HKD'000***	***RMB'000***	Number	*HKD'000*	*RMB'000*
Ordinary shares of HK$0.01 each	**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	**1,207,246,376**	**12,072**	**9,884**	1,200,000,000	12,000	9,821
Issue of shares for payment of service fee	**–**	**–**	**–**	7,246,376	72	63
Issue of share under placing *(note (a))*	**200,000,000**	**2,000**	**1,767**	–	–	–
Issue of shares in relation to recalled consideration shares *(note (b))*	**16,266,667**	**163**	**137**	16,266,667	163	144
	1,423,513,043	**14,235**	**11,788**	1,223,513,043	12,235	10,028
Less: consideration shares which are subject to recall *(note (b))*	**–**	**–**	**–**	(16,266,667)	(163)	(144)
At end of the year	**1,423,513,043**	**14,235**	**11,788**	1,207,246,376	12,072	9,884

Notes:

(a) Under the placing took place during the year ended 31 December 2017, 200,000,000 new ordinary shares of HK$0.01 each were issued at a price of HK$0.265 per share. A sum of approximately HK$50,700,000 (equivalent to RMB43,183,000) in cash was received in the placing, after the net of related expenses borne by the Company of approximately RMB1,881,000. The directors considered that the placing was taken place for the purpose of raising sufficient fund for general working capital and expansion of business.

(b) Included in the shares issued for acquisition of a subsidiary were 16,266,667 shares which were subject to lock-up and dealing restrictions and adjustments. As at 31 December 2016, these shares were classified as financial liabilities until the date for the release of the relevant restrictions. During the year ended 31 December 2017, all the 16,266,667 shares were recalled by the Company and sold to an independent third party.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Turnover

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

	2017	2016
	RMB'000	*RMB'000*
Program production	**4,055**	49,254
Event organisation	**1,382**	29,018
Mobile live broadcasting and e-commerce	**11,520**	120
Entertainment contents on demand system	**3,128**	43
	20,085	78,435

For the year ended 31 December 2017, the Group recorded turnover of approximately RMB20.1 million (2016: RMB78.4 million), representing an 74.4% decrease as compared to the last year. The decrease was mainly due to (i) the decrease in turnover from a major customer as compared to year ended 31 December 2016 ("Year 2016"), who had changed its business strategy to self-producing some recurring television programs since 2017 which had been provided by the Group for many years (even though the Group continues to provide production services of other television programs to this customer); (ii) there was no production of variety television programs during the year ended 31 December 2017 as compared to Year 2016 as such variety television programs had ended and State Administration of Press, Publication, Radio, Film and Television of the PRC has strengthened the restrictions to the production of large scale variety television programs, including the limitation in number and scale of variety television programs; and (iii) there were no automobile shows, university alumni and other performance events held during the year ended 31 December 2017 as compared to Year 2016 due to fierce market competitions. At the same time, "Great Star", the mobile live broadcasting platform of the Group, by virtue of its proficient online entertainment video production experience, had provided production services to a new customer for online entertainment videos during the year ended 31 December 2017 and generated revenue of approximately RMB11.3 million.

Gross (loss)/profit

The Group recorded a gross loss of approximately RMB40.8 million for the year ended 31 December 2017 as compared to a gross profit of approximately RMB11.0 million for Year 2016. The main reasons of the gross loss during the year are (i) the reduction of certain recurring television program production as mentioned in the paragraph headed "Turnover" in this section, which had higher gross profit margin in Year 2016; and (ii) the increase in content production costs and network operating costs for the development of mobile live broadcasting and e-commerce business as compared to Year 2016 when the cost incurred in Year 2016 was in the early development stage. As the e-commerce element of this business is in a developing stage and requires to deploy more resources to develop a good foundation for further development, the corresponding turnover for the year ended 31 December 2017 was relatively insignificant compared with the direct cost incurred for the development of the mobile live broadcasting platform.

Expenses

Selling and distribution costs for the year ended 31 December 2017 was approximately RMB16.4 million, representing an increase of approximately RMB2.5 million as compared to the corresponding period in 2016. The increase was mainly due to the increase in marketing staff costs, marketing expenses and cost of customer supporting services for the development of mobile live broadcasting and e-commerce business which was in the early development stage in Year 2016 and entertainment contents on demand system business which was kicked-off in the fourth quarter of 2016.

Administrative expenses for the year ended 31 December 2017 amounted to approximately RMB29.2 million (Year 2016: approximately RMB27.2 million), which was increased by approximately 7.4% as compared to Year 2016. The increase was due to the administration costs incurred in the mobile live broadcasting and e-commerce business which was in the early development stage in Year 2016 and entertainment contents on demand system business which was kicked-off in the fourth quarter of 2016.

Income tax credit

The Group had an income tax credit for the year ended 31 December 2017 of approximately RMB0.2 million (Year 2016: approximately RMB4.7 million). Income tax credit 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 Year 2016 was mainly contributed by the recognition of deferred tax asset for the unutilised tax losses of certain subsidiaries of the Company in the PRC, as there are no such deferred tax assets had been recognised for the year ended 31 December 2017, the deferred tax credit for the year was less than Year 2016.

Loss for the year

Loss for the year ended 31 December 2017 was approximately RMB79.8 million (Year 2016: approximately RMB17.7 million). The significant increase in net loss after income tax was mainly attributable to (i) decrease in turnover; and (ii) increase in content production costs, network operating costs, marketing expenses and administrative expenses for the development of mobile live broadcasting and e-commerce business and entertainment contents on demand system business as mentioned above.

Financial resources, liquidity and capital structure

During the year ended 31 December 2017, the Group continued to finance its operations by internally generated cash flow and shareholders' equity. As at 31 December 2017, the Group had net current assets of approximately RMB55.4 million (as at 31 December 2016: approximately RMB94.2 million) including cash and cash equivalents of approximately RMB18.4 million (as at 31 December 2016: approximately RMB43.3 million). The decrease in cash and cash equivalents was mainly due to the expenditure for content production for mobile live broadcasting and e-commerce business and loss incurred during the year ended 31 December 2017. The current ratio, being the ratio of current assets to current liabilities, was approximately 3.3 times as at 31 December 2017 (as at 31 December 2016: approximately 4.9 times).

The capital of the Group comprises only ordinary shares. Total equity attributable to owners of the Company amounted to approximately RMB102.4 million as at 31 December 2017 (as at 31 December 2016: approximately RMB128.9 million).

BUSINESS REVIEW

The Group is principally engaged in the businesses of program production, event organisation, mobile live broadcasting and e-commerce and entertainment contents on demand system in the PRC. Both of the turnover from program production and event organisation for the year ended 31 December 2017 significantly decreased as compared to Year 2016. The decrease was mainly due to (i) the decrease in turnover from a major customer; (ii) no variety television programs were produced during the year; and (iii) no automobile shows, university alumni and other performance events were held due to fierce market competitions during the year.

Also, the Group has begun the mobile live broadcasting business from the second half of 2016 and attempts to become one of the major participants in this developing market. During the year ended 31 December 2017, as disclosed in the interim report of the Company for the six months ended 30 June 2017, the Group has included e-commerce element into "Great Star", the mobile live broadcasting platform of the Group. Users are able to establish their personal online store to sell various products while watching the live entertainment programs in "Great Star". Users can also use online communication applications to promote their products to different online groups through mobile devices, which will develop a new and large consumption pattern in online shopping. The Group would be able to earn considerable commission income through "Great Star" when this new consumption pattern becomes more popular. During the year ended 31 December 2017, the Group has incurred significant costs on content production, network operation and marketing for mobile live broadcasting and e-commerce business, which are aimed to develop a stable live broadcasting platform with attractive entertainment contents and draw more attention from the potential users to generate more potential revenue in the future.

After the mobile online live broadcasting industry has been gradually regulated by the PRC government, the mobile online live broadcasting industry participants are required to obtain their corresponding business operating licences from regulatory authorities for continuing their online live broadcasting business. In 2017, Beijing Yiju Creative Technology Limited ("Yiju Creative"), a subsidiary of the

Company, which carries on the operation of "Great Star" (the mobile live broadcasting platform of the Group), has obtained: (i) the Value-added Telecommunications Business Approval, which allows Yiju Creative to operate e-commerce business in addition to the mobile live broadcasting business; (ii) Online Culture Operating Permit, which allows Yiju Creative to operate music entertainment, drama, program and show by information network; (iii) Commercial Performance License, which allows Yiju Creative to operate performance and brokerage business; and (iv) Permit to Produce and Distribute Radio or Television Programs, which allows Yiju Creative to produce radio and television broadcasting content for business purpose. After obtaining such operating licences, "Great Star" can continuously develop its unique business model of the mix of entertainment contents and e-commerce. Furthermore, the mobile live broadcasting and e-commerce business of the Group can be further recognised by the market and increase its competitiveness.

In addition to the development of unique business model of the mix of entertainment contents and e-commerce, the great resources and experience in the production of online entertainment videos of "Great Star" can also create other revenue source in the online business of the Group. During the year ended 31 December 2017, "Great Star" had provided the production service for online entertainment videos to a new customer and generated considerable income. It proves that the technique and experience of "Great Star" in the production of online entertainment videos are well recognised in the industry and the Group's revenue from online business can be more diversified.

On the other hand, "Fengtingxun Entertainment Contents On Demand System" ("Fengtingxun"), which is operated by the Group, has been continuously installed at various karaoke boxes, mini-cinemas, hotels and internet cafes in the PRC. Besides the above-mentioned locations, the Group are also exploring other entertainment locations in the PRC to install Fengtingxun. The Group has started the bundling sales of digital equipment and entertainment contents to various entertainment locations in 2017. This kind of sales model can improve the reliance and loyalty of the customers and increase the income of the Group. Also, Fengtingxun has become the member of Copyright Society of China in 2017, which shall enhance its popularity and overall users' acceptance. During the year ended 31 December 2017, the Group has incurred significant costs on marketing and customer supporting service for entertainment contents on demand system business to promote Fengtingxun and increase the customers' reliance and loyalty.

PROSPECTS

Nowadays, the internet and mobile internet are widely spread in the PRC. The PRC entertainment market is expanding its industry platform from traditional television broadcasting to internet and digital world. In the meantime, the focus of the consumer market is shifting from physical store to internet and mobile internet e-commerce. The Group regards this revolutionary change as a focal point for future long-term growth opportunity. Therefore, apart from continuing the operation of traditional program production and event organisation businesses, based on the Group's proficiency in the entertainment market and content production experience in the PRC, the Group has commenced internet related mobile live broadcasting and e-commerce, and entertainment contents on demand system businesses.

Mobile live broadcasting and e-commerce business is an internet-based entertainment content with e-commerce idea. As the sale of products through e-commerce channel has no geographical limitation, sellers can directly promote the products to each online users through the enormous coverage of the internet and mobile internet. Moreover, it is also noted that when online purchases activities (including price comparison, communication with sellers and arrangement for the delivery etc.) can be completed easily through the Internet, the cost of soliciting and purchasing suitable products has been significantly reduced via the e-commerce platform. As a result, the consumption habit of many consumers in the PRC has been changed to e-commerce, therefore contributing to the growth of the e-commerce market. In addition, when the high-quality entertainment contents through internet and mobile internet are able to attract more audience, it will effectively enlarge the online consumer market and lead to a new consumption pattern. However, mobile live broadcasting and e-commerce business is an internet and mobile internet base business and its business model and regulatory control in the PRC are not fully developed yet. Its business model requires to evolve quickly. On the other hand, the PRC government continuously provide more guidance and implement more laws and regulations to the mobile live broadcasting industry to rectify the quality of the market participants. Under current market situation, the Group expects the operation of this business would require continuous deployment of resources to develop a unique business model with rich contents to attract users. Hence, the Group anticipates to continue to face a challenging outlook in the near future.

Nevertheless, the Group's mobile live broadcasting and e-commerce business has achieved certain progress in business model development and regulatory aspects. In the second half of 2017, Yiju Creative, a subsidiary of the Company, which carries on the operation of "Great Star" (the mobile live broadcasting platform of the Group), has obtained the relevant operating licences for mobile live broadcasting and e-commerce business which proves that the business model of "Great Star" are recognised by relevant regulatory authorities. At the same time, during the development of "Great Star", the Group has enhanced its business model, which included the combination of "social" and "e-commerce" elements in addition to providing plenty of online entertainment videos. In addition to being able to sell various products on personal online store in "Great Star", users who consumed the products from the platform can also share and recommend their preferred products to their respective social groups from the view point of experienced users through the online social communication applications. Such applications can directly pair the high-quality products with potential customers in different social groups, thereby attracting more consumers to purchase the products. For any transactions triggered by the sharing in social groups, the users who shared the products are entitled transaction commissions, and this is expected to encourage the users to directly promote the products through the platform. Under this social and e-commerce interactive business model, consumers are able to seek the most cost-effective products for themselves quickly and share the products to the users who have actual interest and demand for such products. As such, the model shall eventually improve the accuracy of the sale of the products and avoid the involvement of multiple agents in the sale chain which can reduce the transaction costs significantly. Hence, the Group expects to share the profit from enormous spending power in internet when this new consumption model and behavior (e-commerce driven by entertainment contents and social) is popularised. Furthermore, the Group had provided production services for online entertainment videos to a new customer. The Group believes such production services of online entertainment videos can increase the sources of income of our online business.

On the other hand, the Group keep increasing the market coverage of entertainment content on demand system business by continuously installing entertainment content on demand system "Fengtingxun" to various entertainment locations. At the same time, "Fengtingxun" is actively exploring one-stop service for business integration to provide a comprehensive business plan for the operation of the customers, which includes the service of location, budgeting, purchase and installation of digital equipment, operation strategy and operation support to the customers. The Group believes that such business strategy will increase its competitiveness in the entertainment industry and improve the revenue of the entertainment contents on demand system business in the future.

However, as relevant laws and regulations have just been implemented for a short period of time, it still needs time to observe how the market will reflect and adopt to such new laws and regulations. Therefore, the uncertainties and challenges of such business cannot be eliminated at current stage. Nevertheless, the Group believes when the relevant laws and regulations have been fully executed by the government, the market demand for legal entertainment content on demand system will be increased significantly and "Fengtingxun" will then be benefited from the increased revenue with its well-developed market coverage. Therefore, the Group remains optimistic about the entertainment contents on demand system business.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2017, The Group had a total of 120 employees (2016: 225). 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 RMB0.3 million for the year ended 31 December 2017 (Year 2016: approximately RMB2.8 million).

CAPITAL COMMITMENTS

As at 31 December 2017, the Group did not have any capital commitments.

CONTINGENT LIABILITIES

As at 31 December 2017, 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 2017 (as at 31 December 2016: nil). There were no other material acquisition and disposal of subsidiary or affiliated company made by the Group during the year ended 31 December 2017 (during the year ended 31 December 2016: the acquisition of Capital Land Digital Entertainment Co. Limited ("Capital Land") on 15 November 2016).

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 2017 (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 Review Period. Both of them are famous movie stars in the Greater China Area and they have started to provide live broadcasting service in "Great Star" during the Review Period. The costs incurred for "Great Star" during the Review Period were mainly contributed by the development, content production, network operating and promotional expenditure. In second half of 2017, the Group has started to include e-commerce element in "Great Star", which would allow the users to establish their personal online store to sell various products while watching the entertainment programs in "Great Star". Users can also use online communication applications to promote their products to different online groups through mobile devices. It will develop a new and large consumption pattern in online shopping and create a new revenue stream.
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.

Business objectives	Actual progress
Setting up a studio for shooting programs, holding promotional events for brand owners and other related uses	As the Group cannot identify a suitable location to set up a studio, no relative net proceeds from the Placing were utilised. The Directors had evaluated the Group's business plan with current market condition, industry situation and latest development of the Group and on 24 February 2017 resolved and approved to change the use of the remaining unutilised proceeds to promotion and operation of entertainment contents on demand system business. Please refer to the table under the paragraph headed "(i) IPO Placing" for further details.
Promoting and operating entertainment contents on demand system business	In respect of the revision of the use of net proceeds from the Placing on 24 February 2017, the Group has used approximately HK$15.2 million of the net proceeds from IPO Placing on entertainment contents on demand system business during the period since then and up to 31 December 2017. Please refer to the table under the paragraph headed "(i) IPO Placing" for further details. These expenditures were mainly contributed by the marketing expenses and costs of customer supporting services. The Group has started the bundling sales of digital equipment and entertainment contents to various entertainment locations in 2017. It creates a new revenue stream and improve the reliance and loyalty of the customers. In addition, "Fengtingxun", the entertainment contents on demand system operated by the Group, has become the member of Copyright Society of China in 2017, which shall enhance its popularity and overall users' acceptance.

Use of Proceeds from Placing of Shares

(i) IPO Placing

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 "IPO Placing") and the net proceeds raised from the IPO Placing were about HK$101.2 million after deduction of underwriting commission and relevant expenses.

The use of the net proceeds from the IPO Placing as at 31 December 2017 was approximately as follows:

	Adjusted use of proceeds in the same manner and proportion as stated in Prospectus *HK$ million*	Revised use of proceeds *HK$ million*	Utilised amount *HK$ million*
Expanding the spectrums of video categories to be broadcasted online and related services	50.6	50.6	50.6
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	25.3	25.3	25.3
Setting up a studio for shooting programs, holding promotional events for brand owners and other related uses *(note)*	15.2	N/A	N/A
Expanding the program production and event organisation businesses, and as general working capital	10.1	10.1	10.1
Promoting and operating entertainment contents on demand systems business *(note)*	N/A	15.2	15.2
	101.2	101.2	101.2

Note:

As the Group cannot identify a suitable location to set up a studio, no relative net proceeds from the Placing were utilised. The Directors had evaluated the Group's business plan and as disclosed in the 2016 annual report of the Company dated 24 February 2017 ("2016 Annual Report"), resolved to change the use of the remaining unutilised net proceeds from the Placing in relation to "setting up a studio for shooting programs, holding promotional events for brand owners and other related uses" (the "Relevant Net Proceeds") to "promoting and operating entertainment contents on demand system business". The Board believes that the change of the use of the Relevant Net Proceeds can reallocate more resources to the development of the entertainment contents on demand system business of the Group, which would 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 needs of the Group.

(ii) 2017 Placing

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$53.0 million and the net proceeds is approximately HK$50.7 million 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 intends 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. As at 31 December 2017, the Group had utilised approximately HK$36.0 million of the net proceeds from the 2017 Placing for the general working capital.

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 2017, 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 2017.

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 2017 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 2017.

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 2017 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 2018 AGM of the Company will be held on Thursday, 29 March 2018 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 Friday, 23 March 2018 to Thursday, 29 March 2018, both days inclusive, for the purpose of ascertaining shareholders' entitlement to attend and vote at the 2018 AGM. In order to be eligible to attend and vote at the 2018 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 Thursday, 22 March 2018.

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 2017 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 and Executive Director

Hong Kong, 22 February 2018

As at the date of this announcement, the Board of Directors of the Company comprises Mr. Philip Jian Yang, Mr. Yang Shiyuan and Ms. Yang Jianping 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.