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Creative China Holdings Limited
中國創意控股有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock code: 8368)

ANNOUNCEMENT OF FIRST QUARTERLY RESULTS FOR THE THREE MONTHS ENDED 31 MARCH 2021

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 ended 31 March 2021, together with the unaudited comparative figures for the corresponding period in 2020, as follows:

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months ended 31 March 2021

		Three months ended 31 March	
		2021	2020
	Notes	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
Revenue	3	**7,230**	1,192
Direct costs		**(268)**	(823)
Gross profit		**6,962**	369
Other income		**121**	10
Other gains and losses		**167**	12
Selling and distribution costs		**(426)**	(554)
Administrative expenses		**(3,118)**	(3,149)
Profit/(loss) from operations		**3,706**	(3,312)
Finance cost		**(47)**	(68)
Profit/(loss) before income tax		**3,659**	(3,380)
Income tax expenses	4	**(478)**	–
Profit/(loss) for the period		**3,181**	(3,380)

		Three months ended 31 March	
		2021	2020
	Notes	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
Other comprehensive income/(loss) that may be reclassified subsequently to profit or loss:			
Exchange differences of translating foreign operations		**109**	(115)
Total comprehensive income/(loss) for the period		**3,290**	(3,495)
Profit/(loss) for the period attributable to:			
Owners of the Company		**3,212**	(3,348)
Non-controlling interests		**(31)**	(32)
		3,181	(3,380)
Total comprehensive profit/(loss) for the period attributable to:			
Owners of the Company		**3,320**	(3,459)
Non-controlling interests		**(30)**	(36)
		3,290	(3,495)
Earnings/loss per share:			
– Basic and diluted *(RMB cents)*	6	**0.20**	(0.22)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 2021

		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 2021 (audited)	13,188	165,378	5,362	9,300	467	(126,201)	67,494	(94)	67,400
Profit/(loss) for the period	–	–	–	–	–	3,212	3,212	(31)	3,181
Other comprehensive income	–	–	–	–	108	–	108	1	109
Total comprehensive income/(loss) for the period	–	–	–	–	108	3,212	3,320	(30)	3,290
Balance at 31 March 2021 (unaudited)	13,188	165,378	5,362	9,300	575	(122,989)	70,814	(124)	70,690
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	1,400	7,282	–	–	–	–	8,682	–	8,682
Loss for the period	–	–	–	–	–	(3,348)	(3,348)	(32)	(3,380)
Other comprehensive loss	–	–	–	–	(111)	–	(111)	(4)	(115)
Total comprehensive loss for the period	–	–	–	–	(111)	(3,348)	(3,459)	(36)	(3,495)
Balance at 31 March 2020 (unaudited)	13,188	165,378	5,362	9,300	(335)	(149,552)	43,341	(190)	43,151

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

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

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

2. BASIS OF PRESENTATION

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by Hong Kong Institute of Certified Public Accountants (hereinafter collectively referred to as the "HKFRSs") and the disclosure requirements of the Hong Kong Companies Ordinance.

In addition, the financial statements include applicable disclosures required by the GEM Listing Rules.

The unaudited condensed consolidated financial results have been prepared under the historical cost basis.

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

The accounting policies applied in the preparation of the unaudited condensed consolidated results are consistent with those adopted in the preparation of the annual consolidated financial statements of the Group for the year ended 31 December 2020, except that the Group has adopted a number of new or revised HKFRSs, which are newly effective for the period under review. The adoption of these new or revised HKFRSs had no change in significant accounting policies and no significant effect on the financial results of the current period. Also, no prior period adjustment is required.

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

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

3. REVENUE

Turnover of the Group represents revenue generated from (i) program production and related services, (ii) concert and event organisation and related services, (iii) mobile live broadcasting and e-commerce and related services, and (iv) artist management and related services. The amounts of each significant category of revenue recognised in turnover during the period are as follows:

	Three months ended 31 March	
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Program production and related income	**–**	–
Concert and event organisation and related services income	**–**	1,169
Mobile live broadcasting and e-commerce and related income	**4,430**	–
Artist management and related income	**2,800**	23
	7,230	1,192

4. INCOME TAX EXPENSES

	Three months ended 31 March	
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current tax – the PRC		
– provision for the period	**478**	–
Deferred tax	**–**	–
	478	–

Under the two-tiered profits tax rates regime, Hong Kong profits tax of the qualifying group entity is calculated at 8.25% (2020: 8.25%) on the first HK$2 million of the estimated assessable profits and 16.5% (2020: 16.5%) on the estimated assessable profits above HK$2 million during the period. 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% (2020: 25%) on the estimated assessable profits during the period.

5. DIVIDEND

The Directors do not recommend the payment of any dividend for the three months ended 31 March 2021 (2020: 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 31 March	
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Profit/(loss) for the purposes of basic earnings/(loss) per share	**3,212**	(3,348)

	Three months ended 31 March	
	2021	2020
	'000	*'000*
Number of shares		
Issued ordinary shares of 1 January	**1,581,578**	1,423,513
Effect of issuance of shares under placing *(note (i))*	**–**	119,851
Weighted average number of ordinary shares *(note (ii))*	**1,581,578**	1,543,364

Notes:

(i) 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.

(ii) Diluted earnings/(loss) per share was the same as basic earnings/(loss) per share as there were no potential dilutive ordinary shares outstanding for the three months ended 31 March 2021 and 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

Revenue of the Group for the three months ended 31 March 2021 amounted to approximately RMB7.2 million, representing an increase of approximately 506% as compared to that recorded for the three months ended 31 March 2020 of approximately RMB1.2 million. The Revenue was mainly generated from mobile live broadcasting and e-commerce and artist management segment. The increase in revenue mainly due to an event and some jobs were being orgainsed and arranged for our artists and world champion athletes in early 2021.

Gross profit

The gross profit for the three months ended 31 March 2021 amounted to approximately RMB7.0 million, representing an increase of gross profit margin of approximately 65.3% as comparing to that recorded in the corresponding period in 2020 of approximately RMB0.4 million. The improvement of gross profit margin was mainly contributed by mobile live broadcasting and e-commerce segment.

Expenses

Selling and distribution costs for the three months ended 31 March 2021 was approximately RMB0.4 million, which represented a decrease by approximately 23.1% as compared to the corresponding period in last year. The selling and distribution costs incurred for the three months ended 31 March 2021 were mainly for the maintenance of the mobile live broadcasting segment.

Administrative expenses for the three months ended 31 March 2021 amounted to approximately RMB3.1 million (three months ended 31 March 2020: approximately RMB3.1 million).

Income tax expenses

The Group had recorded PRC enterprise income tax expense of approximately RMB0.5 million for a subsidiary located in PRC for the three months ended 31 March 2021, while no such income tax expense was recorded for the corresponding period in 2020. The income tax expenses was due to the profit making under the mobile live broadcasting segment. There are no provision of Hong Kong profits tax for the three months ended 31 March 2021 and 2020 as no subsidiaries of the Company located in Hong Kong have recorded taxable profit during both periods. Under the two-tiered profits tax rates regime, Hong Kong profits tax of the qualifying group entity is calculated at 8.25% (2020: 8.25%) on the first HK$2 million of the estimated assessable profits and 16.5% (2020: 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% (2020: 25%) on the estimated assessable profits during the year.

Profit/(loss) for the period

Profit for the three months ended 31 March 2021 was approximately RMB3.2 million, while loss of approximately RMB3.4 million was recorded for the corresponding period in 2020. The increase in net profit after tax was mainly because the gross profit derived from the artist management segments.

USE OF PROCEED

Disposal of 19.25% of equity interest of Capital Land Digital Entertainment Co. Ltd

On 28 August 2019, the Group entered into equity transfer agreements with three different purchasers for the disposal of 19.25% of equity interest of Capital Land Digital Entertainment Co. Ltd., and the disposal was completed on 31 December 2019. The total consideration in cash was RMB15,400,000 and the net proceeds was amounted to RMB14,735,000. As at 31 March 2021, the net proceeds from Disposal has been utilised as follows:

– approximately RMB4,635,000 has been utilised to finance the production of TV serial programmes

– approximately RMB3,149,000 has been utilised to pay for concert organisation expenses

– approximately RMB4,951,000 million has been utilised for repayment of shareholders' loan

The remaining of approximately RMB2,000,000 will be used in paying for concert organisation expenses. Due to the pandemic of COVID-19, most of the concerts are tentatively to start resume at the earliest of the end of 2021 or early 2022, and the use of proceed for concert organisation is expected to be postponed.

The details of the Disposal can be referred to the circular of the Company dated 24 September 2019.

BUSINESS REVIEW AND PROSPECTS

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

Program production and related services

The Group has not recorded revenue in program production and related services for the three months ended 31 March 2021 and 2020.

The Group will continue to work on 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, in order to generate revenue in 2021.

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

The Group has not recorded revenue from concert and event organisation segment in the three months ended 31 March 2021, while there were approximately RMB1.2 million revenue recorded in the same period in 2020. The decrease was mainly due to the global suspension of concerts under the novel coronavirus outbreak, therefore there is no concert being organised during the period.

The Group has entered into agreements with certain Korean pop singers and a renowned top league PRC singer to organise concerts in 2021 and 2022. Subject to the situation of the COVID-19 pandemic, the Group expects that certain concerts will be held in the fourth quarter of 2021 and early 2022.

Mobile live broadcasting and e-commerce

Revenue from the mobile live broadcasting and e-commerce segment amounted to approximately RMB4.4 million for the three months ended 31 March 2021, while no revenue was recorded for the corresponding period of last year. Revenue was mainly derived from online advertisements and promotional services.

The Group will continue to work on the development of mobile application and the expansion planning for providing online fans and stars with the tools to participate and interact in order to generate more revenue to the Group.

Artist management

The revenue for the three months ended 31 March 2021 was approximately RMB2.8 million as compared to approximately RMB23,000 in the same period of last year. The increase was mainly due to commercial activities for our contracted world champion athletes and artists being arranged through the Group, including commercial promotions.

Our Group will continue to seek for opportunities between our artists and customers or brands, as well as managing and promoting our artists and/or athletic artists in order to bring more value to the Group.

Although the businesses of the Group are facing various external challenges in 2021, the Group will strive to make improvements and overcome the challenges under the leadership of our experienced management. Together with the various opportunities currently exploring, the Group believes our business will continue to improve.

PURCHASES, SALES OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries have purchased, sold or redeemed any of the Company's listed securities during the three months ended 31 March 2021.

SHARE OPTION SCHEME

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

COMPETING INTERESTS

During the three months ended 31 March 2021, none of the Directors, the controlling shareholders of the Company and their respective close associates (as defined in the GEM Listing Rules) as at 31 March 2021 had any interest in any business which competes or is likely to compete, directly or indirectly, with the business of the Group or any other conflicts of interest with the Group.

CORPORATE GOVERNANCE PRACTICES

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

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

The Board is pleased to report compliance with the code provisions of the CG Code for the three months ended 31 March 2021, except the following deviations (Code Provisions A.2.1, A.4.1 and C.2.5):

Chairman and Chief Executive Officer

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

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

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

Non-executive directors

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

Internal Audit Function

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

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct for dealing in securities of the Company by the directors (the "Required Standard of Dealings"). The Company has confirmed, having made specific enquiry of the directors, all the directors have complied with the Required Standard of Dealings throughout the three months ended 31 March 2021.

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules. The primary duties of the Audit Committee are to review and supervise the financial control, internal control and risk management systems of the Group, and provide advice and comments on the Group's financial reporting matters to the Board. As at the date of this announcement, the Audit Committee comprises three independent non-executive directors, namely Mr. Yau Yan Yuen, Ms. Fu Yuehong and Mr. Tan Song Kwang.

The unaudited condensed consolidated results of the Company for the three months ended 31 March 2021 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, 7 May 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.