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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 ANNUAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2023
AND CHANGE IN USE OF PROCEEDS**

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 2023

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 2023, together with comparative figures for the preceding financial year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2023

| | <i>Notes</i> | 2023 <i>RMB'000</i> | 2022 <i>RMB'000</i> |
|--------------------------------------------------------------------------------------------|--------------|-------------------------------|------------------------|
| Revenue | 5 | 184,796 | 152,688 |
| Direct costs | | (110,732) | (80,036) |
| Gross profit | | 74,064 | 72,652 |
| Other income | 6 | 40 | 293 |
| Other gains and losses | 7 | (2,609) | 8,832 |
| Impairment loss under expected credit loss model, net of reversal | | (2,580) | (3,089) |
| Selling and distribution costs | | (3,438) | (4,236) |
| Administrative expenses | | (20,904) | (14,659) |
| Finance costs | 8 | (811) | (458) |
| Profit before taxation | 9 | 43,762 | 59,335 |
| Taxation | 10 | (1,909) | (10,338) |
| Profit for the year | | 41,853 | 48,997 |
| Other comprehensive income that may be reclassified subsequently to profit or loss: | | | |
| Exchange differences on translating foreign operations | | 123 | 212 |
| Total comprehensive income for the year | | 41,976 | 49,209 |
| Profit (loss) for the year attributable to: | | | |
| Owners of the Company | | 43,854 | 49,077 |
| Non-controlling interests | | (2,001) | (80) |
| | | 41,853 | 48,997 |

| | <i>Note</i> | 2023 <i>RMB'000</i> | 2022 <i>RMB'000</i> |
|-------------------------------------------------------------------------------|-------------|--------------------------------------|------------------------|
| Total comprehensive income (expense) for the year attributable to: | | | |
| Owners of the Company | | 43,982 | 49,306 |
| Non-controlling interests | | (2,006) | (97) |
| | | 41,976 | 49,209 |
| Earnings per share attributable to owners of the Company | | | |
| – Basic and Diluted (<i>RMB cents</i>) | 12 | 10.82 | 13.49 |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

| | <i>Notes</i> | 2023 RMB'000 | 2022 RMB'000 (restated) |
|----------------------------------------------|--------------|-------------------------------|-------------------------------|
| Non-current assets | | | |
| Property, plant and equipment | | 278 | 522 |
| Right-of-use assets | | 636 | 3,933 |
| Intangible asset | | 4,144 | 5,830 |
| Interest in a joint venture | | – | – |
| Trade receivables | 14 | – | 18,304 |
| Deferred tax assets | | 866 | 882 |
| | | <hr/> | <hr/> |
| Total non-current assets | | 5,924 | 29,471 |
| Current assets | | | |
| Serial program rights | 13 | 8,851 | 8,785 |
| Trade and other receivables | 14 | 322,941 | 276,558 |
| Amounts due from non-controlling interests | | 126 | 1,876 |
| Bank balances and cash | | 25,660 | 24,044 |
| | | <hr/> | <hr/> |
| Total current assets | | 357,578 | 311,263 |
| | | <hr/> | <hr/> |
| Total assets | | 363,502 | 340,734 |
| Current liabilities | | | |
| Trade payables | 15 | 4,006 | 2,183 |
| Other payables and accruals | | 42,098 | 54,009 |
| Contract liabilities | | 16,201 | 18,589 |
| Tax payables | | 15,568 | 17,704 |
| Lease liabilities | | 659 | 2,608 |
| Amounts due to shareholders | | – | 29,891 |
| Amount due to a director | | 5,995 | 5,909 |
| Amount due to a related party | | – | 4,671 |
| Bank borrowings | | 17,710 | 26,000 |
| | | <hr/> | <hr/> |
| Total current liabilities | | 102,237 | 161,564 |
| | | <hr/> | <hr/> |
| Net current assets | | 255,341 | 149,699 |
| | | <hr/> | <hr/> |
| Total assets less current liabilities | | 261,265 | 179,170 |

| | <i>Note</i> | 2023 RMB'000 | 2022 RMB'000 (restated) |
|-----------------------------------------------------|-------------|-------------------------------|-------------------------------|
| Non-current liabilities | | | |
| Lease liabilities | | — | 1,453 |
| Total liabilities | | 102,237 | 163,017 |
| NET ASSETS | | 261,265 | 177,717 |
| Capital and reserves | | | |
| Share capital | 16 | 22,605 | 15,505 |
| Reserves | | 239,168 | 160,714 |
| Equity attributable to owners of the Company | | | |
| Non-controlling interests | | (508) | 1,498 |
| TOTAL EQUITY | | 261,265 | 177,717 |

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

| | Reserves | | | | | Accumulated losses | Equity attributable to owners of the Company | Non-controlling interests | Total |
|----------------------------------------------------------------------------------|---------------|----------------|---------------|----------------|--------------------------|--------------------|----------------------------------------------|---------------------------|----------------|
| | Share capital | Share premium | Other reserve | Merger reserve | Foreign exchange reserve | | | | |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Balance at 1 January 2022 | 13,810 | 169,166 | 5,362 | 9,300 | 665 | (102,640) | 95,663 | (155) | 95,508 |
| Profit (loss) for the year | - | - | - | - | - | 49,077 | 49,077 | (80) | 48,997 |
| Other comprehensive income (expense) | - | - | - | - | 229 | - | 229 | (17) | 212 |
| Total comprehensive income (expense) for the year | - | - | - | - | 229 | 49,077 | 49,306 | (97) | 49,209 |
| Issue of shares under consideration shares, net of issuing expenses (note 16(a)) | 1,463 | 29,787 | - | - | - | - | 31,250 | - | 31,250 |
| Acquisition of additional interests from a non-controlling interest (note 16(b)) | 232 | 1,346 | (1,578) | - | - | - | - | - | - |
| Contribution from a non-controlling interest | - | - | - | - | - | - | - | 1,750 | 1,750 |
| Balance at 31 December 2022 and 1 January 2023 | 15,505 | 200,299 | 3,784 | 9,300 | 894 | (53,563) | 176,219 | 1,498 | 177,717 |
| Profit (loss) for the year | - | - | - | - | - | 43,854 | 43,854 | (2,001) | 41,853 |
| Other comprehensive income (expense) | - | - | - | - | 128 | - | 128 | (5) | 123 |
| Total comprehensive income (expense) for the year | - | - | - | - | 128 | 43,854 | 43,982 | (2,006) | 41,976 |
| Issue of shares, net of issuing expenses (note 16(c)) | 7,100 | 34,472 | - | - | - | - | 41,572 | - | 41,572 |
| Balance at 31 December 2023 | <u>22,605</u> | <u>234,771</u> | <u>3,784</u> | <u>9,300</u> | <u>1,022</u> | <u>(9,709)</u> | <u>261,773</u> | <u>(508)</u> | <u>261,265</u> |

Notes:

1. GENERAL INFORMATION

Creative China Holdings Limited (the “Company”) is a limited liability company incorporated in the Cayman Islands. 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. Up to the date of approval of the consolidation financial statements, 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. Mou Sufang.

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

The consolidated financial statements are presented in Renminbi (“RMB”), which is also the functional currency of the Company.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

New and amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) for the first time, which are mandatorily effective for the Group’s annual period beginning on 1 January 2023 for the preparation of the consolidated financial statements:

| | |
|--------------------------------------------------------------------------------|----------------------------------------------------------------------------------|
| HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17) | Insurance Contracts |
| Amendments to HKAS 8 | Definition of Accounting Estimates |
| Amendments to HKAS 12 | Deferred Tax related to Assets and Liabilities arising from a Single Transaction |
| Amendments to HKAS 12 | International Tax Reform – Pillar Two Model Rules |
| Amendments to HKAS 1 and HKFRS Practice Statement 2 | Disclosure of Accounting Policies |

Except as described below, the application of the amendments to HKFRSs in the current year has 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.

Impacts on application of Amendments to HKAS 1 and HKFRS Practice Statement 2 Disclosure of Accounting Policies

The Group has applied the amendments for the first time in the current year. HKAS 1 *Presentation of Financial Statements* is amended to replace all instances of the term “significant accounting policies” with “material accounting policy information”.

Accounting policy information is material if, when considered together with other information included in an entity’s financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information. HKFRS Practice Statement 2 *Making Materiality Judgements* (the “Practice Statement”) is also amended to illustrate how an entity applies the “four-step materiality process” to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments has had no material impact on the Group’s financial positions and performance but has affected the disclosure of the Group’s accounting policies set out in notes to the consolidated financial statements. In accordance with the guidance set out in the amendments, accounting policy information that is standardised information, or information that only duplicates or summarises the requirements of the HKFRSs, is considered immaterial accounting policy information and is no longer disclosed in the notes to the consolidated financial statements so as not to obscure the material accounting policy information disclosed in the notes to the consolidated financial statements.

Amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

| | |
|------------------------------------|----------------------------------------------------------------------------------------------------------------------------------|
| Amendments to HKFRS 10 and HKAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ¹ |
| Amendments to HKFRS 16 | Lease Liability in a Sale and Leaseback ² |
| Amendments to HKAS 1 | Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ² |
| Amendments to HKAS 1 | Non-current Liabilities with Covenants ² |
| Amendments to HKAS 7 and HKFRS 7 | Supplier Finance Arrangements ² |
| Amendments to HKAS 21 | Lack of Exchangeability ³ |

¹ Effective for annual periods beginning on or after a date to be determined.

² Effective for annual periods beginning on or after 1 January 2024.

³ Effective for annual periods beginning on or after 1 January 2025.

Except for the amendments to HKFRSs mentioned below, the directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

Amendments to HKAS 1 Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) (the “2020 Amendments”) and Amendments to HKAS 1 Non-current Liabilities with Covenants (the “2022 Amendments”)

The 2020 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:

- 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*.

- 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 the classification should not be affected by management intentions or expectations to settle the liability within 12 months.

For rights to defer settlement for at least twelve months from reporting date which are conditional on the compliance with covenants, the requirements introduced by the 2020 Amendments have been modified by the 2022 Amendments. The 2022 Amendments specify that only covenants with which an entity is required to comply with on or before the end of the reporting period affect the entity's right to defer settlement of a liability for at least twelve months after the reporting date. Covenants which are required to comply with only after the reporting period do not affect whether that right exists at the end of the reporting period.

In addition, the 2022 Amendments specify the disclosure requirements about information that enables users of financial statements to understand the risk that the liabilities could become repayable within twelve months after the reporting period, if an entity classifies liabilities arising from loan arrangements as non-current when the entity's right to defer settlement of those liabilities is subject to the entity complying with covenants within twelve months after the reporting period.

The 2022 Amendments also defer the effective date of applying the 2020 Amendments to annual reporting periods beginning on or after 1 January 2024. The 2022 Amendments, together with the 2020 Amendments, are effective for annual reporting periods beginning on or after 1 January 2024, with early application permitted. If an entity applies the 2020 Amendments for an earlier period after the issue of the 2022 Amendments, the entity should also apply the 2022 Amendments for that period.

Based on the Group's outstanding liabilities as at 31 December 2023, the application of the 2020 and 2022 Amendments will not result in reclassification of the Group's liabilities.

3. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. For the purpose of preparation to the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the "Listing Rules") and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis at the end of each reporting period.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are accounted for in accordance with HKFRS 16 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment of Assets*.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

4. SEGMENT REPORTING

The Group determines its operating segments based on the reports reviewed by the chief operating decision maker (“CODM”) 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:

– Serial Program/Film Production and Film Rights investment

Serial Program/Film Production and Film Rights Investment segment provides film and television program original script creation, adaptation, production and licensing and related production services and film rights investment.

– 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 Application Development and Operation

Mobile Application Development and Operation segment provides electronic platforms for entertainment contents consumption and e-commerce, such as online store. This segment also provides live streaming e-commerce, online advertising services, mobile application development and related services.

– Artist Management

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

(a) **Business segments**

For the year ended 31 December 2023

| | Serial Program/Film Production and Film Rights Investment <i>RMB'000</i> | Concert and Event Organisation <i>RMB'000</i> | Mobile Application Development and Operation <i>RMB'000</i> | Artist Management <i>RMB'000</i> | Total <i>RMB'000</i> |
|----------------------------------------------------|--------------------------------------------------------------------------------------------|--------------------------------------------------------|----------------------------------------------------------------------------|----------------------------------------|-------------------------|
| Revenue from contracts with customers | <u>170,911</u> | <u>8,652</u> | <u>3,510</u> | <u>1,723</u> | <u>184,796</u> |
| Represented by: | | | | | |
| Recognised over time | | | | | |
| – Provision of artist management services | - | - | - | 1,723 | 1,723 |
| Recognised at a point in time | | | | | |
| – Sale of script copyright and program | 62,148 | - | - | - | 62,148 |
| – Sale of film distribution and income rights | 101,216 | - | - | - | 101,216 |
| – Production or service income | 7,547 | - | - | - | 7,547 |
| – Live streaming e-commerce | - | - | 3,510 | - | 3,510 |
| – Concert and events income | - | 8,652 | - | - | 8,652 |
| Reportable segment revenue from external customers | <u>170,911</u> | <u>8,652</u> | <u>3,510</u> | <u>1,723</u> | <u>184,796</u> |
| Reportable segment profit (loss) | <u>68,000</u> | <u>(2,677)</u> | <u>(8,291)</u> | <u>(705)</u> | <u>56,327</u> |
| Interest income | 17 | - | 8 | 12 | 37 |
| Interest expense | (679) | (10) | (29) | (10) | (728) |
| Depreciation of right-of-use assets | (911) | (168) | (531) | (248) | (1,858) |
| Depreciation of property, plant and equipment | (3) | - | (259) | - | (262) |
| Amortisation of intangible asset | - | - | (1,686) | - | (1,686) |
| Reportable segment assets | 311,062 | 13,291 | 27,698 | 9,662 | 361,713 |
| Additions to non-current assets (<i>note</i>) | - | - | 425 | - | 425 |
| Reportable segment liabilities | <u>(51,342)</u> | <u>(8,419)</u> | <u>(11,883)</u> | <u>(15,951)</u> | <u>(87,595)</u> |

For the year ended 31 December 2022

| | Serial Program/Film Production and Film Rights Investment <i>RMB'000</i> | Concert and Event Organisation <i>RMB'000</i> | Mobile Application Development and Operation <i>RMB'000</i> | Artist Management <i>RMB'000</i> | Total <i>RMB'000</i> |
|----------------------------------------------------|--------------------------------------------------------------------------------------------|--------------------------------------------------------|----------------------------------------------------------------------------|----------------------------------------|-------------------------|
| Revenue from contracts with customers | <u>143,947</u> | <u>861</u> | <u>6,738</u> | <u>1,142</u> | <u>152,688</u> |
| Represented by: | | | | | |
| Recognised over time | | | | | |
| – Provision of artist management services | – | – | – | 1,142 | 1,142 |
| Recognised at a point in time | | | | | |
| – Sale of script copyright and program | 93,755 | – | – | – | 93,755 |
| – Sale of film distribution and income rights | 50,192 | – | – | – | 50,192 |
| – Live streaming e-commerce | – | – | 6,738 | – | 6,738 |
| – Concert and events income | – | 861 | – | – | 861 |
| Reportable segment revenue from external customers | <u>143,947</u> | <u>861</u> | <u>6,738</u> | <u>1,142</u> | <u>152,688</u> |
| Reportable segment profit (loss) | <u>73,428</u> | <u>(571)</u> | <u>(9,685)</u> | <u>(372)</u> | <u>62,800</u> |
| Interest income | 2 | – | 1 | 2 | 5 |
| Interest expense | (312) | (5) | (41) | (23) | (381) |
| Depreciation of right-of-use assets | (989) | (90) | (605) | (291) | (1,975) |
| Depreciation of property, plant and equipment | (94) | – | (94) | – | (188) |
| Amortisation of intangible asset | – | – | (1,686) | – | (1,686) |
| Reportable segment assets | 287,706 | 16,190 | 21,102 | 8,614 | 333,612 |
| Additions to non-current assets (<i>note</i>) | 2,224 | 241 | 3,526 | – | 5,991 |
| Reportable segment liabilities | <u>(81,169)</u> | <u>(11,009)</u> | <u>(15,525)</u> | <u>(10,898)</u> | <u>(118,601)</u> |

Note: 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**

| | 2023 <i>RMB'000</i> | 2022 <i>RMB'000</i> |
|--------------------------------------------------------------------------------------------------|------------------------|------------------------|
| Revenue | | |
| Reportable segment revenue from external customers | <u>184,796</u> | <u>152,688</u> |
| | 2023 <i>RMB'000</i> | 2022 <i>RMB'000</i> |
| Profit before taxation | | |
| Reportable segment profit | 56,327 | 62,800 |
| Unallocated other gains or losses: | | |
| – Net exchange (losses) gain | (116) | 3,319 |
| Unallocated other income: | | |
| – Interest income | 3 | – |
| Unallocated finance costs: | | |
| – Interest expense | (83) | (77) |
| Unallocated corporate expenses: | | |
| – Auditor's remuneration | (674) | (589) |
| – Directors' emoluments | (2,179) | (2,102) |
| – Legal and professional fee | (6,193) | (1,107) |
| – Salaries and other benefits for key management and administration staff | (1,203) | (1,100) |
| – General operating expenses | (370) | (1,809) |
| – Impairment loss under expected credit loss model on amount due from a non-controlling interest | <u>(1,750)</u> | <u>–</u> |
| Consolidated profit before taxation | <u>43,762</u> | <u>59,335</u> |
| | 2023 <i>RMB'000</i> | 2022 <i>RMB'000</i> |
| Assets | | |
| Reportable segment assets | 361,713 | 333,612 |
| Unallocated corporate assets: | | |
| – Property, plant and equipment | 31 | 37 |
| – Bank balances and cash | 1,288 | 6,403 |
| – Others | <u>470</u> | <u>682</u> |
| Consolidated total assets | <u>363,502</u> | <u>340,734</u> |
| | 2023 <i>RMB'000</i> | 2022 <i>RMB'000</i> |
| Liabilities | | |
| Reportable segment liabilities | 87,595 | 118,601 |
| Unallocated corporate liabilities: | | |
| – Accruals and other payables | 8,647 | 3,945 |
| – Amounts due to shareholders | – | 29,891 |
| – Amount due to a director | 5,995 | 5,909 |
| – Amount due to a related party | <u>–</u> | <u>4,671</u> |
| Consolidated total liabilities | <u>102,237</u> | <u>163,017</u> |

(c) **Geographic information**

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

| | 2023 <i>RMB'000</i> | 2022 <i>RMB'000</i> |
|-----------------------------------------------|------------------------|------------------------|
| Hong Kong | | |
| – Sale of film distribution and income rights | 39,198 | 50,192 |
| PRC | | |
| – Sale of film distribution and income rights | 62,018 | – |
| – Sale of script copyright and program | 62,148 | 93,755 |
| – Production or service income | 7,547 | – |
| – Provision of artist management services | 1,723 | 1,142 |
| – Live streaming e-commerce | 3,510 | 6,738 |
| Other countries in Southeast Asia | | |
| – Concert and event income | 8,652 | 861 |
| | <u>184,796</u> | <u>152,688</u> |

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 2023, revenues from five customers (2022: four customers) with whom transactions have exceeded 10% of the Group's revenue for the year. Details were as follows:

| | 2023 | 2022 |
|-------------------------------------------------------------|-----------------------|----------------|
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Customer I: | | |
| – Serial Program/Film Production and Film Rights Investment | 39,198 | 50,025 |
| Customer II: | | |
| – Serial Program/Film Production and Film Rights Investment | 33,019 | N/A* |
| Customer III: | | |
| – Serial Program/Film Production and Film Rights Investment | 29,000 | N/A* |
| Customer IV: | | |
| – Serial Program/Film Production and Film Rights Investment | 28,880 | N/A* |
| Customer V: | | |
| – Serial Program/Film Production and Film Rights Investment | 24,651 | N/A* |
| Customer VI: | | |
| – Serial Program/Film Production and Film Rights Investment | N/A* | 33,623 |
| Customer VII: | | |
| – Serial Program/Film Production and Film Rights Investment | N/A* | 29,167 |
| Customer VIII: | | |
| – Serial Program/Film Production and Film Rights Investment | N/A* | 16,981 |
| | 154,748 | 129,796 |

* The corresponding revenue for the customer did not contribute over 10% of the total revenue of the Group during the year.

5. REVENUE

Revenue of the Group represents revenue generated from (i) serial program/film production 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 year are as follows:

| | 2023 <i>RMB'000</i> | 2022 <i>RMB'000</i> |
|---------------------------------------------|------------------------|------------------------|
| Sale of film distribution and income rights | 101,216 | 50,192 |
| Sale of script copyright and program | 62,148 | 93,755 |
| Production or service income | 7,547 | – |
| Concert and events income | 8,652 | 861 |
| Livestreaming e-commerce | 3,510 | 6,738 |
| Provision of artist management services | 1,723 | 1,142 |
| | <u>184,796</u> | <u>152,688</u> |

All of the Group's sales contracts have an original expected duration of one year or less. As permitted under HKFRS 15, the transaction price allocated to the remaining performance obligation for these contracts is not disclosed.

6. OTHER INCOME

| | 2023 <i>RMB'000</i> | 2022 <i>RMB'000</i> |
|------------------------------------|------------------------|------------------------|
| Interest income from bank deposits | 40 | 5 |
| Rental income | – | 35 |
| Government subsidy (<i>note</i>) | – | 253 |
| | <u>40</u> | <u>293</u> |

Note: During the year ended 31 December 2022, the Group recognised government grants amounting to RMB124,000 (2023: nil) which was related to Anti-epidemic Fund provided by the government in Hong Kong.

7. OTHER GAINS AND LOSSES

| | 2023 <i>RMB'000</i> | 2022 <i>RMB'000</i> |
|------------------------------------------------------------------|------------------------|------------------------|
| Gain on early termination of lease contracts | 69 | – |
| Gain on disposal of property, plant and equipment | – | 509 |
| Gain on termination of a serial program right (<i>note 13</i>) | – | 5,004 |
| Net exchange (losses) gain | (2,678) | 3,319 |
| | <u>(2,609)</u> | <u>8,832</u> |

8. FINANCE COSTS

| | 2023 <i>RMB'000</i> | 2022 <i>RMB'000</i> |
|-------------------------------------------|------------------------|------------------------|
| Interest on bank borrowings | 624 | 224 |
| Interest on amount due to a related party | 75 | 72 |
| Interest on lease liabilities | 112 | 162 |
| | <u>811</u> | <u>458</u> |

9. PROFIT BEFORE TAXATION

| | 2023 <i>RMB'000</i> | 2022 <i>RMB'000</i> |
|------------------------------------------------------|------------------------|------------------------|
| Profit before taxation is arrived at after charging: | | |
| Staff costs (including directors' emolument) | 9,114 | 10,009 |
| Auditor's remuneration | 674 | 589 |
| Depreciation of property, plant and equipment | 271 | 200 |
| Depreciation of right-of-use assets | 2,026 | 2,062 |
| Amortisation of intangible asset | 1,686 | 1,686 |
| | <u>1,686</u> | <u>1,686</u> |

10. TAXATION

| | 2023 <i>RMB'000</i> | 2022 <i>RMB'000</i> |
|--------------------------------|------------------------|------------------------|
| Current tax – HK | | |
| – provision for the year | 2,005 | 2,427 |
| – overprovision in prior years | (222) | – |
| Current tax – the PRC | | |
| – provision for the year | 127 | 8,765 |
| – overprovision in prior years | (17) | – |
| Deferred taxation | 16 | (882) |
| Withholding tax | – | 28 |
| | <u>1,909</u> | <u>10,338</u> |
| Income tax expenses | <u>1,909</u> | <u>10,338</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%.

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 years.

As stipulated in Cai Shui [2011] No. [112] and Cai Shui [2021] No. [27], enterprises newly established in Khorgas special economic areas and engaged in the encouraged industries as defined under the 《新疆困難地區重點鼓勵發展產業企業所得稅優惠目錄》 (Catalogue of Key Encouraged Developing Industries for Enterprise Income Tax Benefits in Difficult Areas of Xinjiang (for identification purpose only)) could enjoy EIT exemption for five years starting from its first operation income-generating year during the period from 2011 to 2020, and from 2021 to 2030 respectively. Horgos Zongheng Infinite Cultural Media Co. Ltd. (“Horgos Zongheng”), a subsidiary of the Group is eligible for entitlement of EIT exemption from 1 January 2021 to 31 December 2025.

11. DIVIDEND

No dividend had been paid or declared by the Company during the year (2022: nil).

12. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

| | 2023 <i>RMB'000</i> | 2022 <i>RMB'000</i> |
|-----------------------------------------------------|------------------------|------------------------|
| Profit for the purposes of basic earnings per share | <u>43,854</u> | <u>49,077</u> |
| | 2023 '000 | 2022 '000 |
| Weighted average number of ordinary shares | <u>405,344</u> | <u>363,826</u> |

Note: No diluted earnings per share is presented as there were no potential ordinary shares in issue for both years.

13. SERIAL PROGRAM RIGHTS

| | Serial program rights <i>RMB'000</i> | Adaptation rights <i>RMB'000</i> | Total <i>RMB'000</i> |
|----------------------------------------------------------------------------------------------|--------------------------------------------|----------------------------------------|-------------------------|
| At 1 January 2022 | 107,687 | 4,167 | 111,854 |
| Additions | 13,749 | – | 13,749 |
| Termination of a serial program right Recognised as expenses included in cost of sales | (79,902) | – | (79,902) |
| | (37,301) | – | (37,301) |
| Exchange realignment | <u>–</u> | <u>385</u> | <u>385</u> |
| At 31 December 2022 and 1 January 2023 | 4,233 | 4,552 | 8,785 |
| Exchange realignment | <u>–</u> | <u>66</u> | <u>66</u> |
| At 31 December 2023 | <u>4,233</u> | <u>4,618</u> | <u>8,851</u> |

The serial program rights shown above included television drama series obtained by the Group under co-financing arrangements and belonging to the Serial Program/Film Production and Film Rights Investment segment.

During the year ended 31 December 2022, the Group entered into an agreement with an independent third party, for termination of the co-financing arrangement between the parties. Pursuant to the termination agreement, the Group would be entitled to a receivable amounting to RMB46,000,000, and released for the obligation of payable amounting to RMB44,850,000. A gain on termination of a serial program right amounting to RMB5,004,000 was recognised in profit or loss during the year ended 31 December 2022.

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 was recognised during both years.

14. TRADE AND OTHER RECEIVABLES

| | 2023 <i>RMB'000</i> | 2022 <i>RMB'000</i> |
|------------------------------------------|------------------------|--------------------------------------|
| Trade receivables, gross | 161,738 | 128,579 |
| Less: impairment allowance | <u>(4,552)</u> | <u>(3,599)</u> |
| Trade receivables, net | 157,186 | 124,980 |
| Prepayments and deposits (<i>note</i>) | 162,361 | 117,468 |
| Other receivables | 3,394 | 48,968 |
| Amount due from a joint venture | <u>–</u> | <u>3,446</u> |
| | <u>322,941</u> | <u>294,862</u> |
| | 2023 <i>RMB'000</i> | 2022 <i>RMB'000</i> (restated) |
| Analysed for reporting purpose of: | | |
| Amount shown under non-current assets | – | 18,304 |
| Amount shown under current assets | <u>322,941</u> | <u>276,558</u> |
| | <u>322,941</u> | <u>294,862</u> |

Note:

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

- (i) The balance included prepayment to event organisers of approximately RMB12,893,000 (2022: RMB15,700,000) 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 of approximately RMB26,879,000 (2022: RMB23,310,000) in relation to program production and live streaming services.
- (iii) The balance included prepayment for acquisition of serial program rights and film distribution and income rights amounting to approximately RMB121,665,000 (2022: RMB76,922,000) under Serial Program/Film Production and Film Rights Investment segment.

The Group has performed assessment on whether impairment indicator exists for the prepaid service fees for program production and live streaming services, prepayments for event or concert and for acquisitions of serial program rights and film distribution and income rights. Management considered the plans and status of utilisation of the prepayments. Based on the management's assessment, no impairment indicator has been identified for the prepayments.

Trade receivables in the prior year's consolidated financial statements amounting to approximately RMB18,304,000, net of impairment allowance, has been reclassified from current assets to non-current assets as at 31 December 2022 based on the contractual payment dates from January 2024 to April 2024 as stated in the sales agreement.

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

| | 2023 <i>RMB'000</i> | 2022 <i>RMB'000</i> |
|-----------------|------------------------|------------------------|
| Within 30 days | 56,986 | 47,756 |
| 31 to 90 days | 80,382 | 61,591 |
| 91 to 180 days | 3,216 | 437 |
| 181 to 365 days | – | 15,196 |
| Over 1 year | 16,602 | – |
| | <u>157,186</u> | <u>124,980</u> |

The normal credit period granted to trade debtors is generally within one year.

15. TRADE PAYABLES

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

| | 2023 <i>RMB'000</i> | 2022 <i>RMB'000</i> |
|----------------|------------------------|------------------------|
| 91 to 365 days | 2,000 | 200 |
| Over 365 days | 2,006 | 1,983 |
| | <u>4,006</u> | <u>2,183</u> |

16. SHARE CAPITAL

Authorised and issued share capital

| | 2023 | | | 2022 | | |
|---------------------------------------------------------------------------------------------------------------|----------------------|-----------------|---------------------------------|----------------------|-----------------|---------------------------------|
| | Number | <i>HK\$'000</i> | Equivalent to <i>RMB'000</i> | Number | <i>HK\$'000</i> | Equivalent to <i>RMB'000</i> |
| Authorised | | | | | | |
| Ordinary shares of HK\$0.05 each | <u>1,600,000,000</u> | <u>80,000</u> | <u>67,024</u> | <u>1,600,000,000</u> | <u>80,000</u> | <u>67,024</u> |
| Issued and fully paid | | | | | | |
| Ordinary shares | | | | | | |
| At beginning of year | 372,986,978 | 18,650 | 15,505 | 331,315,511 | 16,566 | 13,810 |
| Issue of shares under consideration shares (note (a)) | – | – | – | 36,000,000 | 1,800 | 1,463 |
| Issue of shares on acquisition of additional interests from a non-controlling interest (note (b)) | – | – | – | 5,671,467 | 284 | 232 |
| Issue of shares (note (c)) | 155,400,741 | 7,769 | 7,100 | – | – | – |
| At end of year | <u>528,387,719</u> | <u>26,419</u> | <u>22,605</u> | <u>372,986,978</u> | <u>18,650</u> | <u>15,505</u> |

Notes:

- (a) On 20 October 2021, the Group, Truth Pictures (Hong Kong) Limited and Yuanxin Pictures (Beijing) Limited (collectively the “Cooperation Partners”) and Mr. Liang Longfei (the “Guarantor”) entered into a cooperation agreement, pursuant to which (i) the Group and Cooperation Partners have conditionally agreed to carry out the cooperation in the distribution of the six foreign imported films in the PRC; and (ii) the consideration in the sum of RMB30,000,000 is payable by the Group to the Cooperation Partners, which would be settled by the allotment and issue of an aggregate of 36,000,000 consideration shares by the Company to the Cooperation Partners or their nominee(s) at the issue price of HK\$1.0 each according to the terms and conditions thereof. The transaction was completed on 29 March 2022. The transaction was treated as share-based payment transactions with the Cooperation Partners and the related film rights investment were recognised as assets at fair value at the date of acquisition in accordance with HKFRS 2. The fair value of the film rights investment amounting to approximately RMB31,250,000 were primarily valued based on the discount cash flows method using the discount rate of 21.7% based on the management’s estimation. During the year ended 31 December 2022, the Group has disposed of these film rights investment to an independent third party at a consideration of approximately RMB50,000,000.
- (b) On 1 December 2021, the Group and Beijing Chuangju Shi Dai Cultural Communication Limited (the “Vendor”) entered into an equity transfer agreement, pursuant to which the Vendor has conditionally agreed the sell and the Group 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 the 5,671,467 consideration shares by the Company to the Vendor or its nominee(s) at the issue price of HK\$0.456 each on the completion date. The transaction was completed on 31 January 2022.
- (c) On 22 May 2023, the Company entered into a share subscription agreement with an independent third party for subscription of 30,362,150 shares of the Company at the subscription price of HK\$0.214 per share. The share subscription was completed on 28 August 2023. The net proceed from the share subscription amounted to approximately RMB5,013,000, net of the transaction costs of issuing the shares.

On 19 June 2023, the Company entered into a share subscription agreement with an independent third party for subscription of 44,671,963 shares of the Company at the subscription price of HK\$0.214 per share. The share subscription was completed on 18 September 2023. The net proceed from the share subscription amounted to approximately RMB7,887,000, net of the transaction costs of issuing the shares.

On 19 June 2023, the Company entered into a share subscription agreement with an independent third party for subscription of 25,187,383 shares of the Company at the subscription price of HK\$0.214 per share. The share subscription was completed on 28 August 2023. The net proceeds from the share subscription amounted to approximately RMB4,457,000, net of the transaction costs of issuing the shares.

On 10 November 2023, the Company entered into a share subscription agreement with an independent third party for subscription of 35,990,566 shares of the Company at the subscription price of HK\$0.53 per share. The share subscription was completed on 27 December 2023. The net proceed from the share subscriptions amounted to approximately RMB15,856,000, net of the transaction costs of issuing the shares.

On 10 November 2023, the Company entered into a share subscription agreement with an independent third party for subscription of 19,188,679 shares of the Company at the subscription price of HK\$0.53 per share. The share subscription was completed on 27 December 2023. The net proceed from the share subscriptions amounted to approximately RMB8,359,000, net of the transaction costs of issuing the shares.

17. EVENTS AFTER THE REPORTING PERIOD

On 19 February 2024, the Company entered into the placing agreement with the placing agent, for the placing of 49,410,000 shares (“Placing Shares”) to not less than six placees at the placing price of HK\$0.50 per Placing Shares (the “Placing”). On 8 March 2024, a total of 49,410,000 Placing Shares have been successfully placed by the placing agent to not less than six placees at placing price of HK\$0.50 per Placing Shares, pursuant to the terms and conditions of the placing agreement. The net proceeds (after deducting the placing fee and other related expenses incurred in the placing) from the placing are approximately HK\$23,310,000.

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 2023 (“Year 2023”), the Group recorded revenue of approximately RMB184.8 million, representing an increase of approximately 21.0% over approximately RMB152.7 million for the year ended 31 December 2022 (“Year 2022”). The increase in revenue was mainly due to several sales of script copyrights, sales of distribution and income rights of films and holding multiple of concerts.

Gross profit

For Year 2023, the Group recorded gross profit of RMB74.1 million, representing an increase of approximately 1.9% over RMB72.7 million recorded in Year 2022. The increase in gross profit was mainly attributable to increase of gross profit from sale of distribution and income right of films.

Other income

Other income of the Group decreased from approximately RMB0.3 million in Year 2022 to approximately RMB0.04 million in Year 2023, mainly due to the government subsidy in last year.

Expenses

For Year 2023, selling and distribution costs amounted to approximately RMB3.4 million, as comparing to approximately RMB4.2 million (decreased by approximately 19.0%) from Year 2022, mainly due to lower of staff cost. For Year 2023, administrative expenses amounted to approximately RMB20.9 million, representing an increase of approximately 42.2%, as comparing to approximately RMB14.7 million in 2022. The increase mainly due to increase of legal and professional fee in Year 2023.

Income tax expenses

The Group's income tax expenses amounted to approximately RMB1.9 million for Year 2023, and approximately RMB10.3 million for Year 2022. Income tax expenses for Year 2023 were due to profits arising from the sale of several script copyrights. The provision of profit tax made for Hong Kong profits tax and PRC enterprise income tax in Year 2023 were RMB1.8 million and RMB0.1 million respectively. PRC enterprise income tax for subsidiaries incorporated in the PRC is calculated at 25% on assessable profits during the year. As stipulated in Cai Shui [2011] No. [112] and Cai Shui [2021] No. [27], enterprises newly established in Khorgas special economic areas and engaged in the encouraged industries as defined under the 《新疆困難地區重點鼓勵發展產業企業所得稅優惠目錄》 (Catalogue of Key Encouraged Developing Industries for Enterprise Income Tax Benefits in Difficult Areas of Xinjiang (for identification purpose only)) could enjoy EIT exemption for five years starting from its first operation income-generating year during the period from 2011 to 2020, and from 2021 to 2030 respectively. Horgos Zongheng Infinite Cultural Media Co. Ltd. ("Horgos Zongheng"), a subsidiary of the Group is eligible for entitlement of EIT exemption from 1 January 2021 to 31 December 2025. 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 attributable to owners of the Company for the year

The Group's profit attributable to owners of the Company amounted to approximately RMB43.9 million, while for Year 2022 the Group's profit attributable to owners of the Company was approximately RMB49.1 million. The decrease in profit attributable to owners of the Company was mainly due to increase in costs, legal and professional fees and increase of exchange loss.

Financial resources, liquidity and capital structure

For Year 2023, the Group continued to finance its working capital through cash flows generated from operating activities, loans and shareholders' equity. As at 31 December 2023, the Group had net current assets of approximately RMB255.3 million (as at 31 December 2022: approximately RMB149.7 million) including cash and cash equivalents of approximately RMB25.7 million (as at 31 December 2022: approximately RMB24.0 million). The increase in net current assets was mainly due to the increase in trade receivables and bank balance, repayment of loans and current liabilities. The current ratio, calculated as the ratio of current assets to current liabilities, was approximately 3.5 times as at 31 December 2023 (as at 31 December 2022: approximately 1.93 times). The capital of the Group comprises solely of ordinary shares. Total equity attributable to owners of the Company amounted to approximately RMB261.8 million as at 31 December 2023 (as at 31 December 2022: approximately RMB176.2 million). The gearing ratio for Year 2023 was negative, decrease from 23.87% in Year 2022.

Share subscription

(i) *ANL Subscription*

On 22 May 2023, the Company and ALPINE NOVA LIMITED (高星有限公司) entered into the share subscription agreement, pursuant to which ALPINE NOVA LIMITED has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue 30,362,150 ordinary shares (with a nominal value of HK\$1,518,107.5) at a subscription price of HK\$0.214 per subscription share, a discount of approximately 10.83% to the closing price of HK\$0.24 per share as quoted on the Stock Exchange on the date of the subscription agreement. The above subscription was completed on 28 August 2023 (“ANL Subscription”).

The aggregate gross proceeds of the subscription was HK\$6,497,500 and the aggregate net proceeds of the subscription was approximately HK\$5,664,487 (equivalent to RMB5,012,820), representing a net issue price of approximately HK\$0.187 per subscription share.

The Board considered that the subscription represents an opportunity to raise additional capital for the development of mobile application development and operation and related services, maintaining the Group’s working capital and business operation and will also enlarge the shareholders and capital base of the Company and strengthen the financial position of the Group.

As at 30 September 2023, the net proceeds from the ANL Subscription has been fully utilised as follows:

- approximately HK\$3,974,604 (equivalent to RMB3,517,349), has been utilised to finance mobile application development and operation and related services
- approximately HK\$1,689,883 (equivalent to RMB1,495,471), has been utilised for general working capital of the Company

(ii) *TKA Subscription*

On 19 June 2023, the Company and Tan Koon Aik entered into the share subscription agreement, pursuant to which Tan Koon Aik has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue 44,671,963 ordinary shares (with a nominal value of HK\$2,233,598.15) at a subscription price of HK\$0.214 per subscription share, a discount of approximately 17.69% to the closing price of HK\$0.26 per share as quoted on the Stock Exchange on the date of the subscription agreement. The above subscription was completed on 18 September 2023 (“TKA Subscription”).

The aggregate gross proceeds of the share subscription was RMB8,460,000 (equivalent to HK\$9,559,800) and the aggregate net proceeds of the share subscription, was approximately HK\$8,911,790 (equivalent to RMB7,886,540), representing a net issue price of approximately HK\$0.1995 per subscription share.

The Board considered that the share subscription represents an opportunity to raise additional capital for the development of mobile application development and operation and related services, maintaining the Group's working capital and business operation and will also enlarge the shareholders and capital base of the Company and strengthen the financial position of the Group.

As at 31 December 2023, the net proceeds from the TKA Subscription has been utilised as follows:

- approximately HK\$297,367 (equivalent to RMB278,208), has been utilised to finance mobile application development and operation and related services
- approximately HK\$2,625,423 (equivalent to RMB2,323,383), has been utilised for general working capital of the Company

As at 20 March 2024, the Board has resolved that the remaining of approximately HK\$5,989,000 (equivalent to RMB5,300,000), will be changed to use in serial program/film production and related services and film rights investment in Year 2024 (please refer to section under Change in use of proceeds).

(iii) TYJ Subscription

On 19 June 2023, the Company and Tan Yew Jing entered into the share subscription agreement, pursuant to which Tan Yew Jing has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue 25,187,383 ordinary shares (with a nominal value of HK\$1,259,369.15) at a subscription price of HK\$0.214 per subscription share, a discount of approximately 17.69% to the closing price of HK\$0.26 per share as quoted on the Stock Exchange on the date of the subscription agreement. The above subscription was completed on 28 August 2023 ("TYJ Subscription").

The aggregate gross proceeds of the TYJ Subscription was HK\$5,390,100 (equivalent to RMB4,770,000) and the aggregate net proceeds of the share subscription, was approximately HK\$5,036,942 (equivalent to RMB4,457,471), representing a net issue price of approximately HK\$0.2000 per subscription share.

The Board considered that the subscription represents an opportunity to raise additional capital for the development of mobile application development and operation and related services, maintaining the Group's working capital and business operation and will also enlarge the shareholders and capital base of the Company and strengthen the financial position of the Group.

As at 31 December 2023, the net proceeds from the TYJ Subscription has been utilised as follows:

- approximately HK\$728,029 (equivalent to RMB644,273), has been utilised to finance mobile application development and operation and related services
- approximately HK\$1,511,083 (equivalent to RMB1,337,241), has been utilised for general working capital of the Company

As at 20 March 2024, the Board has resolved that the remaining of approximately HK\$2,797,831 (equivalent to RMB2,475,956), will be changed to use in serial program/film production and related services and film rights investment in Year 2024 (please refer to section under Change in use of proceeds).

(iv) *AYY Subscription*

On 10 November 2023, the Company and Ang Yu Yuan Shawn entered into the share subscription agreement, pursuant to which Ang Yu Yuan Shawn has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue 35,990,566 ordinary shares (with a nominal value of HK\$1,799,528.30) at a subscription price of HK\$0.53 per subscription share, a discount of approximately 10.17% to the closing price of HK\$0.59 per share as quoted on the Stock Exchange on the date of the subscription agreement. The above subscription was completed on 27 December 2023 (“*AYY Subscription*”).

The aggregate gross proceeds of the *AYY Subscription* was HK\$19,075,000 (equivalent to RMB17,500,000) and the aggregate net proceeds of the share subscription, was approximately HK\$17,283,332 (equivalent to RMB15,856,268), representing a net issue price of approximately HK\$0.48 per subscription share.

The Directors considered that the *AYY Subscription* represents an opportunity to raise additional capital for the production of serial programs and films, provision of related services and film rights investment.

As at 31 December 2023, the net proceeds from the *AYY Subscription* has been utilised as follows:

- approximately HK\$12,098,332 (equivalent to RMB11,099,388), has been utilised to finance production of serial programs and films and related services, and film rights investment
- approximately HK\$5,052,322 (equivalent to RMB4,635,158), has been utilised for general working capital of the Company

As per announcement on 19 February 2024, the net proceeds from the AYY Subscription has been fully utilized. The remaining of approximately HK\$132,678 (equivalent to RMB121,723), has been be used for general working capital of the Company.

(v) ***SWS Subscription***

On 10 November 2023, the Company and Sia Wei Soon entered into the share subscription agreement, pursuant to which Sia Wei Soon has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue 19,188,679 ordinary shares (with a nominal value of HK\$959,433.95) at a subscription price of HK\$0.53 per subscription share, a discount of approximately 10.17% to the closing price of HK\$0.59 per share as quoted on the Stock Exchange on the date of the subscription agreement. The above subscription was completed on 27 December 2023 (“SWS Subscription”).

The aggregate gross proceeds of the SWS Subscription was HK\$10,170,000 (equivalent to RMB9,330,275) and the aggregate net proceeds of the share subscription, was approximately HK\$9,111,363 (equivalent to RMB8,359,049), representing a net issue price of approximately HK\$0.47 per subscription share.

The Directors considered that the SWS Subscription represents an opportunity to raise additional capital for the production of serial programs and films, provision of related services and film rights investment.

As at 31 December 2023, the net proceeds from the SWS Subscription has been utilised as follows:

- approximately HK\$6,377,954 (equivalent to RMB5,851,334), has been utilised to finance production of serial programs and films and related services, and film rights investment

As per announcement on 19 February 2024, the net proceeds from the SWS Subscription has been fully utilized, the remaining of approximately HK\$2,733,409 (equivalent to RMB2,507,715) has been be used for general working capital of the Company.

Change in use of proceeds

As disclosed above, the Company completed the TKA Subscription and TYJ Subscription on 18 September 2023 and 28 August 2023 respectively. The remaining net proceeds from TKA Subscription and TYJ Subscription are approximately HK\$5,989,000 (equivalent to RMB5,300,000) and of approximately HK\$2,797,831 (equivalent to RMB2,475,956) respectively, which were intended to be used in mobile application development and operation and related services.

Up to the date of this announcement, the Company has not utilised any amount of remaining net proceeds from the TKA Subscription and TYJ Subscription.

As per the latest Global Entertainment and Media Outlook 2023–2027: Mainland China summary of PwC, movie sub-segments of China’s entertainment and media industry maintain high growth, further supported by the China’s total box office in 2023 exceeded RMB54.9 billion indicates a significant rebound and potential for further expansion of the Chinese film industry.

As per Chairman’s Statement, the Group will seize the potential opportunity for further expansion of the Chinese film industry, devote resources on movie pre-production planning as well as creation of content, and steadily explore investment-related imported film business and expand its sources of income. Due to shift of the opportunities and strategic changes, the management proposed to allocate more resources to serial programs and films and related services, and film rights investment segment. The Directors are in the view of allowing more flexibility of the Group to use its cash.

At the date of this announcement, the Board resolved to change the proposed use of net proceeds from TKA Subscription and TYJ Subscription in the following manners:

| TKA Subscription | Intended use of net proceeds from TKA Subscription as disclosed in this announcement under Use of Proceed section <i>HK\$’000</i> | Utilised amount as at the date of this announcement <i>HK\$’000</i> | Revised use of net proceeds from the Subscription <i>HK\$’000</i> | Expected date of full utilisation of unused net proceeds |
|--------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------|
| Mobile application development and operation and related services | 6,286,367 | 297,367 | – | N/A |
| Working capital | 2,625,423 | 2,625,423 | – | N/A |
| Serial program/film production and related services and film rights investment | – | – | 5,989,000 | 31 December 2024 |
| | <u>8,911,790</u> | <u>2,922,790</u> | <u>5,989,000</u> | |

| TYJ Subscription | Intended use of net proceeds from TYJ Subscription as disclosed in this announcement under Use of Proceed section | Utilised amount as at the date of this announcement | Revised use of net proceeds from the Subscription | Expected date of full utilisation of unused net proceeds |
|--------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------|------------------------------------------------------------|-------------------------------------------------------------------|
| | HK\$'000 | HK\$'000 | HK\$'000 | |
| Mobile application development and operation and related services | 3,525,860 | 728,029 | – | N/A |
| Working capital | 1,511,083 | 1,511,083 | – | N/A |
| Serial program/film production and related services and film rights investment | – | – | 2,797,831 | 31 December 2024 |
| | 5,036,942 | 2,239,111 | 2,797,831 | |

The expected date of full utilisation of the unused net proceeds was based on the best estimation of the future market conditions made by the Group. It would be subject to change based on the current and future development of market conditions.

Save for the aforesaid changes, there are no other changes in the use of net proceeds from the TKA Subscription and TYJ Subscription.

The Directors consider that the change in the use of the remaining net proceeds from TKA Subscription and TYJ Subscription can increase the flexibility for the Group to use its cash resources and is more in line with the current needs of the Group. Thus, the Directors consider that the change in the net proceeds is in the interest of the Company and its shareholders as a whole.

BUSINESS REVIEW AND PROSPECTS

The Group is principally engaged in the businesses of (i) serial program/film production 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 film rights investment

The Group's revenue from serial program/film production and film rights investment amounted to approximately RMB170.9 million for Year 2023 and approximately RMB143.9 million for the corresponding period last year. The increase was mainly due to several sales of film rights investment.

The Group believes that Chinese's films industry has the potential expansion in the coming years. The Group will devote resources on movie pre-production planning as well as creation of content, and steadily explore investment related to the introduction of Imported Films business to broaden our source of income.

The Group actively collaborates with 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 program production segment to original script creation, adaptation, production, licensing, and related services, in order to create more self-developed film and serial program script copyrights.

Concert and event organisation

Revenue from the event organisation segment increased from Year 2022 of approximately RMB0.9 million to approximately RMB8.7 million for Year 2023. The increase was mainly due to after the epidemic, the entire market began to gradually resume and grow, several Korean concerts being held in Taipei and Bangkok in Year 2023.

In the future, the Group will explore business opportunities to organize more concerts and events in different regions.

Mobile application development and operation

Revenue from the mobile application development and operation segment amounted to approximately RMB3.5 million for Year 2023, representing a decrease of approximately 47.8% as comparing to approximately RMB6.7 million being recorded for Year 2022. Revenue are mainly from livestreaming e-commerce. The decrease in revenue was mainly due to fewer live broadcasts under the working schedule and time arrangements of the cooperating artists during the period.

During the year, the Group's live streaming e-commerce business continues to launch a number of live broadcasts on Taobao and Douyin, including in-depth cooperation with a well-known domestic singing artist and a well-known national singer and actor under the live broadcast studios named 365 Blessings on Taobao and Douyin. The Group will continue to innovate new live streaming e-commerce delivery models that are more competitive and larger in quantity, including in-depth cooperation with well-known celebrities and artists, actively training broadcast assistants, expand cooperation with brands and merchants for brand on-demand and introduce virtual human anchors.

Artist management

Revenue amounted to approximately RMB1.7 million for the year ended 31 December 2023 and approximately RMB1.1 million for the corresponding period last year, representing an increase of approximately 50.8%. The increase was mainly due to more commercial activities being arranged.

In the future, the Group intends to replenish and develop a more comprehensive performance and athlete stars team to bring greater value to 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. With various business opportunities that the Group is currently exploring, the Group believes that our business will continue to improve.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2023, the Group had a total of 29 employees (2022: 43). The decrease was mainly due to decrease of staff in the live streaming e-commerce businesses. 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 RMB24,000 for the addition of property, plant and equipment during Year 2023 (Year 2022: approximately RMB500,000).

COMMITMENTS

As at 31 December 2023, the Group had capital commitments of RMB47.0 million (Year 2022: RMB33.0 million).

CONTINGENT LIABILITIES

On 2 June 2020, New Talent Media, an indirect wholly-owned subsidiary of the Company, Mr. Wu Tingfei ("Mr. Wu"), being the largest shareholder of Beijing Summer Star Media Co., Ltd. ("Summer Star"), invited certain investors (the "Other Investors") entered into

investment agreements (the “Investment Agreements”) with the goal of preparing Summer Star for a listing in Hong Kong. Pursuant to the Investment Agreements, if Summer Star failed to list its shares in Hong Kong before 30 June 2021, or if Other Investors failed to realise their investment by placing their shares of Summer Star to third parties before 30 June 2021, Mr. Wu should purchase their shares of Summer Star at the consideration equivalent to aggregate investment amount of RMB10 million (the “Investment Amount”) and interest accrued from June 2015 up to the date of actual payment at the annual interest rate of 4.35%. If Mr. Wu was unable to assume responsibility towards the Investment Amount and interest accrued, New Talent Media together with other guarantors shall assume joint and several liability for the due performance and payment obligations of Mr. Wu in the Investment Agreements (the “Corporate Guarantee”).

Prior to the date of entering into the Investment Agreements in which New Talent Media agreed to provide the Corporate Guarantee, on 1 June 2020, Mr. Wu and Summer Star, as counter guarantors (collectively the “Counter Guarantors”), entered into the counter-guarantee agreement with New Talent Media (the “Counter-Guarantee Agreement”), pursuant to which the Counter Guarantors agreed to provide counter-guarantee by in respect of the Corporate Guarantee in favour of New Talent Media (“Counter-Guarantee”). The Counter-Guarantee Agreement aimed to provide a back-to-back guarantee to protect the interests of New Talent Media, including but not limited to the aggregate Investment Amount of RMB10 million and its interest accrued, liquidated damages, ancillary costs and expenses.

To secure the performance of Mr. Wu and its obligations as a Counter-Guarantor, Summer Star would assume the guarantee responsibility towards New Talent Media by using its entitlement to the income to be derived from its interest in a project under the Group. Any amount paid by New Talent Media due to the performance of its obligations as a guarantor under the Investment Agreements would be deducted from the Summer Star’s entitlement on a priority basis. Subsequent to entering into the Counter Guarantee Agreement, Summer Star’s entitlement to the income from the Project amounted to approximately RMB 37.1 million has been held by the Group (the “Withheld Payables”) and included in “other payables” line item.

As the listing of the shares of Summer Star did not take place before 30 June 2021 and Mr. Wu did not purchase Other Investors’ Summer Star Shares, Other Investors initiated a claim against Mr. Wu, New Talent Media and other guarantors. The amount jointly and severally guaranteed by New Talent Media and other guarantors was approximately RMB13.7 million, consisting of (i) aggregate Investment Amount of RMB10 million; and (ii) the total interest accrued in the amount of approximately RMB3.7 million. Pursuant to the judgments of the People’s Court of Futian, Shenzhen dated 30 March 2023, 26 May 2023 and 5 June 2023, on three cases of claims initiated by the Other Investors, it was held that Mr. Wu, New Talent Media and other guarantors, should pay the aggregate Investment Amount of RMB10 million and the total interest accrued in the amount of approximately RMB3.7 million according to the terms of the Investment Agreements. Appeals have been filed on 22 May 2023, 18 June 2023 and 18 June 2023, respectively, for the three cases with the Shenzhen Intermediate People’s Court and judgments of the appeals are pending as of the date of this announcement.

The Group will enforce the Counter-Guarantee to recover all the amounts which the Group is liable to pay under the Corporate Guarantee by offsetting the corresponding amounts against the Withheld Payables. The Counter-Guarantee would be able to mitigate any risk associated with the provision of the Corporate Guarantee by the Group. Based on the information currently available up to the date of this announcement, the Withheld Payables to Summer Star held by the Group is sufficient to cover any claims due to the litigation. In the opinion of the directors of the Company, the fair value of the Corporate Guarantee is considered insignificant.

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

There were no significant investments, material acquisitions or disposals held as at 31 December 2023 (as at 31 December 2022: (i) the equity transfer agreement dated 1 December 2021, and (ii) cooperation agreement dated 20 October 2021).

CORPORATE GOVERNANCE

The Board strives to uphold the principles of corporate governance set out in the Corporate Governance Code (the “CG Code”) contained in Part 2 of Appendix C1 to the GEM Listing Rules, and adopted various measures to enhance the internal control systems, the Directors’ continuous professional development and other areas of practice of the Company.

For the year ended 31 December 2023, the Company has complied with the code provisions set out in the CG Code 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. It was decided that the Board would be directly responsible for internal control of the Group and for reviewing its effectiveness, the situation will be reviewed from time to time.

The Company has engaged an internal control consultant (the "IC Consultant") during the year to review the Company's internal control and compliance systems (the "Internal Control Review") for the period from 1 January 2023 to 31 December 2023 relating to the financial assistance transaction announced on 14 November 2023, and to make recommendations to the Company on remediating the risk management and internal control systems of the Group. Details of Internal Control Review have been disclosed on the announcement dated 19 February 2024.

Having considered the results of the Internal Control Review and the annual internal control review over key entity level processes and activities level processes of the Group in Year 2023, the remedial measures taken and the complete implementation of the remedial measures, the Board is of the view that the Company has in place adequate internal control systems to meet the obligations under the GEM Listing Rules. The Company will continue to enforce its internal control policies and procedures on an ongoing basis and update such policies and procedures as and when appropriate to ensure ongoing compliance with the GEM Listing Rules.

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 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. Wang Xinghua.

The audit committee of the Board has reviewed the audited annual results of the Company for the year ended 31 December 2023 and has provided advice and comments thereon.

DIVIDEND

The Board does not recommend the payment of any dividend for the year ended 31 December 2023.

SCOPE OF WORK OF CL PARTNERS CPA LIMITED

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2023 as set out in this preliminary announcement have been agreed by the Group's auditor, CL Partners CPA Limited, to the amounts set out in the audited consolidated financial statements of the Group for the year. The work performed by CL Partners CPA Limited in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by CL Partners CPA Limited on this preliminary announcement.

ANNUAL GENERAL MEETING (THE "AGM")

The 2024 AGM of the Company will be held on 23 May 2024 (Thursday) at 2:00 p.m., the AGM notice will be published in due course and dispatched to the shareholders of the Company, upon request.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 20 May 2024 (Monday) to 23 May 2024 (Thursday), both days inclusive, for the purpose of ascertaining shareholders' entitlement to attend and vote at the AGM. In order to be eligible to attend and vote at the 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 17/F, Far East Finance Centre 16 Harcourt Road Hong Kong for registration no later than 4:30 p.m. on 17 May 2024 (Friday).

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This results announcement is published on the website of The Stock Exchange of Hong Kong Limited at www.hkexnews.hk and the Company's website at www.ntmediabj.com. The annual report of the Company for the year ended 31 December 2023 will be available on the respective websites of the Stock Exchange and the Company in due course and will be dispatched to the shareholders of the Company upon request.

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

Hong Kong, 20 March 2024

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

This announcement will remain on the website of The Stock Exchange of Hong Kong Limited at www.hkexnews.hk 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.