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 中國創意
Creative China
Creative China Holdings Limited
中國創意控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8368)

**ANNOUNCEMENT OF FIRST QUARTERLY RESULTS
FOR THE THREE MONTHS ENDED 31 MARCH 2023**

**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 2023, together with the unaudited comparative figures for the corresponding period in 2022, as follows:

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months ended 31 March 2023

	<i>Notes</i>	Three months ended 31 March	
		2023	2022
		<i>RMB'000</i>	<i>RMB'000</i>
		(Unaudited)	(Unaudited)
Revenue	3	448	778
Direct costs		(1,619)	(990)
Gross loss		(1,171)	(212)
Other income		6	76
Other gains and losses		(551)	503
Impairment loss under expected credit loss model, net of reversal		(34)	–
Selling and distribution costs		(1,114)	(511)
Administrative expenses		(3,622)	(3,654)
Loss from operations		(6,486)	(3,798)
Finance costs		(207)	(27)
Loss before income tax		(6,693)	(3,825)
Income tax expenses	4	–	(25)
Loss for the period		(6,693)	(3,850)

		Three months ended 31 March	
		2023	2022
	<i>Notes</i>	RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Other comprehensive (expense)/income that may be reclassified subsequently to profit or loss:			
Exchange differences of translating foreign operations		<u>(201)</u>	<u>21</u>
Total comprehensive expense for the period		<u>(6,894)</u>	<u>(3,829)</u>
Loss for the period attributable to:			
Owners of the Company		<u>(6,682)</u>	<u>(3,807)</u>
Non-controlling interests		<u>(11)</u>	<u>(43)</u>
		<u>(6,693)</u>	<u>(3,850)</u>
Total comprehensive expense for the period attributable to:			
Owners of the Company		<u>(6,888)</u>	<u>(3,788)</u>
Non-controlling interests		<u>(6)</u>	<u>(41)</u>
		<u>(6,894)</u>	<u>(3,829)</u>
Loss per share:			
– Basic and diluted (<i>RMB cents</i>)	6	<u>(1.79)</u>	<u>(1.13)</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 2023

	Reserves					Accumulated losses	Equity	Non-controlling interests	Total
	Share capital	Share premium	Other reserve	Merger reserve	Foreign exchange reserve		attributable to the owners of the Company		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2023 (audited)	15,505	200,299	3,784	9,300	894	(53,563)	176,219	1,498	177,717
Loss for the period	-	-	-	-	-	(6,682)	(6,682)	(11)	(6,693)
Other comprehensive (loss)/income	-	-	-	-	(206)	-	(206)	5	(201)
Total comprehensive expense for the period	-	-	-	-	-	(6,682)	(6,888)	(6)	(6,894)
Balance at 31 March 2023 (unaudited)	<u>15,505</u>	<u>200,299</u>	<u>3,784</u>	<u>9,300</u>	<u>688</u>	<u>(60,245)</u>	<u>169,331</u>	<u>1,492</u>	<u>170,823</u>
Balance at 1 January 2022 (audited)	13,810	169,166	5,362	9,300	665	(102,640)	95,663	(155)	95,508
Loss for the period	-	-	-	-	-	(3,807)	(3,807)	(43)	(3,850)
Other comprehensive income	-	-	-	-	19	-	19	2	21
Total comprehensive income/(expense) for the period	-	-	-	-	19	(3,807)	(3,788)	(41)	(3,829)
Issue of shares under consideration shares	<u>1,695</u>	<u>7,199</u>	<u>(1,578)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,316</u>	<u>-</u>	<u>7,316</u>
Balance at 31 March 2022 (unaudited)	<u>15,505</u>	<u>176,365</u>	<u>3,784</u>	<u>9,300</u>	<u>684</u>	<u>(106,447)</u>	<u>99,191</u>	<u>(196)</u>	<u>98,995</u>

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, 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.

The principal activity of the Company is investment holding while its subsidiaries are principally engaged in serial program/film production and related services and film rights investment, concert and event organisation services, mobile application development and operation services and artist management.

2. BASIS OF PRESENTATION

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

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

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

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

The accounting policies applied in the preparation of the unaudited condensed consolidated results are consistent with those adopted in the preparation of the annual consolidated financial statements of the Group for the year ended 31 December 2022, 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

Revenue of the Group represents revenue generated from (i) serial program/film production and related services and film rights investment, (ii) concert and event organisation and related services, (iii) mobile application development and operation and related services, and (iv) artist management and related services. The amounts of each significant category of revenue recognised during the period are as follows:

	Three months ended 31 March	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Serial program/film production and related services and film rights investment	–	155
Concert and event organisation and related income	–	–
Mobile application development and operation and related income	111	–
Artist management and related income	337	623
	<u>448</u>	<u>778</u>

4. INCOME TAX EXPENSES

	Three months ended 31 March	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Current tax – the PRC		
– Provision for the period	–	25
	<u>–</u>	<u>25</u>

Under the two-tiered profits tax rates regime of Hong Kong Profits Tax, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. Accordingly, the Hong Kong Profits Tax of the qualifying group entity is calculated at 8.25% on the first HK\$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK\$2 million. Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both periods.

5. DIVIDEND

The Directors do not recommend the payment of any dividend for the three months ended 31 March 2023 (2022: nil).

6. LOSS PER SHARE

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

	Three months ended 31 March	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Loss for the purposes of basic loss per share	(6,682)	(3,807)
	Three months ended 31 March	
	2023	2022
	'000	'000
Number of shares		
Issued ordinary shares of 1 January	372,987	331,316
Effect of issuance of shares under consideration shares (notes (i) and (ii))	–	4,980
Weighted average number of ordinary shares (note (iii))	372,987	336,296

Notes:

- (i) On 1 December 2021, Beijing Chuangju Shi Dai Cultural Communication Limited (the “Vendor”), the Company and Beijing Emphasis Media Company Limited (the “Purchaser”), an indirect wholly owned subsidiary of the Company, entered into the equity transfer agreement, pursuant to which the Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to acquire, 10% equity interests of Beijing Yiju Creative Technology Limited at the consideration of RMB2,112,900, which would be settled by the allotment and issue of 5,671,467 consideration shares by the Company to the Vendor or its nominee(s) at the issue price of HK\$0.456 per consideration share on the completion date. The transaction is completed on 31 January 2022.
- (ii) On 20 October 2021, the Company, CCH Film Production Limited, Truth Pictures (Hong Kong) Limited (“Truth Pictures”), Yuanxin Pictures (Beijing) Limited (“Yuanxin”) (Truth Pictures and Yuanxin, collectively as “Cooperation Partners”) and Mr. Liang Long Fei, as the Guarantor, entered into a cooperation agreement (“Cooperation Agreement”), pursuant to which the Group and Cooperation Partners have conditionally agreed to carry out the cooperation in the distribution of the 6 foreign imported films (“Target Films”) in the PRC at the consideration of RMB30,000,000, which would be settled by the allotment and issue of the 36,000,000 consideration shares by the Company to the Cooperation Partners or their nominee(s) at the Issue Price of HK\$1 per consideration share on the completion date. The transaction is completed on 29 March 2022.
- (iii) Diluted (loss)/earnings per share was the same as basic (loss)/earnings per share as there were no potential dilutive ordinary shares outstanding for the three months ended 31 March 2023 and 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

Revenue of the Group for the three months ended 31 March 2023 amounted to approximately RMB0.4 million, representing a decrease of approximately 42.5% as compared to that recorded for the three months ended 31 March 2022 of approximately RMB0.8 million. The revenue was mainly generated from mobile application development and operation and artist management segment. The decrease in revenue mainly due to no revenue from serial program/film production and related services and film rights investment segment during the reporting period and the ongoing artist endorsement project has not yet recognized as revenue during the period.

Gross loss

The gross loss for the three months ended 31 March 2023 amounted to approximately RMB1.2 million, representing an increase of approximately 451.9% as comparing to gross loss that recorded in the corresponding period in 2022 of approximately RMB0.2 million. The gross loss was mainly due to the marketing cost of livestreaming e-commerce.

Expenses

Selling and distribution costs for the three months ended 31 March 2023 was approximately RMB1.1 million, which represented an increase by approximately 118.8% as compared to the corresponding period in last year. The selling and distribution costs incurred for the three months ended 31 March 2023 were mainly for the livestreaming e-commerce of the mobile application development and operation segment.

Administrative expenses for the three months ended 31 March 2023 amounted to approximately RMB3.6 million (three months ended 31 March 2022: approximately RMB3.7 million).

Income tax expenses

The Group had not recorded PRC enterprise income tax expense for the three months ended 31 March 2023, while such income tax expense of RMB25,000 was recorded for the corresponding period in 2022. There are no provision of Hong Kong profits tax for the three months ended 31 March 2023 and 2022 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% (2022: 8.25%) on the first HK\$2 million of the estimated assessable profits and 16.5% (2022: 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% (2022: 25%) on the estimated assessable profits during the year.

Loss attributable to owners of the Company for the period

Loss attributable to owners of the Company for the three months ended 31 March 2023 was approximately RMB6.7 million, while loss of approximately RMB3.8 million was recorded for the corresponding period in 2022. The loss was mainly due to increase in (i) costs in relation to livestreaming e-commerce segment; (ii) exchange losses, and (iii) interest in borrowings.

BUSINESS REVIEW AND PROSPECTS

The Group is principally engaged in the businesses of (i) serial program/film production and related services and film rights investment; (ii) concert and event organisation and related services; (iii) mobile application development and operation and related services; and (iv) artist management.

Serial program/film production and related services and film rights investment

The Group has not recorded for the three months ended 31 March 2023, as comparing to of approximately RMB0.2 million for the corresponding period last year.

The Group will continue to actively collaborate 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. The Group continues to leverage its own production experience and related resources to expand the segment in original script creation, adaptation, production, licensing, film rights investment and related services, in order to create more value to the Group.

Concert and event organisation

The Group has not recorded revenue from concert and event organisation segment in the three months ended 31 March 2023 and for the same period in 2022.

The Group has liaised with the artistes to reschedule concerts. The Group expects to bring revenue to the Group this year.

Mobile application development and operation

Revenue from the mobile application development and operation segment amounted to approximately RMB0.1 million for the three months ended 31 March 2023, while no revenue was being recorded for the corresponding period of last year.

The Group will continue to get into in-depth cooperation with well-known celebrities to deeply cultivate the huge emerging market of live streaming e-commerce.

Artist management

The revenue for the three months ended 31 March 2023 was approximately RMB0.3 million as compared to approximately RMB0.6 million in the same period of last year. The decrease was due to the ongoing artist endorsement project has not yet recognized as revenue during the period.

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 2023, 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 businesses 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 2023.

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 2023, 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 2023 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 2023, except the following deviations (Code Provisions C.2.1 and D.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. The Board will regularly review the need to appoint different individuals to perform the roles of chairman and chief executive officer separately.

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 2023.

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 2023 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, 9 May 2023

As at the date of this announcement, the Board of Directors of the Company comprises Mr. Philip Jian Yang as executive director; 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 the Stock Exchange website at www.hkexnews.hk on the "Latest Listed Company Information" 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.