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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)

MAJOR AND CONNECTED TRANSACTION IN RELATION TO DISPOSAL OF 19.25% INTEREST IN A SUBSIDIARY

THE DISPOSAL

On 28 August 2019 (after trading hours), the Vendor and the Purchasers entered into the Equity Transfer Agreements pursuant to which the Vendor conditionally agreed to sell and the Purchasers conditionally agreed to purchase 11.25%, 3.00% and 5.00% of equity interest in the Target Company at the consideration in cash of RMB9,000,000, RMB2,400,000 and RMB4,000,000 respectively. Pursuant to the Existing Shareholders Voting Agreement, Emphasis Media is entitled to control more than 50% the voting rights in the shares of the Target Company.

As at the date of this announcement, the Vendor owns 25.50% equity interest in the Target Company. Upon Completion, the shareholding in the Target Company held by the Vendor will be reduced to 6.25% and the Existing Shareholders Voting Agreement entered among Emphasis Media, the First Founding Shareholder and the Second Founding Shareholder will be terminated after the completion of the Disposal, therefore the Target Company will cease to be a subsidiary of the Company. Supplemental Agreements in relation to certain special rights granted to the Purchasers and the Original Shareholders provided by the Founding Shareholders have been entered among the Purchasers, the Founding Shareholders and the Original Shareholders and will become effective upon the Completion.

The Equity Transfer Agreements entered with each of the Purchasers between the Vendor are not inter-conditional.

IMPLICATIONS UNDER THE GEM LISTING RULES

As the highest applicable percentage ratio (as defined in Rule 19.07 of the GEM Listing Rules) in respect of the Disposal is 25% or more, but all are less than 75%, the Disposal as contemplated under the Equity Transfer Agreements constituted a major transaction for the Company and is subject to notification, announcement and shareholders' approval requirements under Chapter 19 of the GEM Listing Rules.

As at the date of this announcement, the Target Company is an approximately 25.50% owned subsidiary of the Company, while the First Founding Shareholder and Second Founding Shareholder are substantial shareholders (as defined in the GEM Listing Rules) of the Target Company by holding 21% and 19% equity interest of the Target Company respectively. Therefore, the First Founding Shareholder and Second Founding Shareholder are connected persons of the Company at the subsidiary level under the GEM Listing Rules. The entering of the Supplemental Agreements among the Purchasers, the Original Shareholders (include Emphasis Media) and the Founding Shareholders constitute a connected transaction of the Company. Accordingly, the Disposal constitute a connected transaction of the Company. On 28 August 2019, the Directors (including the independent non-executive Directors) have approved the Disposal, and independent non-executive Directors have also confirmed that the terms of the Equity Transfer Agreements and Supplemental Agreements are fair and reasonable and are on normal commercial terms and are in the interests of the Company and its shareholders as a whole. By virtue of Rule 20.99 of the GEM Listing Rules, the Supplemental Agreements entered between the Founding Shareholders, the Original Shareholders (include Emphasis Media) and the Purchasers is only subject to the reporting and announcement requirements, but is exempted from the circular, independent financial advice and shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, none of the Directors had material interests in the Equity Transfer Agreements and Supplemental Agreements and hence no Director is required to abstain from voting on the resolutions approving the Equity Transfer Agreements and Supplemental Agreements and the transactions contemplated thereunder.

As at the date of this announcement and to the best knowledge and belief of the Directors, no Shareholder has a material interest in the Disposal who will be required to abstain from voting at the EGM in respect of the resolution(s) relating to the Disposal.

A circular containing, among others, (i) further details of the Disposal; (ii) other information as required to be disclosed under the GEM Listing Rules; and (iii) the notice of the EGM, will be despatched to the Shareholders on or before 18 September 2019.

Shareholders and potential investors of the Company should note that the Completion is subject to the fulfillment or waiver (as the case may be) of all the conditions precedent set out in each of the Equity Transfer Agreements. Therefore, the Disposal may or may not occur. Shareholders and potential investors of the Company are reminded to exercise caution when dealing in the Shares and other securities of the Company and are recommended to consult their professional advisers if they are in any doubt about their position and as to actions that they should take.

THE DISPOSAL

On 28 August 2019 (after trading hours), Emphasis Media (a company controlled by the Company through contractual arrangements), Youxi, Dingjunshan and Jiexi entered into the Equity Transfer Agreements pursuant to which the Vendor conditionally agreed to sell and the Purchasers conditionally agreed to purchase 11.25%, 3.00% and 5.00% of equity interest in the Target Company at the consideration in cash of RMB9,000,000, RMB2,400,000 and RMB4,000,000 respectively.

Youxi Equity Transfer Agreement

Date: 28 August 2019 (after trading hours)

Parties: Emphasis Media (as vendor)

Youxi (as purchaser)

Pursuant to Youxi Equity Transfer Agreement, Emphasis Media conditionally agrees to sell and Youxi conditionally agrees to purchase approximately 11.25% equity interest in the Target Company legally and beneficially owned by Emphasis Media for a cash consideration of RMB9,000,000 (equivalent to approximately HK$9,972,000) which shall be paid to the Vendor within 20 business days after the signing of the Youxi Equity Transfer Agreement. The consideration is refundable to Youxi in full if the conditions precedent set out in the Youxi Equity Transfer Agreement has not been fulfilled.

Dingjunshan Equity Transfer Agreement

Date: 28 August 2019 (after trading hours)

Parties: Emphasis Media (as vendor)

Dingjunshan (as purchaser)

Pursuant to Dingjunshan Equity Transfer Agreement, Emphasis Media conditionally agrees to sell and Dingjunshan conditionally agrees to purchase approximately 3.00% equity interest in the Target Company legally and beneficially owned by Emphasis Media for a cash consideration of RMB2,400,000 (equivalent to approximately HK$2,659,200) which shall be paid to the Vendor within 20 business days after the signing of the Dingjunshan Equity Transfer Agreement. The consideration is refundable to Dingjunshan in full if the conditions precedent set out in the Dingjunshan Equity Transfer Agreement has not been fulfilled.

Jiexi Equity Transfer Agreement

Date: 28 August 2019 (after trading hours)

Parties: Emphasis Media (as vendor)

Jiexi (as purchaser)

Pursuant to Jiexi Equity Transfer Agreement, Emphasis Media conditionally agrees to sell and Jiexi conditionally agrees to purchase approximately 5.00% equity interest in the Target Company legally and beneficially owned by Emphasis Media for a cash consideration of RMB4,000,000 (equivalent to approximately HK$4,432,000) which shall be paid to the Vendor within 20 business days after the signing of the Jiexi Equity Transfer Agreement. The consideration is refundable to Jiexi in full if the conditions precedent set out in the Jiexi Equity Transfer Agreement has not been fulfilled.

Consideration

The Total Considerations of the Equity Transfer Agreements is RMB15,400,000 (equivalent to approximately HK$17,063,200) which were determined on an arm's length basis under normal commercial terms pursuant to the negotiations between the relevant parties after having taken into account, amongst other things, (i) the historical financial performance of the Target Company; (ii) the recent market development of the provision of entertainment contents on demand system service in the PRC; and (iii) the fair value of the Target Company of approximately RMB64,600,000 as at 30 June 2019 as prepared by LCH (Asia-Pacific) Surveyors Limited (the "**Valuer**"), an independent valuer in accordance with income-based approach. The valuation method used for the valuation of the Target Company (the "**Valuation**") was based on discounted cash flows using the income-based approach, which is regarded as profit forecast under Rule 19.61 of the GEM Listing Rules. The report from BDO Limited (the "**Auditor**"), the auditors of the Company and the letter from the Board in relation to the valuation are set out in appendix I and appendix II of this announcement respectively. The Total Considerations of the Equity Transfer Agreements represent a premium of approximately 23.84% on the fair value of the Target Company at 100% equity basis.

Valuation

Given that the Valuation was based on income-based approach, which involves the calculation of discounted cash flows method, the Valuation constitutes a profit forecast under Rule 19.61 of the GEM Listing Rules. Pursuant to Rule 19.60A of the GEM Listing Rules, the Valuation contained in the valuation report issued by the Valuer has been prepared on the following principal basis and assumptions, including commercial assumptions:

1. The legally interested party in the entire equity interest in the Target Company (the "**Appraised Asset**") has free and uninterrupted rights to assign the Appraised Asset (a part of or the whole of) for the whole of the unexpired terms as granted under the relevant approvals and any premiums/ administrative costs payable have already been fully paid;

2. All the required licenses, certificates, consents, or other legislative or administrative authority from any local, provincial, or national government or private entity or organisation have been or can readily be obtained or renewed on which the valuation is based;

3. The legally interested party in the Appraised Asset has adequate working capital to operate the business of the Target Company from time to time;

4. The Appraised Asset can be sold in the market in its existing state without the benefit of a deferred terms contract, joint venture, management agreement or any other similar arrangement which would serve to increase the value of the Appraised Asset;

5. The Target Company will continue to operate and there are no material changes in existing laws, regulations, regimes and social, political and economic policies within China and its regions that the Target Company shall be subject to during the continuous operation;

6. The Appraised Asset can be freely disposed and transferred free of all encumbrances for its existing uses in the market to both local and overseas purchasers without payment of any premium to the government;

7. The parties of the cooperation agreements between the Target Company and its customers will act in accordance with the terms and conditions of the cooperation agreements;

8. The Target Company will successfully carry out all necessary activities for the development of its business;

9. The availability of finance will not be a constraint on the forecast growth of the Target Company's operations in accordance with the projections;

10. There will be no disruption on the regulation being implemented in accordance to the latest official announcement made by the PRC Government within the entertainment on demand industry;

11. There will be no material changes in the business strategy of the Target Company and its operating structure;

12. The business plan of the Target Company can be achieved as scheduled;

13. Key management, competent personnel, and technical staff will be continuing to support ongoing operations of the Target Company.

The Auditor has reviewed the calculations of the discounted future estimated cash flows on which the Valuation is based, which do not involve the adoption of accounting policies.

The Board confirm that the forecasts of discounted future estimated cash flows in the valuation report prepared by the Valuer, which constitutes a profit forecast under Rule 19.61 of the GEM Listing Rules, were made after due and careful enquiry.

Experts and Consents

The following are the qualifications of the experts who have given their opinion and advice included in this announcement:

Name	**Qualification**
LCH (Asia-Pacific) Surveyors Limited	Professional Surveyors
BDO Limited	Certified Public Accountants

As at the date of this announcement, each of the Valuer and the Auditor does not have any shareholding, directly or indirectly, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate person(s) to subscribe for securities in any member of the Group.

Each of the Valuer and Auditor has given and has not withdrawn its consent to the publication of this announcement with inclusion of its report and/or all references to its name in the form and context in which it appears in this announcement.

Conditions Precedent

The completion of Youxi Disposal, Dingjunshan Disposal and Jiexi Disposal are all subject to the following major conditions:

a) all necessary consents and approvals required to be obtained from, among others, the Stock Exchange, the relevant government(s) and regulatory authority(ies) and third party(ies) in respect of each of the Equity Transfer Agreements and the transactions contemplated thereunder having been obtained;

b) the passing of the necessary resolution(s) by the Shareholders at the EGM approving, inter alia, each of the Equity Transfer Agreements and the respective transactions contemplated thereunder; and

c) there being no event occurring or matter arising which may render breaches or in conflict with the representations, warranties, obligations and commitments stipulated in each of the Equity Transfer Agreements.

If the above conditions precedent are not fulfilled and/or waived (as the case may be) within four months from the date of signing the Equity Transfer Agreements, the considerations paid pursuant to the Equity Transfer Agreements shall be returned in full to the Purchasers within 5 business days.

For the avoidance of doubt, Youxi Disposal, Jiexi Disposal and Dingjunshan Disposal are not inter-conditional.

Completion

Emphasis Media shall procure the Target Company to complete the registration procedures in relation to the Disposal within 15 business days after the conditions precedent under the Equity Transfer Agreements are fulfilled. Completion shall take place upon the completion of the relevant registration procedures.

The Target Company will be held as to approximately 6.25% to Emphasis Media, 11.25% to Youxi, 5.00% to Jiexi, 3.00% to Dingjunshan, 14.17% to Hangzhou Jujiang, 11.33% to Shenyang Jinyang and 49.00% to the Founding Shareholders and the Target Company will cease to be a subsidiary of the Company upon Completion.

SUPPLEMENTAL AGREEMENTS

Date: 28 August 2019 (after trading hours)

Parties: Youxi, Dingjunshan, Jiexi, the Founding Shareholders and the Original Shareholders (include Emphasis Media)

The Supplemental Agreements were signed among Youxi, Dingjunshan and Jiexi with the Founding Shareholders and the Original Shareholders, pursuant which the Founding Shareholders will provide certain special rights to Youxi, Dingjunshan, Jiexi and the Original Shareholders.

The major special rights provided to Youxi, Dingjunshan, Jiexi and the Original Shareholders by Founding Shareholders include:

Priority Transfer Rights

Founding Shareholders are not allowed to transfer, charge, mortgage, encumber or create any interest over their shares in the Target Company (neither directly or indirectly) to the third party(ies) ("**Third Party(ies)**", i.e. parties other than Youxi, Jiexi, Dingjunshan and the Original Shareholders) unless they obtain written consent from Youxi, Jiexi, Dingjunshan and the Original Shareholders.

If Youxi, Jiexi, Dingjunshan and the Original Shareholders unanimously agree the Founding Shareholders to transfer their shares in the Target Company to the Third Party(ies) by written consent, Youxi, Jiexi, Dingjunshan and the Original Shareholders have the priority rights to transfer all or part of their shares in the Target Company to the Third Party(ies) who intend(s) to purchase the shares of the Target Company prior to the Founding Shareholders ("**Priority Transfer Rights**"). The exercise price of the Priority Transfer Rights shall not be less than the consideration for the Disposal on prorate basis.

Pre-emptive Rights

If the Target Company issues new shares, the Founding Shareholders undertake to Youxi, Jiexi, Dingjunshan and the Original Shareholders have the pre-emptive rights to subscribe that newly issued shares of the Target Company ("**Pre-emptive Rights**"). The exercise price and conditions of the Pre-emptive Rights shall be same as the other potential subscribers for that newly issued shares of the Target Company.

Tag-Along Rights

If the Founding Shareholders, Youxi, Jiexi or Dingjunshan intends to sell their shares in the Target Company (either partially or entirely) to any Third Party(ies), the Original Shareholders have the rights (but not obligations) to sell their shares in the Target Company (on pro-rata basis or a ratio to be determined between the Original Shareholders, Youxi, Jiexi, or Dingjunshan) under the same conditions to the Third Party(ies) who intends to purchase the shares in the Target Company.

Priority Liquidation Rights

If the Target Company enters into liquidation for any reasons (including but not limited to bankruptcy and dissolution), Youxi, Jiexi, Dingjunshan and the Original Shareholders will be paid off prior to the Founding Shareholders. Youxi, Jiexi, Dingjunshan and the Original Shareholders shall have the priority to be paid the liquidation amount (pursuant to their shareholding ratio at that time) after the Target Company completes its legal repayment obligation. Youxi, Jiexi, Dingjunshan and the Original Shareholders will receive their liquidation amount (pursuant to their shareholding ratio at that time) prior to the distribution of remaining assets of the Target Company to other shareholders of the Target Company in accordance to the shareholding ratio.

Anti-Dilution Provisions

If the Target Company increases the registered capital, the Founding Shareholders shall ensure that the subscription price of new capital injection of the Target Company (hereinafter referred to as "**New Capital Increase Price**") shall not be lower than the consideration of Youxi, Jiexi or Dingjunshan pursuant to the Equity Transfer Agreements. Otherwise, the Target Company should not accept the new investment without the unanimous written consent of Youxi, Jiexi, Dingjunshan and the Original Shareholders. If the New Capital Increase Price is lower than the consideration of Youxi, Jiexi or Dingjunshan pursuant to the Equity Transfer Agreements, Youxi, Jiexi, Dingjunshan or the Original Shareholders have the right to request the Founding Shareholders to make cash or equity compensation to them, such that the consideration for Youxi, Jiexi, Dingjunshan or the Original Shareholders is not higher than the New Capital Increase Price after compensation.

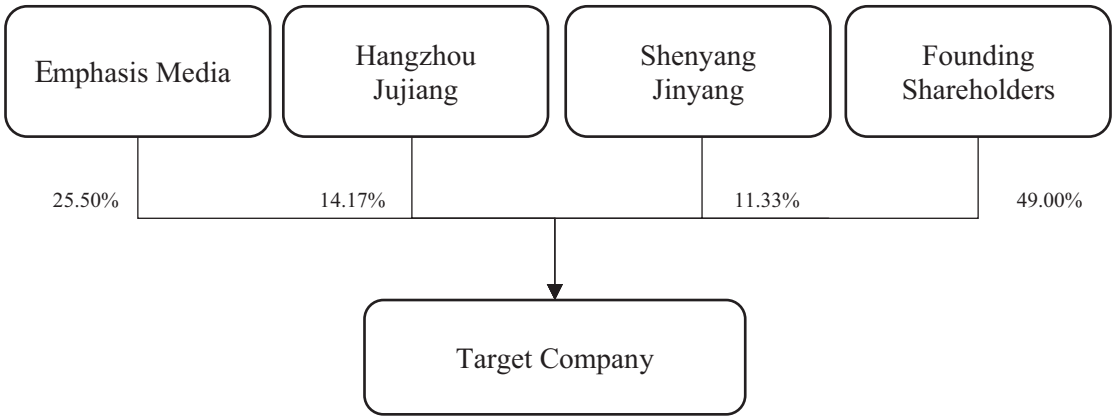
INFORMATION OF THE TARGET COMPANY

At the date of this announcement, the Target Company is a company incorporated in the PRC with limited liability on 17 May 2016 whose registered capital was owned (i) as to 25.50% by Emphasis Media; (ii) as to 14.17% to Hangzhou Jujiang; (iii) as to 11.33% to Shenyang Jinyang; and (iv) as to 49.00% to the Founding Shareholders. The Target Company is principally engaged in the provision of entertainment contents on demand system services in the PRC. It also provides technical development, consultancy and promotion of digital entertainment platform, services on the relevant fundamental and application software in the PRC.

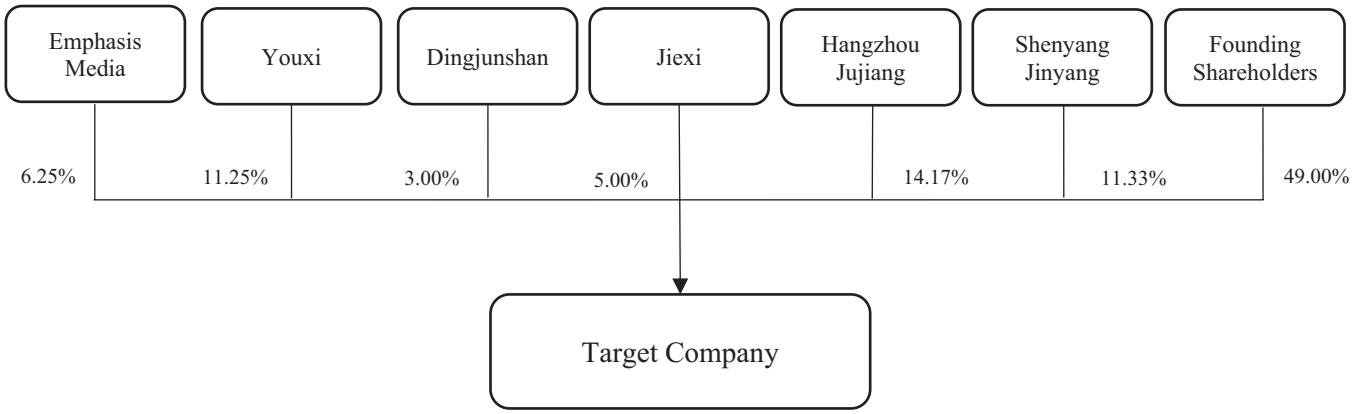
Emphasis Media completed the acquisition of 51% equity interest of the Target Company on 15 November 2016 (the "**Acquisition**") at maximum consideration of RMB122,400,000 for the Acquisition, which was satisfied as to (i) RMB24,000,000 by capital injection to the Target Company; (ii) RMB37,200,000 settled by the issue and allotment of 16,266,667 consideration shares of the Company (which shall be returnable if the Target Company cannot satisfy certain financial performance guarantee); (iii) additional consideration at a maximum of RMB61,200,000 payable upon satisfaction of the specific performance targets. As the Target Company failed to achieve the financial performance guarantee in accordance with the Acquisition, the consideration shares was returned in cash on 19 December 2017. In addition, Faith Trade Investments Limited, Top Select Venture Limited, Jumbo Success Global Limited and the Company had unanimously agreed to cancel the additional consideration under the Acquisition on 28 March 2018. Further details can be referred to the announcements of the Company dated 26 September 2016, 15 November 2016, 29 September 2017, 19 December 2017 and 28 March 2018.

In view of the Target Company has not recorded of profit since the Acquisition, Emphasis Media completed the disposal of 14.17% equity interest of the Target Company to Hangzhou Jujiang on 26 April 2018 at the consideration of RMB10,000,000 and further disposed 11.33% equity interest of the Target Company to Shenyang Jinyang on 12 July 2018 at the consideration of RMB8,000,000. Further details can be referred to the announcements of the Company dated 28 March 2018, 26 April 2018, 3 July 2018 and 12 July 2018.

The following is the shareholding structure of the Target Company as at the date of this announcement:



The shareholding structure of the Target Company will become to the following upon Completion:



INFORMATION OF THE PURCHASERS

Youxi is a limited liability company incorporated in the PRC and is principally engaged in the business of hotel operation, including holding its operating brand "Youxi Movie Hotel (有戲電影酒店)" in the PRC.

Dingjunshan is a limited liability company incorporated in the PRC and is principally engaged in the business of research and development, production, sales and system integration of digital cinema projection and playback equipment in the PRC.

Jiexi is a partnership established in the PRC with limited liability and is principally engaged in investment management in the PRC.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the date of this announcement, Youxi, Dingjunshan, Jiexi, their respective directors, substantial shareholders and ultimate beneficial owners are Independent Third Parties.

FINANCIAL INFORMATION OF THE TARGET COMPANY

Set out below are the unaudited financial information of the Target Company prepared under HKFRSs and extracted from the audited consolidated financial statements of the Group for the financial years ended 31 December 2017 and 31 December 2018 (in accordance to HKFRSs) and unaudited financial information of the Target Company for the six months period ended 30 June 2019:

	For six months period ended 30 June 2019	**For the year ended 31 December 2018**	**For the year ended 31 December 2017**
	(approximately)	*(approximately)*	*(approximately)*
	RMB'000	*RMB'000*	*RMB'000*
Turnover	6,436	5,356	3,128
Loss before taxation	(3,221)	(11,399)	(13,162)
Loss after taxation	(3,221)	(11,399)	(13,162)

The unaudited net asset value of the Target Company as at 31 December 2017 and the unaudited net liability value as at 31 December 2018 were approximately RMB6,488,000 and RMB4,911,000 respectively. The unaudited net liabilities of the Target Company as at 30 June 2019 was approximately RMB8,845,000.

FINANCIAL EFFECT OF THE DISPOSAL ON THE GROUP

As at the date of this announcement, the Target Company is owned as to approximately 25.50% to Emphasis Media, 14.17% to Hangzhou Jujiang, 11.33% to Shenyang Jinyang and 49.00% to the Founding Shareholders. Pursuant to the Existing Shareholders Voting Agreement, Emphasis Media is entitled to control the voting rights in the shares of the Target Company owned by the First Founding Shareholder and the Second Founding Shareholder and the aggregate voting rights in the Target Company controlled by Emphasis Media is more than 50%. Accordingly, the Target Company is considered as a subsidiary of Emphasis Media and the Company. It is agreed that the Existing Shareholders Voting Agreement will be terminated after completion of the Disposal, following which the voting rights in the Target Company controlled by Emphasis Media will be less than 50% and the Target Company will cease to be a subsidiary of Emphasis Media and the Company. Accordingly, the assets, liabilities and financial results of the Target Company will be deconsolidated from the consolidated financial statements of the Group.

Based on the existing information available to the Company and upon the Completion, the Company expects to record a gain on the Disposal of approximately RMB1,891,000, based on the difference between (i) the estimated net proceeds (being Total Consideration after deduction of professional fees and other relevant expenses) of the Disposal of approximately RMB14,768,000, (ii) the expected fair value to be recognised for the remaining shareholdings of 6.25% of the Target Company, (iii) the unaudited net liability value and non-controlling interests of the Target Company as at 30 June 2019, and (iv) the goodwill and deferred tax assets derived from the Acquisition. Following the completion of the Disposal,

the remaining shareholdings of 6.25% of the Target Company will be recognised as the financial assets at fair value through other comprehensive income at the fair value as at the date of completion of the Disposal. The aggregate gains from the Disposal (which will be recognised in the condolidated income statement of the Group upon the Completion) and disposals completed on 26 April 2018 and 12 July 2018 (which these gains were recognised in the consolidated statement of change in equity of the Group during the year ended 31 December 2018) for the shareholding in the Target Company is approximately RMB12,525,000.

The abovementioned financial effects are shown for illustration purpose only and the actual gain/loss eventually to be recognised in the consolidated financial statements of the Company, depends on, among other things, the unaudited net assets/liabilities value of the Target Company on the Completion and the review by the Auditor upon finalisation of the audited consolidated financial statements of the Group.

USE OF PROCEEDS OF THE DISPOSAL

The Company intends to apply the net proceeds of the Disposal for working capital for the future business development of the Group and repayment of shareholders' loan of the Group.

REASONS FOR AND BENEFITS OF THE DISPOSAL

The Company is principally engaged in the provision of program production services, concert and event organisation services, mobile live broadcasting and e-commerce services, entertainment contents on demand system services and artist management. The Target Company is principally engaged in the provision of entertainment contents on demand system services in the PRC under "Fengtingxun". Although it recorded an increase of revenue from approximately RMB3,128,000 for the year ended 31 December 2017 to approximately RMB5,356,000 for the year ended 31 December 2018, the Target Company is still unable to achieve of profit making since the Acquisition.

Further to the official notice on standardising the operation and management of private mini theatres, network digital theatres, on-demand cinema announced in 2017, the Group expects that a more specific guideline on the requirement of technical specifications of billing and screening system and equipment will be promulgated to regulate the entertainment outlets in the near future. "Fengtingxun is a legally authorised on-demand content provider on entertainment on demand system which includes digital entertainment, video encoding system, cloud management system, digital settlement system. The announcement and implementation of regulations from the PRC government may increase the demand of "Fengtingxun". However, the fierce competition in the PRC entertainment business and increasing tension between the Sino-US trade war which may cause a more subdue economic outlook. Therefore, the Group recognised partial return from the investment in the Target Company by disposing partial of its the equity interest in the Target Company in April 2018 and July 2018 to two Independent Third Parties at approximately 14.17% and 11.33% respectively during the year ended 31 December 2018.

The Directors considered that the Disposal represent a good opportunity for the Group to (i) realise its investment in the Target Company; (ii) to strengthen its liquidity for future investment opportunities and potential future expansion plans, especially in the program production which may require additional funding for investment, at a crucial return from the investment in the entertainment contents on demand system business at a reasonable price; and (iii) to improve the financial performance of the Group by focusing on developing in program production and concert and event organisation after the Disposal.

The terms of the Equity Transfer Agreements and the Supplemental Agreements were determined after arm's length negotiations between the parties and having considered the reasons for and benefits of the Disposal as mentioned above. All the Directors (including the independent non-executive Directors) are of the view that the terms of the Equity Transfer Agreements and the Supplemental Agreements are fair and reasonable, on normal commercial terms and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors have unanimously approved the Equity Transfer Agreements and the Supplemental Agreements and the transactions contemplated thereunder.

IMPLICATIONS UNDER THE GEM LISTING RULES

As the highest applicable percentage ratio (as defined in Rule 19.07 of the GEM Listing Rules) in respect of the Disposal is 25% or more, but all are less than 75%, the Disposal as contemplated under the Equity Transfer Agreements constituted a major transaction for the Company and is subject to notification, announcement and shareholders' approval requirements under Chapter 19 of the GEM Listing Rules.

As at the date of this announcement, the Target Company is an approximately 25.50% owned subsidiary of the Company, while the First Founding Shareholder and Second Founding Shareholder are substantial shareholders (as defined in the GEM Listing Rules) of the Target Company by holding 21% and 19% equity interest of the Target Company respectively. Therefore, the First Founding Shareholder and Second Founding Shareholder are connected persons of the Company at the subsidiary level under the GEM Listing Rules. The entering of the Supplemental Agreements among the Purchasers, the Original Shareholders (include the Vendor) and the Founding Shareholders constitute a connected transaction of the Company. Accordingly, the Disposal constitute a connected transaction of the Company. On 28 August 2019, the Directors (including the independent non-executive Directors) have approved the Disposal, and independent non-executive Directors have also confirmed that the terms of the Equity Transfer Agreements and Supplemental Agreements are fair and reasonable, the Equity Transfer Agreements and Supplemental Agreements are on normal commercial terms and are in the interests of the Company and its Shareholders as a whole. By virtue of Rule 20.99 of the GEM Listing Rules, the Disposal are only subject to the reporting and announcement requirements, but is exempted from the circular, independent financial advice and shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, none of the Directors had material interests in the Equity Transfer Agreements and Supplemental Agreements and hence no Director is required to abstain from voting on the resolutions approving the Equity Transfer Agreements, Supplemental Agreements and their respective transactions contemplated thereunder.

As at the date of this announcement and to the best knowledge and belief of the Directors, no Shareholder has a material interest in the Disposal who will be required to abstain from voting at the EGM in respect of the resolution(s) relating to the Disposal.

A circular containing, among others, (i) further details of the Disposal; (ii) other information as required to be disclosed under the GEM Listing Rules; and (iii) the notice of the EGM, will be despatched to the Shareholders on or before 18 September 2019.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise:

"Board"	board of the directors of the Company
"Company"	Creative China Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the GEM (Stock code: 8368)
"Completion"	Completion of the Disposal
"Completion Date"	the date on which the Completion takes place
"Dingjunshan"	Shenzhen Dingjunshan Technology Co., Ltd.* (深圳市定軍山科技有限公司), a company incorporated in the PRC with limited liability which principally engaged in specializing in research and development, production, sales and system integration of digital cinema projection and playback equipment
"Dingjunshan Disposal"	the disposal of 3.00% equity interest in the Target Company by Emphasis Media to Dingjunshan pursuant to the Dingjunshan Equity Transfer Agreement
"Dingjunshan Equity Transfer Agreement"	the equity transfer agreement entered into between Emphasis Media and Dingjunshan in relation to the disposal of 3.00% equity interest in the Target Company
"Dingjunshan Supplemental Agreement"	the supplemental agreement entered into among Dingjunshan, the Founding Shareholders, the Original Shareholders and the Target Company in relation to certain special rights granted to Dingjunshan and Original Shareholders provided by the Founding Shareholders
"Director(s)"	the director(s) of the Company

"Disposal"	collectively the Youxi Disposal, Jiexi Disposal and the Dingjunshan Disposal
"EGM"	the extraordinary general meeting of the Company to be convened for the purpose of considering and if thought fit, approving Disposal
"Emphasis Media"	Beijing Emphasis Media Co., Ltd* (北京無限印象傳媒有限公司), a company established in the PRC with limited liability and controlled by the Company through contractual arrangements
"Equity Transfer Agreements"	collectively Youxi Equity Transfer Agreement, Jiexi Equity Transfer Agreement and Dingjunshan Equity Transfer Agreement
"Existing Shareholders Voting Agreement"	the agreement dated 28 March 2018 entered into between Emphasis Media, the First Founding Shareholder and the Second Founding Shareholder in which Emphasis Media are entitled to control the voting rights in the shares of the Target Company owned by the First Founding Shareholder and the Second Founding Shareholder
"First Founding Shareholder"	Hunan Jingjiangnan Information Technology Partnership (Limited Partnership)* (湖南京江南信息科技合夥企業(有限合夥)), one of the founding shareholders of the Target Company, being a partnership established in the PRC with limited liability
"Founding Shareholders"	collectively the First Founding Shareholder, the Second Founding Shareholder and the Third Founding Shareholder
"GEM"	the GEM of the Stock Exchange
"GEM Listing Rules"	the Rules Governing the Listing of Securities on the GEM
"Group"	the Company and its subsidiaries
"Jiexi"	Guangzhou Jiexi Innovation Investment Partnership (Limited Partnership)* (廣州傑希創新投資合夥企業(有限合夥)), a partnership established in the PRC with limited liability which principally engaged in investment management
"Jiexi Disposal"	the disposal of 5.00% equity interest in the Target Company by Emphasis Media to Jiexi pursuant to the Jiexi Equity Transfer Agreement
"Jiexi Equity Transfer Agreement"	the equity transfer agreement entered into between Emphasis Media and Jiexi in relation to the disposal of 5.00% equity interest in the Target Company

"Jiexi Supplemental Agreement"	the supplemental agreement entered into among Jiexi, the Founding Shareholders, the Original Shareholders and the Target Company in relation to certain special rights granted to Jiexi and Original Shareholders provided by the Founding Shareholders
"Hangzhou Jujiang"	Hangzhou Jujiang Wenchuang No.1 Investment Management Partnership (Limited Partnership)* (杭州巨匠文創壹號投資管理合夥企業(有限合夥)), a partnership established in the PRC with limited liability
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"HKFRSs"	Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Third Party(ies)"	a party who is not a connected person (as defined in the GEM Listing Rules) of the Company and who together with its ultimate beneficial owner(s) are independent of the Company and of the connected persons (as defined in the GEM Listing Rules) of the Company
"Original Shareholders"	collectively Emphasis Media, Hangzhou Jujiang and Shenyang Jinyang
"PRC"	the People's Republic of China (excluding, for the purposes of this announcement, Hong Kong, Macau and Taiwan)
"Purchasers"	Collectively, Dingjunshan, Youxi and Jiexi
"RMB"	Renminbi, the lawful currency of the PRC
"Second Founding Shareholder"	Beijing Chuangshixing Management and Consulting Partnership (Limited Partnership)* (北京創視興管理諮詢合夥企業(有限合夥)), one of the founding shareholders of the Target Company, being a partnership established in the PRC with limited liability
"Share(s)"	ordinary share(s) of HK$0.01 each in the share capital of the Company
"Shareholder(s)"	shareholder(s) of the Company
"Shenyang Jinyang"	Shenyang Jinyang Haiquan Longxi Investment Fund Management Centre (Limited Partnership)* (瀋陽金楊海泉隆熙股權投資基金管理中心(有限合夥)), a partnership established in the PRC with limited liability
"Stock Exchange"	The Stock Exchange of Hong Kong Limited

"Supplemental Agreements"	the Youxi Supplemental Agreement, Jiexi Supplemental Agreement and Dingjunshan Supplemental Agreement
"Target Company"	Capital Land Digital Entertainment Co., Limited*(京江南數娛(北京)科技有限公司), a company established in the PRC with limited liability
"Third Founding Shareholder"	Beijing Ruide Cultural Development Partnership (Limited Partnership)* (北京瑞德文化發展合夥企業(有限合夥)), one of the founding shareholders of the Target Company, being a partnership established in the PRC with limited liability
"Total Consideration"	The aggregate amount of consideration pursuant to the Equity Transfer Agreements
"Vendor"	Emphasis Media
"Youxi"	Hubei Youxi Hotel Management Co., Ltd.* (湖北有戲酒店管理有限公司), a company incorporated in the PRC with limited liability which principally engaged in hotel operation, including holdings its own brand titled "Youxi Movie Hotel (有戲電影酒店)"
"Youxi Disposal"	the disposal of approximately 11.25% equity interests in the Target Company by Emphasis Media to Youxi pursuant to the Youxi Equity Transfer Agreement
"Youxi Equity Transfer Agreement"	the equity transfer agreement entered into between Emphasis Media and Youxi in relation to the disposal of approximately 11.25% equity interest in the Target Company
"Youxi Supplemental Agreement"	The supplemental agreement entered into among Youxi, the Founding Shareholders, the Original Shareholders and the Target Company in relation to certain special rights granted to Youxi and Original Shareholders provided by the Founding Shareholders
"%"	per cent

* *For identification only*

Unless otherwise stated, the exchange rates adopted in this announcement for illustration purposes only is HK$1.108 = RMB1.000.

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

Hong Kong, 28 August 2019

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

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with 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.

This announcement will remain on GEM website at www.hkgem.com on the "Latest Company Announcements" page for at least seven days from the date of its publication and will be published on the website of the Company at www.ntmediabj.com.

The following is the text of a report received from BDO Limited, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this announcement.

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INDEPENDENT ASSURANCE REPORT ON THE CALCULATIONS OF DISCOUNTED FUTURE ESTIMATED CASH FLOWS IN CONNECTION WITH THE VALUATION OF CAPITAL LAND DIGITAL ENTERTAINMENT CO., LIMITED

To the board of directors of Creative China Holdings Limited

We have completed our assurance engagement to report on the calculation of the discounted future estimated cash flows on which the business valuation (the "Valuation") dated 21 August 2019 prepared by LCH (Asia-Pacific) Surveyors Limited in respect of the appraisal of the fair value of the entire equity interest in Capital Land Digital Entertainment Co., Limited ("Capital Land") as at 30 June 2019 is based. The Valuation is prepared based on the discounted future estimated cash flows and is regarded as a profit forecast under Rule 19.61 of the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules").

Directors' Responsibilities

The directors of Creative China Holdings Limited (the "Directors") are responsible for the preparation of the discounted future estimated cash flows in accordance with the bases and assumptions determined by the Directors and as set out in the Valuation (the "Bases and Assumptions"). This responsibility includes carrying out appropriate procedures relevant to the preparation of the discounted future estimated cash flows for the Valuation and applying an appropriate basis of preparation; and making estimates that are reasonable in the circumstances.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the "Code of Ethics for Professional Accountants" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 "Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements" issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to report, as required by Rule 19.62(2) of the GEM Listing Rules, on the calculations of the discounted future estimated cash flows on which the Valuation is based. We are not reporting on the appropriateness and validity of the bases and assumptions on which the discounted future estimated cash flows are based and our work does not constitute any valuation of Capital Land or an expression of an audit opinion or a review conclusion on the Valuation.

We conducted our work in accordance with the Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" issued by the HKICPA. This standard requires that we plan and perform our work to obtain reasonable assurance as to whether the discounted future estimated cash flows, so far as the calculations are concerned, have been properly compiled in accordance with the Bases and Assumptions. We performed procedures on the arithmetic calculations and the compilations of the discounted future estimated cash flows in accordance with the Bases and Assumptions. Our work is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Accordingly, we do not express an audit opinion.

The discounted future estimated cash flows do not involve the adoption of accounting policies. The discounted future estimated cash flows depend on future events and on a number of assumptions which cannot be confirmed and verified in the same way as past results and not all of which may remain valid throughout the period. Our work has been undertaken for the purpose of reporting solely to you under paragraph 19.62(2) of the GEM Listing Rules and for no other purpose. We accept no responsibility to any other person in respect of, arising out of or in connection with our work.

Opinion

In our opinion, based on the foregoing, so far as the calculations are concerned, the discounted future estimated cash flows have been properly compiled in all material respects in accordance with the Bases and Assumptions adopted by the Directors.

BDO Limited
Certified Public Accountants
Hong Kong

23 August 2019

28 August 2019

The Stock Exchange of Hong Kong Limited
12/F, Two Exchange Square,
8 Connaught Place, Central,
Hong Kong

Dear Sirs/Madams,

Company: **Creative China Holdings Limited (Stock Code: 8368)**

Subject: **Letter from the Board (RE: PROFIT FORECAST – CONFIRMATION LETTER UNDER THE REQUIREMENTS OF RULE 19.62(3) OF THE RULES GOVERNING THE LISTING OF SECURITIES ON THE GROWTH ENTERPRISE MARKET OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "GEM LISTING RULES"))**

Reference is made to the announcement of Creative China Holdings Limited (the "**Company**") dated 28 August 2019 on the Major and Connected Disposal of 19.25% in Capital Land Digital Entertainment Co., Limited（京江南數娛（北京）科技有限公司）(the "**Target Company**"), pursuant to which the report of valuation (the "**Valuation**") prepared by LCH (Asia-Pacific) Surveyors Limited on the entire equity interest in the Target Company as at 30 June 2019 was referred. It is noted that the Valuation is prepared based on the discounted future cash flows and is regarded as a profit forecast (the "**Profit Forecast**") under Rule 19.61 of the GEM Listing Rules.

We have reviewed the bases and assumptions based on which the Valuation has been prepared, and reviewed the Valuation for which LCH (Asia-Pacific) Surveyors Limited is responsible. We have considered the report from BDO Limited, Certified Public Accountants (the "**Reporting Auditor**") dated 23 August 2019 addressed to the board (the "**Board**") of directors (the "**Directors**") of the Company regarding whether the Valuation was compiled properly so far as the calculations are concerned.

Pursuant to the requirements of Rule 19.62(3) of the Listing Rules, the Board of Directors confirmed that the Profit Forecast used in the Valuation has been made after due and careful enquiry.

Yours faithfully,
For and on behalf of the Board of Directors
Creative China Holdings Limited
Philip Jian Yang
Chairman