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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 THIRD QUARTERLY RESULTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 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 small and mid-sized 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.

Given that the companies listed on GEM are generally small and mid-sized companies, 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 and nine months ended 30 September 2020, together with the comparative figures for the corresponding period in 2019, as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months and nine months ended 30 September 2020

	Notes	Three months ended 30 September 2020 RMB'000 (Unaudited)	Three months ended 30 September 2019 RMB'000 (Unaudited) (Re-presented)	Nine months ended 30 September 2020 RMB'000 (Unaudited)	Nine months ended 30 September 2019 RMB'000 (Unaudited) (Re-presented)
Continuing Operations					
Revenue	3	**12,722**	6,972	**33,007**	46,277
Direct costs		**(549)**	(6,229)	**(10,264)**	(31,270)
Gross profit		**12,173**	743	**22,743**	15,007
Other income		**96**	322	**225**	438
Other gains and losses		**146**	1,753	**359**	3,436
Selling and distribution costs		**(603)**	(709)	**(1,734)**	(2,401)
Administrative expenses		**(3,218)**	(4,193)	**(10,196)**	(11,689)
Profit/(loss) from continuing operations		**8,594**	(2,084)	**11,397**	4,791
Finance cost		**(49)**	(78)	**(170)**	(183)
Profit/(loss) before income tax		**8,545**	(2,162)	**11,227**	4,608
Income tax expense	4	**–**	(138)	**(73)**	(3,556)
Profit/(loss) for the period from continuing operations		**8,545**	(2,300)	**11,154**	1,052
Discontinued operation					
Loss for the period from discontinued operation		**–**	(1,206)	**–**	(4,427)
Profit/(loss) for the period		**8,545**	(3,506)	**11,154**	(3,375)
Other comprehensive income that may be reclassified subsequently to profit or loss:					
Exchange differences of translating foreign operations		**552**	(134)	**386**	(184)
Total comprehensive income/(loss) for the period		**9,097**	(3,640)	**11,540**	(3,559)

	Notes	Three months ended 30 September 2020 RMB'000 (Unaudited)	Three months ended 30 September 2019 RMB'000 (Unaudited) (Re-presented)	Nine months ended 30 September 2020 RMB'000 (Unaudited)	Nine months ended 30 September 2019 RMB'000 (Unaudited) (Re-presented)
Profit/(loss) for the period attributable to:					
Owners of the Company					
– from continuing operations		**8,576**	(2,342)	**11,246**	1,137
– from discontinued operation		**–**	(308)	**–**	(1,129)
		8,576	(2,650)	**11,246**	8
Non-controlling interests					
– from continuing operations		**(31)**	42	**(92)**	(85)
– from discontinued operation		**–**	(898)	**–**	(3,298)
		(31)	(856)	**(92)**	(3,383)
		8,545	(3,506)	**11,154**	(3,375)
Total comprehensive income/(loss) for the period attributable to:					
Owners of the Company		**9,119**	(2,783)	**11,626**	(173)
Non-controlling interests		**(22)**	(857)	**(86)**	(3,386)
		9,097	(3,640)	**11,540**	(3,559)
Earning/(loss) per share:					
– Basic (RMB cents)	*6*				
– from continuing operations		**0.6025**	(0.1646)	**0.7169**	0.0799
– from discontinued operation		**–**	(0.0216)	**–**	(0.0793)
		0.6025	(0.1862)	**0.7169**	0.0006
– Diluted (RMB cents)		**N/A**	N/A	**N/A**	N/A

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2020

		Reserves							
	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 14)*	**1,400**	**7,282**	**–**	**–**	**–**	**–**	**8,682**	**–**	**8,682**
Profit for the period	**–**	**–**	**–**	**–**	**–**	**11,246**	**11,246**	**(92)**	**11,154**
Other comprehensive income	**–**	**–**	**–**	**–**	**380**	**–**	**380**	**6**	**386**
Total comprehensive income for the period	**–**	**–**	**–**	**–**	**380**	**11,246**	**11,626**	**(86)**	**11,540**
Balance at 30 September 2020 (unaudited)	**13,188**	**165,378**	**5,362**	**9,300**	**156**	**(134,958)**	**58,426**	**(240)**	**58,186**
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	–	–	–	–	–	8	8	(3,383)	(3,375)
Other comprehensive loss	–	–	–	–	(181)	–	(181)	(3)	(184)
Total comprehensive loss for the period	–	–	–	–	(181)	8	(173)	(3,386)	(3,559)
Balance at 30 September 2019 (unaudited)	11,788	158,096	5,362	9,300	(283)	(147,811)	36,452	(270)	36,182

NOTES TO THE 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 unaudited condensed consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") 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 unaudited condensed consolidated 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 current period. 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

Revenue 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 revenue during the period are as follows:

(a) Revenue

	Three months ended 30 September		**Nine months ended 30 September**	
	2020	2019	**2020**	2019
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
		(Re-presented)		(Re-presented)
Continuing Operations				
Program production and related income	**4,551**	–	**8,325**	35,653
Concert and event organisation and related income	**(6)**	6,972	**1,173**	9,398
Mobile live broadcasting and e-commerce and related income	**5,156**	–	**11,692**	–
Artist management and related income	**3,021**	–	**11,817**	1,226
Discontinued operation	**12,722**	6,972	**33,007**	46,277
Entertainment contents on demand system and related income	**–**	1,537	**–**	7,973
	12,722	8,509	**33,007**	54,250

4. INCOME TAX EXPENSE

	Three months ended 30 September		Nine months ended 30 September	
	2020	2019	**2020**	2019
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Continuing operations				
Current tax – the PRC				
– provision for the period	**–**	(138)	**(73)**	(3,556)
Current tax – Hong Kong				
– provision for the period	**–**	–	**–**	–
Deferred tax	**–**	–	**–**	–
Income tax expense	**–**	(138)	**(73)**	(3,556)

PRC enterprise income tax and Hong Kong profits tax are calculated at 25% (for the nine months ended 30 September 2019: 25%) and 16.5% (for the nine months ended 30 September 2019: 16.5%) on the estimated assessable profits for the period respectively.

5. DIVIDEND

The directors do not recommend the payment of any dividend for the three and nine months ended 30 September 2020 (for the three and nine months ended 30 September 2019: nil).

6. EARNINGS/(LOSS) PER SHARE

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

	Three months ended 30 September		Nine months ended 30 September	
	2020	2019	**2020**	2019
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Profit/(loss) for the purposes of basic earnings/(loss) per share				
– Continuing operations	**8,576**	(2,342)	**11,246**	1,137
– Discontinued operation	**–**	(308)	**–**	(1,129)
	8,576	(2,650)	**11,246**	8

	Three months ended 30 September		Nine months ended 30 September	
	2020	2019	**2020**	2019
	'000	*'000*	***'000***	*'000*
Number of shares				
Issued ordinary shares at beginning of period	**1,581,578**	1,423,513	**1,423,513**	1,423,513
Effect of issuance of shares under placing *(note (i))*	**–**	–	**145,373**	–
Weighted average number of ordinary shares *(note (ii))*	**1,581,578**	1,423,513	**1,568,886**	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 earnings per share was the same as basic earnings per share as there were no potential dilutive ordinary shares outstanding for the three months and nine months ended 30 September 2020 and 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

Revenue of the Group for the nine months ended 30 September 2020 amounted to approximately RMB33.0 million, representing a decrease of approximately 28.7% as compared to that recorded for the nine months ended 30 September 2019 of approximately RMB46.3 million. The revenue was mainly generated from program production, mobile live broadcasting and e-commerce and artist management segments. The decrease in revenue was mainly due to the postpone of the negotiation of licensing the broadcasting rights under the program production segment, amid the temporary suspension of the entertainment industry operations during the beginning of the pandemic of coronavirus disease 2019 ("COVID-19"), and no concerts being organised under the enforcement on prohibition of group gathering in the rest of the world.

Gross profit

The gross profit for the nine months ended 30 September 2020 amounted to approximately RMB22.7 million, representing an increase of approximately 51.6% as compared to that recorded for the nine months ended 30 September 2019 of approximately RMB15.0 million. Gross profit was being recorded for the nine months ended 30 September 2020 was mainly attributable to a number of planning, online promotional activities and advertising jobs being arranged for our contracted star athletes and artists.

Expenses

Selling and distribution costs for the nine months ended 30 September 2020 was approximately RMB1.7 million, which represented a decrease of approximately 27.8% as compared to the corresponding period in last year. The selling and distribution costs incurred for the nine months ended 30 September 2020 were mainly for the maintenance of the mobile live broadcasting segment.

Administrative expenses for the nine months ended 30 September 2020 amounted to approximately RMB10.2 million (for the nine months ended 30 September 2019: approximately RMB11.7 million), which was decreased by approximately 12.8% as compared to the corresponding period in last year. The main reason is due to the cost control under the pandemic of COVID-19 and enforcement on prohibition of group gathering in the rest of the world.

Income tax expenses

The Group had recorded income tax expenses for the nine months ended 30 September 2020 of approximately RMB73,000 while no income tax credit was recorded. There are no significant provision of Hong Kong profit tax and PRC enterprise income tax for the nine months ended 30 September 2020 and 2019 as there are tax losses offsetting the taxable profit during the period. 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.

Profit/(loss) attributable to the owners of the Company

The Group recorded profit attributable to the owners of the Company of approximately RMB11.2_million for the period as compared to a profit attributable to the owners of the Company of approximately RMB8,000, which was increased by approximately 1,400 times for the corresponding period in 2019. The significant increase in net profit after tax was mainly from mobile live broadcasting and e-commerce and artist management segments. It is mainly attributable to (i) the increase of sales in the provision of planning, promotion services and resources integration, and (ii) an improvement in gross profit margin.

Share subscription

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. As at 30 June 2020, the net proceeds from the Subscription has been fully utilised as follows:

– approximately HK$5,843,000 has been utilised to finance the production of TV serial programmes

– approximately HK$2,067,000 has been utilised to pay for concert organisation expenses

– approximately HK$1,880,000 has been utilised for general working capital of the Company

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 recorded revenue of approximately RMB8.3 million for the nine months ended 30 September 2020, representing a decrease of approximately 76.7% as compared to that recorded for the nine months ended 30 September 2019 of approximately RMB35.7 million. The revenue was from provision of planning, promotion and related services for online drama. The decrease was mainly due to the postpone of the negotiation of licensing the broadcasting rights under the program production segment, amid the temporary suspension of the entertainment industry operations during the beginning of the pandemic of coronavirus disease 2019 ("COVID-19"), whereas the broadcasting rights of a serial program has been licensed during the same period last year.

The Group has deployed capital in production of 2 movies, 1 online drama and 2 serial program (2 productions additionally included during the period), which are currently in the pre-production and planning stages, script production and preparation. Under the impact of the COVID-19 pandemic, the management will use its best endeavour to liaise the kick off of the official shooting time.

The Group is in discussion with several PRC television video production and online platforms for distribution and/or licensing the broadcasting rights of several serial programs in our inventory.

The Group entered into cooperation agreement with a PRC television video production company, which is specialised in creation of intellectual property, to secure more potential resources and reserves for production of serial programs, online dramas and movies.

The Group continues to pursue production, distribution and licensing of serial programs, online dramas and movies to create values.

Concert and event organisation

For the nine months ended 30 September 2020, revenue from concert and event organising decreased from approximately RMB9.4 million to approximately RMB1.2 million (approximately 87.5%), it is mainly due to the COVID-19 pandemic and enforcement on prohibition of group gathering in the rest of the world, therefore there was no concerts being organised during the period.

The Group has entered into agreements with certain Korean pop singers and a renowned top PRC singer to organise not less than 20 concerts in 2020 and 2021. Subject to the situation of the COVID-19 pandemic, the management will use its best endeavour to reschedule the timetable.

Mobile live broadcasting and e-commerce

During the nine months ended 30 September 2020, revenue of approximately RMB11.7 million was recorded (no revenue was recorded in the same period last year). Revenue was from online advertising, licensing fees and related services.

The management has gradually optimised 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). Under the impact of the pandemic of coronavirus disease ("COVID-19"), there is a higher demand of use of online streaming media from customers, hence, generating online business revenue.

The Group has entered into contracts relating to advertising and licensing fee with total amount of RMB18.0 million, which will be recognised in 2020 accordingly pursuant to the accounting standards. The Group expected that the revenue from this segment will increase significantly in 2020.

On 20 July 2020, the Group and China General Chamber of Commerce ("CGCC"), affiliated to the State-owned Assets Supervision and Administration Commission of the State Council, have signed a not legal binding strategic cooperation framework agreement ("Cooperation Agreement") for jointly deepening the traditional business service industry transformation and sustainable development brought about by the Internet.

Under the Cooperation Agreement, the Company and CGCC might establish a cooperative company. The Group, as a partner, shall be responsible for integration of the operations and implementation for all mobile live broadcast and e-commerce online projects, including Internet e-commerce resources, celebrities and artists invitation, multi-channel network organisation operation and maintenance, project training, event planning, marketing and other related businesses. CGCC is an organisation boasting a strong membership base with more than 83,400 direct and indirect large commercial institutions and organisations. It manages 39 national commercial retail production associations. With such a broad coverage of sectors and services, CGCC has established a leading position in Mainland China's commercial services industry.

Since the beginning of 2020, the COVID-19 outbreak has hit the offline retail and services industries hard with extensive impact on traditional business operation models, spurring an urgent need for transformation and reshaping of the offline retail industry accompanied by online consumption models combined with the Internet. For example, live stream marketing, one of the hottest marketing trends, not only has continuously brought a new profit and income source to merchants, but also has helped them combine the offline operation with the online promotion, which break through the barriers of the regional operation, and penetrates their own business throughout the country.

The Group has established an experienced team and good reputation and has a wide range of synergistic resources through providing planning and promotion as well as integration of resource and marketing services to a number of domestic and foreign companies in Mainland China. It has also proactively seized business opportunities presented by the COVID-19 pandemic and ridden the tailwind of video and livestream e-commerce, which will contribute notable profits to the Group.

CGCC's strong membership base and ability to rally support across a wide swath of industries, combined with their advantages and resources is set to create powerful synergy benefits. We have confidence that we will break through the impact on our social life brought by COVID-19. We can seize this opportunity to expand the market share of our mobile live broadcasting and e-commerce businesses and create value.

Artist management

The revenue for the nine months ended 30 September 2020 was approximately RMB11.8 million as compared to the same period of last year of approximately RMB1.2 million, representing an increase of approximately 863.9%.

The Group has entered into an artist agency agreement with an entertainment company. During the third quarter of 2020, the Group has sought for several advertisement opportunities for the contracted artists of the company.

The Group has entered into several contracts for our star athletes in early 2020, however, due to the postponement of 2020 Summer Tokyo Olympics, only a partial accomplishment will be recognised. The Group expects the commercial value of world champion athletes will be considerably increased accordingly.

The Group will continue to seek for opportunities for our artists, as well as managing and promoting our artists and/or star athletes in order to bring more value to the Group.

With the closure of entertainment facilities such as cinemas across the country affected by the global epidemic situation, entertainment content consumption has been more sticky to streaming platforms with flexibility amid fascinating entertaining programs. The streaming platforms with more customized content will propel rapid growth. The emergence of the coronavirus not only reshaped the traditional operation model of film and TV market, but also changed the consumption habit. We believe 'content is king' is the future development direction. Thus, the Group proactively entered into the film and television production industry through integrating its advantageous resources such as its own program production, artist management and planning promotion resources to develop the films, TV serial programs and online short video content to meet market demand.

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 nine months ended 30 September 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 nine months ended 30 September 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 30 September 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 nine months ended 30 September 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 the 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 Group 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 nine months ended 30 September 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. 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 nine months ended 30 September 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, 6 November 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.