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 FIRST QUARTERLY RESULTS FOR THE THREE MONTHS ENDED 31 MARCH 2020

CHARACTERISTICS OF THE GEM (THE "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, include particulars given in compliance with the Rules Governing the Listing of Securities on 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 (the "Board") of the Company is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the "Group") for the three months ended 31 March 2020, together with the unaudited comparative figures for the corresponding period in 2019, as follows:

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months ended 31 March 2020

		Three months ended 31 March	
		2020	2019
	Notes	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
			(Re-presented)
Revenue	*3*	**1,192**	2,310
Direct costs		**(823)**	(3,389)
Gross profit/(loss)		**369**	(1,079)
Other income		**10**	94
Other gains and losses		**12**	257
Selling and distribution costs		**(554)**	(1,132)
Administrative expenses		**(3,149)**	(4,356)
Loss from continuing operations		**(3,312)**	(6,216)
Finance cost		**(68)**	–
Loss before income tax		**(3,380)**	(6,216)
Income tax credit	*4*	**–**	–
Loss for the period from continuing operations		**(3,380)**	(6,216)
Discontinued operation			
Loss for the period from discontinued operation		**–**	(822)
Loss for the period		**(3,380)**	(7,038)

		Three months ended 31 March	
		2020	2019
	Notes	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
			(Re-presented)
Other comprehensive loss that may be reclassified subsequently to profit or loss:			
Exchange differences of translating foreign operations		**(115)**	(22)
Total comprehensive loss for the period		**(3,495)**	(7,060)
Loss for the period attributable to:			
Owners of the Company			
– from continuing operations		**(3,348)**	(6,085)
– from discontinued operation		**–**	(209)
		(3,348)	(6,294)
Non-controlling interests			
– from continuing operations		**(32)**	(131)
– from discontinued operation		**–**	(613)
		(32)	(744)
		(3,380)	(7,038)
Total comprehensive loss for the period attributable to:			
Owners of the Company		**(3,459)**	(6,316)
Non-controlling interests		**(36)**	(744)
		(3,495)	(7,060)
Loss per share:			
– Basic and diluted (RMB cents)	*6*		
– from continuing operations		**(0.22)**	(0.43)
– from discontinued operation		**–**	(0.01)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 2020

		Reserves					Equity		
	Share capital	Share premium	Other reserve	Merger reserve	Foreign exchange reserve	Accumulated losses	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*	*RMB'000*
Balance at 1 January 2020 (audited)	11,788	158,096	5,362	9,300	(224)	(146,204)	38,118	(154)	37,964
Issue of shares under placing (note 6(i))	1,400	7,282	–	–	–	–	8,682	–	8,682
Loss for the period	–	–	–	–	–	(3,348)	(3,348)	(32)	(3,380)
Other comprehensive loss	–	–	–	–	(111)	–	(111)	(4)	(115)
Total comprehensive loss for the period	–	–	–	–	(111)	(3,348)	(3,459)	(36)	(3,495)
Balance at 31 March 2020 (unaudited)	13,188	165,378	5,362	9,300	(335)	(149,552)	43,341	(190)	43,151
Balance at 1 January 2019 (audited)	11,788	158,096	5,362	9,300	(102)	(147,819)	36,625	3,116	39,741
Loss for the period	–	–	–	–	–	(6,294)	(6,294)	(744)	(7,038)
Other comprehensive loss	–	–	–	–	(22)	–	(22)	–	(22)
Total comprehensive loss for the period	–	–	–	–	(22)	(6,294)	(6,316)	(744)	(7,060)
Balance at 31 March 2019 (unaudited)	11,788	158,096	5,362	9,300	(124)	(154,113)	30,309	2,372	32,681

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands on 1 November 2013. The address of its registered office is at the offices of Codan Trust Company (Cayman) Limited, Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands. Its principal place of business in the People's Republic of China (the "PRC") is located at Room 1901, 19/F, Yulin Building, No.5A Xiangjun Nanli 2nd Alley, Chaoyang District, the PRC, and its principal place of business in Hong Kong is located at 23/F, Yue Thai Commercial Building, 128 Connaught Road Central, Sheung Wan, Hong Kong.

The principal activity of the Company is investment holding while its subsidiaries are principally engaged in the provision of traditional television program production, serial program rights distribution and licensing and related services, concert and event organisation services, mobile live broadcasting services and e-commerce services, entertainment contents on demand system services (discontinued during the year ended 31 December 2019) and artist management.

2. BASIS OF PRESENTATION

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by Hong Kong Institute of Certified Public Accountants (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 unaudited condensed consolidated financial results have been prepared under the historical cost basis.

The unaudited condensed consolidated results 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.

The accounting policies applied in the preparation of the unaudited condensed consolidated results are consistent with those adopted in the preparation of the annual consolidated financial statements of the Group for the year ended 31 December 2019, except that the Group has adopted a number of new or revised HKFRSs, which are newly effective for the period under review. The adoption of these new or revised HKFRSs had no change in significant accounting policies and no significant effect on the financial results of the current period. Also, no prior period adjustment is required.

The Group has not applied or early adopted the new or revised HKFRSs (including their consequential amendments) which are relevant to the Group that have been issued but are not yet effective in the preparation of these unaudited condensed consolidated results. The Group is currently assessing the impact of these new or revised HKFRSs upon initial application but is not yet in a position to state whether these new or revised HKFRSs would have any significant impact on its results of operations and financial position. It is anticipated that all of the pronouncements will be adopted in the Group's accounting policies in the accounting periods when they first become effective.

The unaudited condensed consolidated results have been reviewed by the audit committee of the Board (the "Audit Committee").

3. REVENUE

Turnover of the Group represents revenue generated from (i) program production and related services, (ii) concert and event organisation and related services, (iii) mobile live broadcasting and e-commerce and related services, (iv) entertainment contents on demand system and related services (discontinued during the year ended 31 December 2019) and (v) artist management and related services. The amounts of each significant category of revenue recognised in turnover during the period are as follows:

	Three months ended 31 March	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
		(Re-presented)
Continuing operations		
Program production and related income	**–**	–
Concert and event organisation and related services income	**1,169**	2,310
Mobile live broadcasting and e-commerce and related income	**–**	–
Artist management and related income	**23**	–
	1,192	2,310
Discontinued operation		
Entertainment contents on demand system and related income	**–**	3,090
	1,192	5,400

4. INCOME TAX CREDIT

	Three months ended 31 March	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Continuing operations		
Current tax – the PRC – provision for the period	**–**	–
Deferred tax	**–**	–
	–	–

PRC enterprise income tax is calculated at 25% (2019: 25%) on the estimated assessable profits during the period.

5. DIVIDEND

The Directors do not recommend the payment of any dividend for the three months ended 31 March 2020 (2019: nil).

6. 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:

	Three months ended 31 March	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Loss for the purposes of basic loss per share		
– Continuing operations	**(3,348)**	(6,085)
– Discontinued operation	**–**	(209)
	(3,348)	(6,294)

	Three months ended 31 March	
	2020	2019
	'000	*'000*
Number of shares		
Issued ordinary shares of 1 January	**1,423,513**	1,423,513
Effect of issuance of shares under placing *(note (i))*	**119,851**	–
Weighted average number of ordinary shares *(note (ii))*	**1,543,364**	1,423,513

Note:

(i) On 23 January 2020, pursuant to the subscription agreement entered into between the Company and Mr. Wu Jian ("Mr. Wu", an independent third party of the Company under GEM Listing Rules) on 10 January 2020 (the "Subscription Agreement"), the Company completed the issuance of 158,064,516 new ordinary shares of the Company (with aggregate nominal value of HK$1,580,645.16) (the "Subscription Share(s)") to Mr. Wu at the subscription price of HK$0.062 (the "Subscription Price") per Subscription Share (the "Subscription"). The closing price quoted on the Stock Exchange per ordinary share of the Company as at the date of the Subscription Agreement was HK$0.075. The gross proceeds from the Subscription is HK$9,800,000 and the net proceeds from the Subscription is approximately HK$9,790,000 after deducting the related expenses. The net issue price was approximately HK$0.062 per Subscription Share. Upon the completion of the Subscription, Mr. Wu owns 158,064,516 ordinary shares of the Company, representing approximately 9.99% of the issued share capital immediately after the completion of the Subscription. The Directors consider that the Subscription represents a good opportunity to raise funds for the development and production of serial programs which the Company has entered into and to strengthen the capital base of the Company.

(ii) Diluted loss per share was the same as basic loss per share as there were no potential dilutive ordinary shares outstanding for the three months ended 31 March 2020 and 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

Revenue of the Group for the three months ended 31 March 2020 amounted to approximately RMB1.2 million, representing an decrease of approximately 47.8% as compared to that recorded for the three months ended 31 March 2019 of approximately RMB2.3 million. The Reveune was mainly generated from concert and event organisation and artist management segments. The decrease in revenue mainly due to the pandemic of coronavirus disease ("COVID-19") and enforcement on prohibition of group gathering in the rest of the world.

Gross profit/(loss)

The gross profit for the three months ended 31 March 2020 amounted to approximately RMB0.4 million, while the Group recorded gross loss of approximately RMB1.1 million during the three months ended 31 March 2019. Gross profit was being recorded during the three months ended 31 March 2020 was mainly due to an event and jobs were being orgainsed and arranged for our world champion athletes in early 2020.

Expenses

Selling and distribution costs for the three months ended 31 March 2020 was approximately RMB0.6 million, which represented a decrease by approximately 51.1% as compared to the corresponding period in last year. The selling and distribution costs incurred for the three months ended 31 March 2020 were mainly for the maintenance of the mobile live broadcasting segment.

Administrative expenses for the three months ended 31 March 2020 amounted to approximately RMB3.1 million (three months ended 31 March 2019: approximately RMB4.4 million), representing a decrease of approximately 27.7% as compared to the corresponding period in last year. The cost control is mainly due to the pandemic of COVID-19 and enforcement on prohibition of group gathering in the rest of the world.

Income tax credit

The Group had recorded neither income tax credit nor income tax expense for the three months ended 31 March 2020. There are no provision of Hong Kong profits tax and PRC enterprise income tax for the three months ended 31 March 2020 and 2019 as no subsidiaries of the Company located in Hong Kong and the PRC have recorded taxable profit during both periods. PRC enterprise income tax for the subsidiaries incorporated in the PRC and Hong Kong profits tax for the subsidiaries incorporated in Hong Kong is calculated at 25% and 16.5% respectively on taxable profit of relevant period in accordance with the relevant laws and regulations.

Loss for the period

Loss for the three months ended 31 March 2020 was approximately RMB3.4 million (three months ended 31 March 2019: RMB7.0 million). The significant decrease in net loss after tax was mainly because the gross profit derived from the concert and event organisation, and artist management segments.

BUSINESS REVIEW AND PROSPECTS

The Group is principally engaged in the businesses of (i) program production and related services; (ii) concert and event organisation; (iii) mobile live broadcasting and e-commerce; and (iv) artist management.

Program production and related services

The Group has not recorded revenue in program production and related services for the three months ended 31 March 2020. During the period, amid the pandemic of COVID-19, activities have been shut down in the entertainment production sector.

During the Year 2019, the Group has entered into agreements in relation to production, licensing and distribution of serial programs: (1) an exclusive distribution agency agreement with a film and television production company for a serial program totaling 45 episodes; (2) a joint development and production agreement with a PRC media company in Year 2020 for a top-rated South Korean TV serial program and our Group has controlling interest in this program; (3) an exclusive adaptation right agreement with a Korean TV station authorised media company for a TV serial program; and (4) an investment in one of the serial program on list for celebration of the 70th anniversary of the PRC. The Group has also entered into a cooperation agreement with a PRC television video production company, which specialized in creation of intellectual property rights in drama program, in order to secure more resources for potential production of serial programs, online dramas and movies.

Subject to the pandemic of COVID-19, the Group is planning to generate more revenue from our serial programs from licensing of broadcasting rights to TV stations and major online video platforms in the PRC.

Concert and event organization

The revenue from concert and event organisation segment for three months ended 31 March 2020 was decreased from approximately RMB2.3 million to approximately RMB1.2 million (approximately 47.8%), which was mainly due to pandemic of COVID-19 and enforcement on prohibition of group gathering in the rest of the world, therefore there is no concert being organised during the period.

The Group has entered into agreements with certain Korean pop singers and a renowned top league PRC singer to organize concerts in 2020 and 2021. Subject to the situation of the COVID-19 pandemic, the Group expects there will be further postpone of certain concerts to the fourth quarter of 2020 or even to early 2021. The Group is also in negotiation with the feasibility to go online concerts with the artists.

Mobile live broadcasting and e-commerce

The Group has not recorded revenue from mobile live and e-commerce segment in the three months ended 31 March 2020 and the same period of last year. The Group expects it is a temporary effect regarding the transition period of restructuring of this segment.

The management is studying the feasiblility to optimise the exclusive operational rights (custodial agreement of the mobile application entered in May 2019) of "Aiwoo" (an APP to provide online fans and stars with the tools necessary to engagement and interaction) by organising online concerts or events.

Artist management

The revenue for the three months ended 31 March 2020 was approximately RMB23,000 as compared to no revenue form the same period of last year. The Group has entered into contracts in early 2020, however, due to the postpone of 2020 Summer Tokyo Olympics, only a partial will be recognized. However, the Group expects the commercial value of world champion athletes will be considerably increased accordingly.

The Group has also entered into an artist agency agreement with a renowned chinese male actor and singer. The Group believes that he will bring considerable benefits to the Group. Our Group will continue to seek for opportunities between our artists and customers or brands, as well as managing and promoting our artists and/or athletic artists in order to bring more value to the Group.

Although the businesses of the Group are facing various external challenges in 2020, the Group will strive to make improvements and overcome the challenges under the leadership of our experienced management. Together with the various opportunities currently exploring, the Group believes our business will continue to improve.

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 three months ended 31 March 2020.

SHARE OPTION SCHEME

The Company has adopted the share option scheme on 3 November 2015 (the "Share Option Scheme") and, unless otherwise cancelled or amended, will remain in force for 10 years from the date of its adoption and enables the Company to grant share options to the eligible persons (including any executive director, non-executive director and independent non-executive director, advisor and consultant of the Group) (the "Eligible Person(s)") as incentives or rewards for their contributions to the Group. No share option was granted, exercised, expired or lapsed since its adoption by the Company and there is no outstanding share option under the Share Option Scheme.

COMPETING INTERESTS

During the three months ended 31 March 2020, none of the Directors, the controlling shareholders of the Company and their respective close associates (as defined in the GEM Listing Rules) as at 31 March 2020 had any interest in any business which competes or is likely to compete, directly or indirectly, with the business of the Group or any other conflicts of interest with the Group.

CORPORATE GOVERNANCE PRACTICES

The Board and the management of the Company are committed to establishing good corporate governance practices and procedures. The maintenance of high standard of business ethics and corporate governance practices has always been one of the Group's goals. The Company believes that good corporate governance provides a framework that is essential for effective management, successful business growth and a healthy corporate culture, thereby leading to the enhancement of shareholders' value.

The Board has adopted the Corporate Governance Code (the "CG Code") as set out in Appendix 15 to the GEM Listing Rules.

The Board is pleased to report compliance with the code provisions of the CG Code for the three months ended 31 March 2020, 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.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct for dealing in securities of the Company by the directors (the "Required Standard of Dealings"). The Company has confirmed, having made specific enquiry of the directors, all the directors have complied with the Required Standard of Dealings throughout the three months ended 31 March 2020.

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. Yau Yan Yuen, Ms. Fu Yuehong and Mr. Tan Song Kwang.

The unaudited condensed consolidated results of the Company for the three months ended 31 March 2020 have been reviewed by the Audit Committee. The Audit Committee is of the opinion that such unaudited condensed consolidated results comply with the applicable accounting standards, the GEM Listing Rules and legal requirements, and that adequate disclosure have been made.

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

Hong Kong, 11 May 2020

As at the date of this announcement, the Board of Directors of the Company comprises Mr. Philip Jian Yang and Ms. Yang Jianping as executive directors; Mr. Yang Shiyuan, Mr. Ge Xuyu and Mr. Wang Yong as non-executive directors; and Ms. Fu Yuehong, Mr. Yau Yan Yuen and Mr. Tan Song Kwang 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.