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 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.

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020

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 2020, together with comparative figures for the preceding financial year as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
Continuing operations			
Revenue	5	**45,664**	48,124
Direct costs		**(6,104)**	(30,497)
Gross profit		**39,560**	17,627
Other income	6	**413**	1,022
Other gains and losses	7	**37**	3,338
Selling and distribution costs		**(978)**	(2,638)
Administrative expenses		**(13,642)**	(15,730)
Profit from continuing operations		**25,390**	3,619
Finance costs	8	**(5,258)**	(3,574)
Profit before income tax	9	**20,132**	45
Income tax expenses	10	**(76)**	(260)
Profit/(loss) for the year from continuing operations		**20,056**	(215)
Discontinued operation			
Loss for the year from discontinued operation		**–**	(1,118)
Profit/(loss) for the year		**20,056**	(1,333)
Other comprehensive income/(loss) that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		**698**	(124)
Total comprehensive income/(loss) for the year		**20,754**	(1,457)

	Notes	**2020** *RMB'000*	2019 *RMB'000*
Profit/(loss) for the year attributable to:			
Owners of the Company			
– from continuing operations		**20,003**	(95)
– from discontinued operation		**–**	1,710
		20,003	1,615
Non-controlling interests			
– from continuing operations		**53**	(120)
– from discontinued operation		**–**	(2,828)
		53	(2,948)
		20,056	(1,333)
Total comprehensive income/(loss) for the year attributable to:			
Owners of the Company		**20,694**	1,493
Non-controlling interests		**60**	(2,950)
		20,754	(1,457)
Earnings/(loss) per share attributable to owners of the Company	12		
– Basic and Diluted *(RMB cents)*			
– from continuing operations		**1.27**	(0.01)
– from discontinued operation		**–**	0.12
		1.27	0.11

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	Notes	**2020** *RMB'000*	2019 *RMB'000*
Non-current assets			
Property, plant and equipment		**612**	1,394
Right-of-use assets		**1,890**	2,507
Financial assets at fair value through profit or loss		**5,000**	5,000
Total non-current assets		**7,502**	8,901
Current assets			
Serial program rights	13	**111,976**	107,687
Trade and other receivables	14	**87,579**	59,350
Amounts due from non-controlling interests of subsidiaries		**4,639**	1,339
Cash and bank balances		**11,379**	11,539
Total current assets		**215,573**	179,915
Total assets		**223,075**	188,816
Current liabilities			
Trade payables	15	**24,596**	45,881
Other payables		**37,344**	29,879
Contract liabilities		**15,369**	14,069
Current tax liabilities		**4,426**	3,832
Lease liabilities		**2,124**	1,315
Loans due to shareholders		**21,237**	8,105
Loans due to a director		**1,178**	1,254
Total current liabilities		**106,274**	104,335
Net current assets		**109,299**	75,580
Total assets less current liabilities		**116,801**	84,481

	Notes	**2020**	2019
		RMB'000	*RMB'000*
Non-current liabilities			
Trade payables	15	**48,900**	45,258
Lease liabilities		**501**	1,259
Total non-current liabilities		**49,401**	46,517
Total liabilities		**155,675**	150,852
NET ASSETS		**67,400**	37,964
Capital and reserves			
Share capital	16	**13,188**	11,788
Reserves		**54,306**	26,330
Equity attributable to owners of the Company		**67,494**	38,118
Non-controlling interests		**(94)**	(154)
TOTAL EQUITY		**67,400**	37,964

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

		Reserves					Equity attributable to owners of the Company	Non-controlling interests	Total
	Share capital	Share premium	Other reserve	Merger reserve	Foreign exchange reserve	Accumulated losses			
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at 1 January 2019	11,788	158,096	5,362	9,300	(102)	(147,819)	36,625	3,116	39,741
Derecognition of non-controlling interests upon disposal of a subsidiary	–	–	–	–	–	–	–	(320)	(320)
Profit/(loss) for the year	–	–	–	–	–	1,615	1,615	(2,948)	(1,333)
Other comprehensive loss	–	–	–	–	(122)	–	(122)	(2)	(124)
Total comprehensive (loss)/income for the year	–	–	–	–	(122)	1,615	1,493	(2,950)	(1,457)
Balance at 31 December 2019 and 1 January 2020	11,788	158,096	5,362	9,300	(224)	(146,204)	38,118	(154)	37,964
Issue of shares under placing, net of issuing expenses *(note 16)*	1,400	7,282	–	–	–	–	8,682	–	8,682
Profit for the year	–	–	–	–	–	20,003	20,003	53	20,056
Other comprehensive income	–	–	–	–	691	–	691	7	698
Total comprehensive income for the year	–	–	–	–	691	20,003	20,694	60	20,754
Balance at 31 December 2020	13,188	165,378	5,362	9,300	467	(126,201)	67,494	(94)	67,400

Notes:

1. CORPORATE INFORMATION

Creative China Holdings Limited (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, Beijing, 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. As at the date of this announcement, Youth Success Holdings Limited and Guang Rui Investments Limited are its immediate and ultimate parent respectively. Guang Rui Investments Limited is wholly and beneficially owned by Mr. Yang Shaoqian and his spouse, Ms. Mu Sufang.

The principal activity of the Company is investment holding while its subsidiaries are principally engaged in the provision of film and television program original script creation, adaptation, production and licensing and related services, concert and event organisation services, mobile live broadcasting services and e-commerce services and artist management. The Company and its subsidiaries are collectively referred as the "Group" hereafter.

The World Health Organisation declared global health emergency over new coronavirus outbreak on 30 January 2020. The following segments have been affected:

- postponement of the negotiation of licensing the broadcasting rights under the program production segment;

- postponement of concert organisation.

The directors of the Company are continuing to assess the implications of COVID-19 pandemic to the business in which the Group operates. Depending on the duration of the COVID-19 pandemic and continued negative impact on economic activity, the Group might experience further negative results in the concert and event organisation segment and impairments on its assets in 2021. However, the exact impact in the remainder of 2021 and thereafter cannot be predicted.

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

(a) Adoption of revised HKFRSs – effective on 1 January 2020

In the current year, the Group has applied the Amendments to References to the Conceptual Framework in HKFRS Standards and the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time, which are mandatorily effective from the Group's financial period beginning on 1 January 2020.

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

The application of the Amendments to References to the Conceptual Framework in HKFRS Standards and the amendments to HKFRSs in the current year had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

A. Amendments to HKAS 1 and HKAS 8 – Definition of Material

The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity". The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

B. Amendments to HKFRS 3 – Definition of a Business

The amendments clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs.

The amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs. The amendments also introduce additional guidance that helps to determine whether a substantive process has been acquired.

In addition, the amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. The election on whether to apply the optional concentration test is available on transaction-by-transaction basis.

C. Amendments to HKFRS 9, HKAS 39 and HKFRS 7 – Interest Rate Benchmark Reform

The amendments modify specific hedge accounting requirements to allow hedge accounting to continue for affected hedges during the period of uncertainty before the hedged items or hedging instruments affected by the current interest rate benchmarks are amended as a result of the on-going interest rate benchmark reform.

(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.

Amendment to HKFRS 16	COVID-19-Related Rent Concessions[4]
Amendments to HKFRS 3	Reference to the Conceptual Framework[2]
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2[5]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[1]
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use[2]
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020[2]

1 Effective for annual periods beginning on or after 1 January 2023
2 Effective for annual periods beginning on or after 1 January 2022
3 Effective for annual periods beginning on or after a date to be determined
4 Effective for annual periods beginning on or after 1 June 2020
5 Effective for annual periods beginning on or after 1 January 2021

Amendment to HKFRS 16 – COVID-19 Related Rent Concessions

The amendment introduces a new practical expedient for lessees to elect not to assess whether a COVID-19-related rent concession is a lease modification. The practical expedient only applies to rent concessions occurring as a direct consequence of the COVID-19 that meets all of the following conditions:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- there is no substantive change to other terms and conditions of the lease.

A lessee applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way it would account for the changes applying HKFRS 16 Leases if the changes are not a lease modification. Forgiveness or waiver of lease payments are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognised in the profit or loss in the period in which the event occurs.

Amendments to HKFRS 3 – Reference to the Conceptual Framework

The amendments:

- update a reference in HKFRS 3 Business Combinations so that it refers to the Conceptual Framework for Financial Reporting 2018 issued in June 2018 (the "Conceptual Framework") instead of Framework for the Preparation and Presentation of Financial Statements (replaced by the Conceptual Framework for Financial Reporting 2010 issued in October 2010);

- add a requirement that, for transactions and other events within the scope of HKAS 37 Provisions, Contingent Liabilities and Contingent Assets or HK(IFRIC)-Int 21 Levies, an acquirer applies HKAS 37 or HK(IFRIC)-Int 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination; and

- add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 – Interest Rate Benchmark Reform – Phase 2

The amendments relate to the modification of financial assets, financial liabilities and lease liabilities, specific hedge accounting requirements and disclosure requirements applying HKFRS 7 Financial Instruments: Disclosures to accompany the amendments regarding modifications and hedge accounting.

- *Modification of financial assets, financial liabilities and lease liabilities*

  A practical expedient is introduced for modifications required by the reform (modifications required as a direct consequence of the interest rate benchmark reform and made on an economically equivalent basis). These modifications are accounted for by updating the effective interest rate. All other modifications are accounted for using the current HKFRSs requirements. A similar practical expedient is proposed for lessee accounting applying HKFRS 16;

- *Hedge accounting requirements*

  Under the amendments, hedge accounting is not discontinued solely because of the interest rate benchmark reform. Hedging relationships (and related documentation) are required to be amended to reflect modifications to the hedged item, hedging instrument and hedged risk. Amended hedging relationships should meet all qualifying criteria to apply hedge accounting, including effectiveness requirements; and

- *Disclosures*

  The amendments require disclosures in order to allow users to understand the nature and extent of risks arising from the interest rate benchmark reform to which the Group is exposed to and how the entity manages those risks as well as the entity's progress in transitioning from interbank offered rates to alternative benchmark rates, and how the entity is managing this transition.

Amendments to HKFRS 10 and HKAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

Amendments to HKAS 1 – Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)

The amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that:

  (i) the classification should not be affected by management intentions or expectations to settle the liability within 12 months; and

  (ii) if the right is conditional on the compliance with covenants, the right exists if the conditions are met at the end of the reporting period, even if the lender does not test compliance until a later date; and

- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying HKAS 32 Financial Instruments: Presentation.

In addition, Hong Kong Interpretation 5 was revised as a consequence of the Amendments to HKAS 1 to align the corresponding wordings with no change in conclusion.

Amendments to HKAS 16 – Property, Plant and Equipment – Proceeds before Intended Use

The amendments specify that the costs of any item that were produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management (such as samples produced when testing whether the relevant property, plant and equipment is functioning properly) and the proceeds from selling such items should be recognised and measured in the profit or loss in accordance with applicable standards. The cost of the items are measured in accordance with HKAS 2 Inventories.

Amendments to HKAS 37 – Onerous Contracts – Cost of Fulfilling a Contract

The amendments specify that, when an entity assesses whether a contract is onerous in accordance with HKAS 37 Provisions, Contingent Liabilities and Contingent Assets, the unavoidable costs under the contract should reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it. Costs of fulfilling the contract include incremental costs and an allocation of other costs that relate directly to fulfilling contracts (for example, an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

Amendments to HKFRSs – Annual Improvements to HKFRSs 2018–2020 – HKFRS 9 Financial Instruments

The amendment clarifies that for the purpose of assessing whether modification of terms of original financial liability constitutes substantial modification under the "10 per cent" test, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or the lender on the other's behalf.

Amendments to HKFRSs – Annual Improvements to HKFRSs 2018–2020 – HKFRS 16 Leases

The amendment to Illustrative Example 13 accompanying HKFRS 16 removes from the example the illustration of reimbursement relating to leasehold improvements by the lessor in order to remove any potential confusion.

3. BASIS OF PRESENTATION

The consolidated financial statements have been prepared in accordance with all applicable HKFRSs issued by the HKICPA 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 on a going concern basis and measured under historical cost basis except for certain financial instruments, which are measured at fair values at end of each reporting period.

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

4. SEGMENT REPORTING

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 the following reportable segments which 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 and operating segments:

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

  Program Production segment provides film and television program original script creation, adaptation, production and licensing and related services.

– Concert and event organisation and related services ("Concert and Event Organisation")

  Concert and Event Organisation segment provides organisation services, such as music concerts, 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 program production, online advertising services and related services.

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

  Entertainment on Demand System segment provides entertainment content through an entertainment on demand system named "Fengtingxun" which are installed in hardware placed within various karaoke boxes, mini-cinemas, hotels and internet cafes in the PRC. This segment was discontinued during the year ended 31 December 2019.

– Artist management and related services ("Artist Management")

  Artist management segment provides agency service for the artists for arrangement of different performance activities.

  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

For the year ended 31 December 2020

	Continuing operations					Discontinued operation	
	Program Production *RMB'000*	**Concert and Event Organisation** *RMB'000*	**Mobile Live Broadcasting and E-Commerce** *RMB'000*	**Artist Management** *RMB'000*	**Sub total** *RMB'000*	**Entertainment on Demand System** *RMB'000*	**Total** *RMB'000*
Revenue from contracts with customers	**18,276**	**1,156**	**13,632**	**12,600**	**45,664**	**–**	**45,664**
Represented by:							
Recognised over time							
– Provision of event organisation services	**–**	**1,156**	**–**	**–**	**1,156**	**–**	**1,156**
– Provision of artist management services	**–**	**–**	**–**	**12,600**	**12,600**	**–**	**12,600**
– Provision of online advertising services	**–**	**–**	**13,632**	**–**	**13,632**	**–**	**13,632**
Recognised at a point in time							
– Sale of script copyright	**18,276**	**–**	**–**	**–**	**18,276**	**–**	**18,276**
Reportable segment revenue from external customers	**18,276**	**1,156**	**13,632**	**12,600**	**45,664**	**–**	**45,664**
Reportable segment profit/(loss)	**5,205**	**(330)**	**11,139**	**10,829**	**26,843**	**–**	**26,843**
Interest income	**4**	**–**	**3**	**1**	**8**	**–**	**8**
Interest expense	**(5,182)**	**(25)**	**–**	**(25)**	**(5,232)**	**–**	**(5,232)**
Depreciation of right-of-use assets	**(979)**	**(181)**	**–**	**(181)**	**(1,341)**	**–**	**(1,341)**
Depreciation of property, plant and equipment	**(607)**	**–**	**(1)**	**(179)**	**(787)**	**–**	**(787)**
Reportable segment assets	**165,410**	**23,647**	**26,904**	**1,353**	**217,314**	**–**	**217,314**
Addition to non-current assets *(note 1)*	**–**	**315**	**5**	**315**	**635**	**–**	**635**
Reportable segment liabilities	**(108,427)**	**(9,442)**	**(6,533)**	**(5,180)**	**(129,582)**	**–**	**(129,582)**

For the year ended 31 December 2019

	Continuing operations					Discontinued operation	
	Program Production RMB'000	Concert and Event Organisation RMB'000	Mobile Live Broadcasting and E-Commerce RMB'000	Artist Management RMB'000	Sub total RMB'000	Entertainment on Demand System RMB'000	Total RMB'000
Revenue from contracts with customers	34,862	9,489	–	3,773	48,124	11,055	59,179
Represented by:							
Recognised over time							
– Sale of concert tickets	–	7,566	–	–	7,566	–	7,566
– Provision of event organisation services	–	1,650	–	–	1,650	–	1,650
– Subscription of content	–	–	–	–	–	6,474	6,474
– Provision of artist management services	–	–	–	3,773	3,773	–	3,773
Recognised at a point in time							
– Sale of concert souvenirs	–	273	–	–	273	–	273
– Licensing of broadcasting rights under co-financing arrangements	25,991	–	–	–	25,991	–	25,991
– Provision of distribution agency services	7,645	–	–	–	7,645	–	7,645
– Production services	1,226	–	–	–	1,226	–	1,226
– Sale of devices	–	–	–	–	–	4,581	4,581
Reportable segment revenue from external customers	34,862	9,489	–	3,773	48,124	11,055	59,179
Reportable segment profit/(loss)	12,538	(1,195)	(2,996)	2,414	10,761	(1,118)	9,643
Interest income	3	1	–	–	4	2	6
Interest expense	(3,313)	–	–	–	(3,313)	(340)	(3,653)
Depreciation of right-of-use assets	(775)	(393)	–	–	(1,168)	–	(1,168)
Depreciation of property, plant and equipment	(648)	(231)	–	(38)	(917)	(326)	(1,243)
Amortisation of serial program rights	(20,789)	–	–	–	(20,789)	–	(20,789)
Reportable segment assets	129,553	16,781	33,743	621	180,698	–	180,698
Addition to non-current assets *(note 1)*	4,249	–	–	–	4,249	–	4,249
Reportable segment liabilities	(109,579)	(16,725)	(9,632)	(3,245)	(139,181)	–	(139,181)

Note:

(1) Non-current assets include property, plant and equipment and right-of-use assets.

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

	2020 *RMB'000*	2019 *RMB'000*
Revenue		
Reportable segment and consolidated revenue	**45,664**	59,179

	2020 *RMB'000*	2019 *RMB'000*
Profit before income tax		
Reportable segment profit from continuing operations	**26,843**	10,761
Other income:		
– Interest income	**1**	3
Other gains or losses:		
– Exchange (loss)/gain	**(12)**	80
Unallocated corporate expenses:		
– Auditor's remuneration	**(845)**	(757)
– Directors' emoluments	**(2,650)**	(2,641)
– Legal and professional fee	**(959)**	(1,962)
– Salaries and other benefits for key management and administration staff	**(1,519)**	(1,380)
– General operating expenses	**(727)**	(4,059)
Consolidated profit before income tax from continuing operations	**20,132**	45

	2020 *RMB'000*	2019 *RMB'000*
Assets		
Reportable segment assets	**217,314**	180,698
Unallocated corporate assets:		
– Property, plant and equipment	**284**	174
– Cash and bank balances	**298**	2,629
– Financial assets at fair value through profit or loss	**5,000**	5,000
– Others	**179**	315
Consolidated total assets	**223,075**	188,816

	2020 *RMB'000*	2019 *RMB'000*
Liabilities		
Reportable segment liabilities	**129,582**	139,181
Unallocated corporate liabilities:		
– Accruals and other payables	**3,678**	2,312
– Loans due to shareholders	**21,237**	8,105
– Loans due to a director	**1,178**	1,254
Consolidated total liabilities	**155,675**	150,852

(c) Geographic information

The following table provides a geographical analysis of the Group's revenue from external customers:

	2020	2019
	RMB'000	*RMB'000*
	(note)	*(note)*
Hong Kong		
– Sale of script copyright	**7,427**	–
– Sale of concert tickets	**–**	6,026
– Sale of concert souvenirs	**–**	253
– Provision of event organisation services	**–**	1,122
PRC		
– Licensing of the broadcasting rights under co-financing arrangements	**–**	25,991
– Provision of distribution agency services	**–**	7,645
– Production services	**–**	1,226
– Sale of script copyright	**10,849**	–
– Provision of event organisation services	**1,156**	–
– Sale of devices	**–**	4,581
– Provision of online advertising services	**13,632**	–
– Provision of entertainment on demand system services	**–**	6,474
– Provision of artist management services	**12,600**	3,773
Other countries in Southeast Asia		
– Sale of concert tickets	**–**	1,540
– Sale of concert souvenirs	**–**	20
– Provision of event organisation services	**–**	528
	45,664	59,179

Note: Geographical region of customers is based on the location at which the goods and services are provided.

(d) Information about major customers

For the year ended 31 December 2020, revenues from four customers (2019: one customer) with whom transactions have exceeded 10% of the Group's revenue for the year. Details were as follows:

	2020	2019
	RMB'000	*RMB'000*
Revenue from the customer:		
Customer I:		
– Artist management	**9,387**	N/A[(i)]
Customer II:		
– Mobile live broadcasting and e-commerce and related services	**10,318**	N/A[(i)]
Customer III:		
– Program Production	**10,849**	N/A[(i)]
Customer IV:		
– Program Production	**7,427**	N/A[(i)]
Customer V:		
– Program Production	**N/A**[(ii)]	33,636
	37,981	33,636

Notes:

(i) The corresponding revenue in the year ended 31 December 2019 for Customer I, II, III and IV did not contribute over 10% of the total revenue of the Group.

(ii) The corresponding revenue in the year ended 31 December 2020 for Customer V did not contribute over 10% of the total revenue of the Group.

5. 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 during the year are as follows:

	2020	2019
	RMB'000	*RMB'000*
Continuing operations		
Program production and related income		
– Licensing of the broadcasting rights under co-financing arrangements	**–**	25,991
– Provision of distribution agency services	**–**	7,645
– Production services	**–**	1,226
– Sale of script copyright	**18,276**	–
Concert and event organisation and related income	**1,156**	9,489
Mobile live broadcasting and e-commerce and related income	**13,632**	–
Artist management and related income	**12,600**	3,773
	45,664	48,124
Discontinued operation		
Entertainment contents on demand system and related income	**–**	11,055
	45,664	59,179

6. OTHER INCOME

	2020	2019
	RMB'000	*RMB'000*
Continuing operations		
Interest income from bank deposits	**9**	7
Sundry income	**13**	855
Rental income	**127**	160
Government subsidy	**264**	–
	413	1,022
Discontinued operation		
Interest income from bank deposits	**–**	2
Sundry income	**–**	9
	–	11
	413	1,033

7. OTHER GAINS AND LOSSES

	2020	2019
	RMB'000	*RMB'000*
Continuing operations		
Loss on disposal of property, plant and equipment	**–**	(70)
Exchange gain	**3**	80
Reversal of provision of impairment loss of trade and other receivables	**–**	3,328
Gain on disposal of a subsidiary	**34**	–
	37	3,338

8. FINANCE COSTS

	2020	2019
	RMB'000	*RMB'000*
Continuing operations		
Imputed interest on trade payables	**5,005**	3,313
Interest on lease liabilities	**253**	261
	5,258	3,574

9. PROFIT BEFORE INCOME TAX

	2020	2019
	RMB'000	*RMB'000*
Continuing operations		
Profit before income tax is arrived at after charging:		
Staff costs	**7,744**	9,816
Auditor's remuneration	**845**	757
Depreciation of property, plant and equipment *(note (a))*	**822**	1,058
Depreciation of right-of-use assets *(note (a))*	**1,524**	1,365
Amortisation of serial program rights *(note 13) (note (b))*	**–**	20,789
Short-term lease expenses	**–**	709

Notes:

(a) Included in "administrative expenses" for the year.

(b) Included in "direct costs" for the year.

10. INCOME TAX EXPENSES

	2020	2019
	RMB'000	*RMB'000*
Continuing operations		
Current tax – HK		
– provision for the year	**30**	–
Current tax – the PRC		
– provision for the year	**31**	459
– under/(over) provision in respect of prior years	**15**	(199)
Income tax expenses	**76**	260

Under the two-tiered profits tax rates regime, Hong Kong profits tax of the qualifying group entity is calculated at 8.25% (2019: 8.25%) on the first HK$2 million of the estimated assessable profits and 16.5% (2019: 16.5%) on the estimated assessable profits above HK$2 million during the year. Hong Kong profits tax of group entities not qualifying for the two-tiered profits tax regime will be taxed at a flat rate of 16.5%. PRC enterprise income tax is calculated at 25% (2019: 25%) on the estimated assessable profits during the year.

11. DIVIDEND

No dividend had been paid or declared by the Company during the year (2019: nil).

12. 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:

	2020	2019
	RMB'000	*RMB'000*
Profit/(loss) for the purposes of basic earnings/(loss) per share		
– Continuing operations	**20,003**	(95)
– Discontinued operation	**–**	1,710
	20,003	1,615

	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 16)*	**148,132**	–
Weighted average number of ordinary shares	**1,571,645**	1,423,513

Note: No diluted earnings/(loss) per share is presented as there were no potential ordinary shares in issue for the years ended 31 December 2020 and 2019.

13. SERIAL PROGRAM RIGHTS

	Serial program rights *RMB'000*	Adaptation right *RMB'000*	Total *RMB'000*
At 1 January 2019	48,574	–	48,574
Addition for the year	79,902	–	79,902
Recognised as direct costs for the year	(20,789)	–	(20,789)
At 31 December 2019 and 1 January 2020	107,687	–	107,687
Transfer from prepayment	–	4,533	4,533
Exchange realignment	–	(244)	(244)
At 31 December 2020	107,687	4,289	111,976

The serial program rights shown above included two television drama series obtained by the Group under co-financing arrangements and belonging to the Program Production segment, with carrying amounts of RMB27,785,000 and RMB79,902,000 respectively as at 31 December 2020 and 2019.

The Group did not recognise any serial program rights as direct costs for the year ended 31 December 2020 (2019: RMB20,789,000) in the consolidated statement of comprehensive income.

The Group carries out a net realisable value review on a project-by-project basis at the end of each reporting period and make provision for obsolete if necessary. The Directors the Company assessed that the net realisable value of each of the serial program rights are higher than their carrying amounts, hence no impairment (2019: Nil) was recognised during the year.

As at 31 December 2020 and 2019, one of the broadcasting right had already been sold to a customer for first round broadcasting in television station. The remaining one is still negotiating with different television stations and platforms.

14. TRADE AND OTHER RECEIVABLES

	2020 ***RMB'000***	2019 *RMB'000*
Trade receivables, gross	**9,171**	1,414
Less: impairment allowance	**(1,110)**	(1,351)
Trade receivables, net	**8,061**	63
Prepayments and deposits *(notes (i) to (iii))*	**66,828**	38,463
Other receivables, gross	**12,753**	20,824
Less: impairment allowance	**(63)**	–
Other receivables, net	**12,690**	20,824
	87,579	59,350

Notes:

At end of reporting period, the balances of prepayments and deposits are mainly represented by the following:

(i) The balance included prepayment to event organisers of approximately RMB15,711,000 (2019: approximately RMB11,399,000) under Concert and Event Organisation segment for the purpose of concert to be held in the coming years.

(ii) The balance included prepaid service fees to actors and performers of approximately RMB16,781,000 (2019: approximately RMB16,781,000) in relation to performing in the Group's mobile live broadcasting platform.

(iii) The balance included prepaid service fees of approximately RMB28,710,000 in relation to program production (2019: Nil).

The Directors of the Company assessed that there is no material recoverability issue for the prepayments and deposits and the Group did not record any impairment of prepayments and deposits during the year ended 31 December 2020 (2019: Nil).

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

	2020	2019
	RMB'000	*RMB'000*
Within 30 days	**7,760**	–
31 to 90 days	**–**	–
91 to 180 days	**–**	63
181 to 365 days	**301**	–
Over 365 days	**–**	–
	8,061	63

The credit period granted to trade debtors ranges 0–90 days from the invoice dates. No significant change in the gross carrying amounts of trade receivable during the year contributed to changes in the loss allowance.

15. TRADE PAYABLES

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

	2020	2019
	RMB'000	*RMB'000*
Within 30 days	**–**	79,896
91–365 days	**–**	1,577
Over 365 days *(note)*	**73,496**	9,666
	73,496	91,139
Represented by:		
Current portion	**24,596**	45,881
Non-current portion	**48,900**	45,258
	73,496	91,139

Note: Included in trade payables over 365 days as at 31 December 2020 was the remaining balances of RMB71,604,000 in respect of purchase of serial program rights which was payable by instalments until end of 2020. As at the date of this announcement, the Group is still negotiating with different TV stations and platforms for initial broadcasting of the serial program, the Group has obtained consent from the vendor to defer the settlement of certain payables but no later than 31 December 2022 in case distribution of broadcasting right is delayed.

16. SHARE CAPITAL

Authorised and issued share capital

	2020			2019		
	Number	***HK$'000***	***Equivalent to RMB'000***	*Number*	*HK$'000*	*Equivalent to RMB'000*
Authorised						
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 year	**1,423,513,043**	**14,235**	**11,788**	1,423,513,043	14,235	11,788
Issue of shares under placing *(note)*	**158,064,516**	**1,581**	**1,400**	–	–	–
At end of year	**1,581,577,559**	**15,816**	**13,188**	1,423,513,043	14,235	11,788

Note: Pursuant to the Company announcement dated on 10 January 2020, the Company entered into the subscription agreement with the subscriber in relation to the subscription of shares. Pursuant to the subscription agreement, the Company has conditionally agreed to allot and issue 158,064,516 shares to the subscriber at the subscription price of HK$0.062 per share. The above subscription was completed on 23 January 2020. The net proceeds from the subscription amounted to approximately HK$9,790,000.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Unless otherwise specified, the figures stated in the following review are extracted from the audited financial figures of the continuing operations of the Group:

Revenue

For the year ended 31 December 2020 ("Year 2020"), the Group recorded revenue of approximately RMB45.7 million, representing an decrease of approximately 5.1% over approximately RMB48.1 million for the year ended 31 December 2019 ("Year 2019"). The decrease in revenue was mainly due to the combined effect of (i) decrease in revenue from program production and concert and organisation segments; and (ii) increase in revenue from mobile live broadcasting and e-commerce and artist management segments.

Gross profit

For Year 2020, the Group recorded gross profit of RMB39.6 million, representing an increase of approximately 124% over RMB17.6 million recorded in Year 2019. The increase in gross profit was mainly due to the sale of an original movie script copyright, publishing of advertisements and commercial engagements being arranged for our contracted artists and related content production.

Other income

Other revenue of the Group decreased from approximately RMB1.0 million in Year 2019 to approximately RMB0.4 million in Year 2020, mainly due to the absence of reversal of financial component for the year.

Expenses

For Year 2020, selling and distribution costs amounted to approximately RMB1.0 million, as comparing to approximately RMB2.6 million (decreased by approximately 62.9%) from Year 2019, mainly due to less expenses incurred from the mobile live broadcasting and e-commerce segments.

For Year 2020, administrative expenses amounted to approximately RMB13.6 million (Year 2019: approximately RMB15.7 million), representing a decrease of approximately 13.3%, mainly due to the decrease in professional fees and a decrease in mobility leading to the decrease in related travelling expenses.

Income tax expenses

The Group's income tax expenses amounted to approximately RMB76,000 for Year 2020, and approximately RMB260,000 for Year 2019. Income tax expenses for Year 2020 were due to profits arising from the sale of an original movie script copyright and publishing of advertisements, which were set off with losses carried forward, as well as payments on under provision of enterprise income tax in Year 2019. Accordingly, no significant provision was made for Hong Kong profits tax and PRC enterprise income tax in Year 2020. Income tax expenses for Year 2019 were arising from the program production segment. PRC enterprise income tax for subsidiaries incorporated in the PRC is calculated at 25% on assessable profits during the year. Hong Kong profit tax is calculated at 8.25% on the first HK$2 million of the estimated assessable profit and 16.5% on the estimated assessable profit above HK$2 million during the year. The income tax expenses recognised in the relevant periods are in accordance with the relevant laws and regulations.

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

The Group's profit attributable to owners of the Company amounted to approximately RMB20.0 million, while for Year 2019 the Group's profit attributable to owners of the Company was approximately RMB1.6 million (including financial results from discontinued operation in Year 2019). The increase in profit attributable to owners of the Company was mainly attributable to (1) transfer of original movie script copyright; (2) online advertising; and (3) relevant business derived from artist management.

Financial resources, liquidity and capital structure

For Year 2020, the Group continued to finance its working capital through cash flows generated from operating activities, shareholders' loan and shareholders' equity. As at 31 December 2020, the Group had net current assets of approximately RMB109.3 million (as at 31 December 2019: approximately RMB75.6 million) including cash and cash equivalents of approximately RMB11.4 million (as at 31 December 2019: approximately RMB11.5 million). The increase in net current assets was due to the Group's involvement in creation, pre-production planning and production management projects. The current ratio, calculated as the ratio of current assets to current liabilities, was approximately 2.0 times as at 31 December 2020 (as at 31 December 2019: approximately 1.7 times). The capital of the Group comprises solely of ordinary shares. Total equity attributable to owners of the Company amounted to approximately RMB67.5 million as at 31 December 2020 (as at 31 December 2019: approximately RMB38.1 million). The gearing ratio was 16.35%.

BUSINESS REVIEW AND PROSPECTS

The Group is principally engaged in the businesses of (i) program production, film and television program pre-production, distribution 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's revenue from program production and related services amounted to approximately RMB18.3 million for Year 2020 and approximately RMB34.9 million for the corresponding period last year. The decrease was mainly due to the postpone of the negotiation of licensing the broadcasting rights, amid the temporary suspension of the entertainment industry operations during the beginning of the year as a result of the pandemic of coronavirus disease 2019 ("COVID-19"), whereas the broadcasting rights of a serial program has been licensed in 2019.

In recent years, the Group has leveraged its own production experience and related resources to expand the program production segment to original script creation, adaptation, production, licensing, and related services. In the film and television industry chain, and in 2019 distributed its first serial program and in 2020 transferred its self-developed original movie script copyright to a renowned film and television company.

Due to the novel coronavirus outbreak, the entertainment industry was disrupted since early in the year with no actual timeline for resumption yet. The outbreak has delayed the licensing of broadcasting rights to two serial programs of the Group which was expected to be completed during the year. One of the serial programs was included on the list for the celebration of the 70th anniversary of the PRC by the National Radio and Television Administration. Management will work to facilitate their publishing subject to actual pandemic conditions.

During the year, the Group entered into agreements in relation to the adaptation, creation, and pre-production planning of films and television programs, including (1) two serial programs of approximately 12 and 65 episodes of urban and period drama respectively; (2) two online dramas of approximately 36 episodes; (3) a movie of approximately 120 minutes; and (4) a reality variety program.

The Group actively collaborates with more film and television production companies in the PRC engaging in the creation of film and television intellectual property, in order to obtain more potential resources and reserves of television programs, online dramas and movies in future. In the future, the Group will adapt, create and improve the pre-planning of film and television projects, and facilitate to promote the transfer of copyright of original script, and cooperate with major online video platforms to produce custom made and contractual movies and programs.

Concert and Event Organisation

Revenue from the event organisation segment decreased from approximately RMB9.5 million to approximately RMB1.2 million for Year 2020 (approximately 87.8%). The decrease was mainly due to the global suspension of concerts under the novel coronavirus outbreak.

The Group has entered into agreements to organise over 23 concerts (including K-pop artists and a renowned top singer from the PRC), which are expected to be rescheduled once the pandemic is under control. As "K-pop" remains popular, we have been building relationships with agencies for renowned Korean artists, and we hope to re-introduce the Korean wave into Mainland China at the appropriate time. We believe that the business opportunities in the Mainland China market for Korean artists (including fan meetings, concerts and other commercial activities) will contribute additional income sources for the Group at various levels, including but not limited to ticketing sales, advertising sponsorships, internet content promotion and sales of peripheral merchandise.

The Group anticipates that concerts to be organised will achieve positive results in future.

Mobile Live Broadcasting and E-commerce

Revenue from the mobile live broadcasting and e-commerce segment amounted to approximately RMB13.6 million for Year 2020, while no such revenue was recorded for the Year 2019. Under the impact of the COVID-19 pandemic, revenue was generated from online advertising on streaming media.

During the year 2020, the Group has entered into an agreement in relation to a development of mobile application. Due to mandatory quarantine and restrictions being imposed in Mainland China. Hong Kong and Taiwan under the pandemic, the transfer of mobile application has been postponed. Subject to the situation of the recovery of COVID-19, the management will use its best endeavor to liaise with the customer.

With advancements in internet technology, the fan economy of the entertainment industry has also experienced significant changes. Based on industry experience and resources accumulated over years of operations in the entertainment industry, the Group has dedicated efforts in building a fan-focused, content-driven platform for fan-celebrity interaction. In recent years, celebrities have turned from maintaining public social media accounts to publishing paid content, rewarding fans with exclusive online fan-service. Exclusive paid services feature original and creative interaction rather than regular and one-way content, which taps into the core fanbase to create an impetus for sustainable development. The Group is gradually optimising and integrating "Great Star" and "Aiwoo" with self-developed technology, implementing fan-celebrity online interaction elements, which can be used to bridge promotion and planning businesses for more of our contracted artists.

In preparation for the upcoming Tokyo Olympics, the Group has created a fan-page for our contracted world champion athletes by the Group on the mobile application. The Group believes that the broadcast of related exclusive information on the platform will drive the mobile application's traffic, in turn increasing the number of active registered users, which will provide positive support for the development of the mobile live broadcasting and online entertainment e-commerce segment.

On 20 July 2020, the Group and China General Chamber of Commerce ("CGCC"), an organisation under the State-owned Assets Supervision and Administration Commission of the State Council, entered into a non-legally binding strategic cooperation framework agreement (the "Framework Agreement").

Under the Cooperation Agreement, the Company and CGCC might establish a cooperative company based on the requirement of projects. The Group, as a partner, shall responsible for integration of the operations and implementation for all mobile live broadcast and e-commerce online projects, including but not limited to Internet e-commerce resources, celebrities and artistes invitation, multi-channel network organisation operation and maintenance, project training, event planning, marketing and other related businesses.

CGCC is a national non-profit organisation registered with the Ministry of Civil Affairs and has the status of a non-profit organisation legal capacity. It is affiliated to the State-owned Assets Supervision and Administration Commission of the State Council with members engaging in commodity production, commodity circulation, food and beverage and service industry sectors. CGCC has more than 3,400 and more than 80,000 direct members and indirect members respectively. It manages 39 national professional associations, including media shopping professional committee*, chinese time-honoured brand committee*, procurement association branch*, outlet association branch*, shopping center association branch*, retail supplier committee*, e-commerce association branch*, commodity trading market committee*, trade and logistics committee*, health and beauty Industry committee*, wedding industry committee*, luxury jewellery committee*, maternal and child industry association branch* and other industry associations, covering enterprises and institutions in commodity production, commodity circulation, catering and service industries. CGCC is an alliance of the Asia-Pacific Retailers Association and the member of the Forum for International Retail Association Executives.

The Group has established an experienced team and a good reputation and has a wide range of synergistic resources through providing planning and promotion as well as integration of resources and marketing services to a number of domestic and foreign companies in Mainland China. The cooperation with the CGCC further acknowledge the capabilities and experience of the Group and the team. The Group believes this is an extraordinary opportunity to expand its market share. At the same time, the Group and the CGCC will be able to mobilise their respective advantageous resources, generate synergies, empower future development and create values.

As of the date of this announcement, no legally binding arrangements have been entered into.

The cooperation did not constitute a notifiable transaction of the Company.

Artist Management

Revenue amounted to approximately RMB12.6 million for the year ended 31 December 2020 and approximately RMB3.8 million for the corresponding period last year. The increase was mainly due to commercial activities for our contracted world champion athletes and artists being arranged through the Group, including advertisements, commercials, promotions and endorsements.

In Year 2020, the Group entered into promotional services contracts with several customers for arranging jobs for our contracted artists. The management recognised relevant contracts in a mix of gross and net basis based on the facts and circumstances of specific transactions. The total contracted amount was approximately RMB23.7 million for the year. During the year, the Group recorded revenue of approximately RMB12.6 million.

On 18 November 2020, Beijing Octagons Impact Communications Co. Ltd. ("Octagons Impact"), an indirectly wholly-owned subsidiary of the Group, entered into an equity transfer agreement (the "Transfer Agreement") and a trademark licensing agreement (the "Licensing Agreement") with two companies under a renowned artist of the PRC ("Artist Company A" and "Artist Company B", collectively the "Artist Companies"), respectively. The artist and the Artist Companies and its ultimate beneficial owners are independent third parties of and not connected with the Company and its connected persons. Octagons Impact transferred 50% of its equity to Artist Company A at consideration of RMB1, while Artist Company B licensed to Octagons Impact the exclusive rights of approved registered merchandise and/or services (excluding apparel) ("Licensed Products") under its registered trademark at nil consideration. Artist Company B has the rights to use such trademark for its own purposes. The licensed geographical region covers Mainland China and Octagons Impact has the priority to obtain the licensing rights if other regions are subsequently added to coverage. The licensing period is for a term of 10 years from the date of the licensing agreement, 18 November 2020, to 17 November 2030. Octagons Impact will be responsible for the entire marketing of the Licensed Products, including development, production, and sales. The licensing scope of each Licensed Products and its commercial value and corresponding revenue being generated are subject to separate agreements to be entered into by both parties. The purpose of the Licensing Agreement is to specify the intention and direction of cooperation between the parties and to serve as a basis for both negotiations. As of the reporting date, both parties have not entered into any binding agreement in respect of any items. The transaction is based on the net asset value of Octagons Impact being net liabilities, nil revenue for the period as well as incurring a loss, no specific design, production and sales history for products to Octagons Impact prior to entering into the agreement, and future working capital requirements. Upon completion of the transaction, Octagons Impact has become an associate of the Company. The disposal did not constitute a notifiable transaction.

The Artist Companies are limited companies incorporated in Mainland China engaging in entertainment industry businesses, investment and asset management. The Artist Companies are controlled by a renowned actor and singer of Mainland China. He participated frequently in variety programs and was the lead in various serial programs of the PRC published by renowned online platforms and television stations of the PRC.

In the past, the Group has been successful in providing planning, promotional, advertising, resource integration and marketing services in Mainland China to several domestic and foreign companies, and has established an experienced team and good reputation as well as having extensive synergistic resources in this segment. In this cooperation with the Artist Companies, the Group will devote its wealth of resources from its own businesses and collaborate with his celebrity brand to leverage the resources to achieve synergy. We hope to leverage on the experience of the artist as well as his reputation and influence in the entertainment and film and television industry in the PRC, discover quality young artists and trainees through Mainland variety programs and commercial activities, and in turn build an idol group in the PRC, expanding the artist management segment through variety program and serial program appearances, commercial performances and commercial endorsements, which will synergise with the development of other segments, and through commercialised operating model planning, expand event organisation, commercial performances, variety performances, training and promotion, and even development and sales of derivative peripheral products, thus achieving synergistic business opportunities in program production, planning, promotion, event organisation, expansion of film and television segment, e-commerce and so on for the Group.

The equity transfer was completed on 30 November 2020.

The Group also introduced a renowned artist and various young trainees to join the Group during the period. The young trainees are professional street dancers who have won awards in national street dance competitions. With the International Olympic Committee added breakdance as an official Olympic event in 2024, the Group believes that the popularity of breakdance, whether as a competitive sport, variety entertainment or to create new opportunities for commercial activities, will be pushed to new heights.

As the 2020 Tokyo Summer Olympics is set to be held in July 2021, the commercial value of world champion athletes will increase. The Group believes that signing renowned world champion athletes would generate significant revenue for the Group. The Group will continue to seek opportunities for artists to work with clients or brands, as well as manage and promote our artists, trainees and star athletes, in order to create greater commercial value and revenue for the Group.

Despite various external challenges facing the Group's businesses, the Group is confident that under the leadership of our experienced management and the strong teams formed by the seasoned staff, the Group will be able to overcome any and all challenges. The Group believes that our businesses will continue to improve with the support of various business opportunities currently under exploration.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2020, the Group had a total of 28 employees (2019: 30). The decrease was mainly due staff resignations in the fourth quarter while suitable candidates for replacements have yet to be found. 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 discretionary bonuses to its employees based on individual performance.

FOREIGN EXCHANGE RISKS

Regular sales and purchases of the Group are mainly conducted in RMB. The Group will review and monitor the risk relating to foreign exchanges.

CAPITAL EXPENDITURE

The Group paid approximately RMB37,000 for the addition of property, plant and equipment during Year 2020 (Year 2019: approximately RMB1.3 million (for continuing operations)).

CAPITAL COMMITMENTS

As at 31 December 2020, the Group had capital commitments of approximately RMB52.3 million (Year 2019: Nil).

CONTINGENT LIABILITIES

As at 31 December 2020, the Group did not have any significant contingent liabilities.

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

Save for the share subscription completed on 23 January 2020 and the equity disposal of Octagons Impact disclosed above, there were no other significant investments held as at 31 December 2020 (as at 31 December 2019: nil) nor other material acquisitions and disposals of subsidiaries or affiliated companies made by the Group during Year 2020 (Year 2019: significant and connected transaction relating to disposal of 19.25% of equity interest of Capital Land Digital Entertainment Co. Ltd.).

CORPORATE GOVERNANCE

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 2020, 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 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 audited annual results of the Company for the year ended 31 December 2020 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 2020.

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 2020 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 2021 AGM of the Company will be held on 28 May 2021 (Friday) at 2:00 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 25 May 2021 (Tuesday) to 28 May 2021 (Friday), both days inclusive, for the purpose of ascertaining shareholders' entitlement to attend and vote at the 2021 AGM. In order to be eligible to attend and vote at the 2021 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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on 24 May 2021 (Monday).

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 2020 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, 29 March 2021

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.

* *For identification purposes only*