THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant, or other professional adviser.

If you have sold or transferred all your shares in Creative China Holdings Limited (the "**Company**"), you should at once hand this circular together with the accompanying form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

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 AND NOTICE OF EXTRAORDINARY GENERAL MEETING

This circular together with a form of proxy will remain on the GEM website at http://www.hkgem.com on the "Latest Company Announcements" page for at least 7 days from the date of its posting and on the website of the Company at http://www.ntmediabj.com

A notice convening the extraordinary general meeting ("**EGM**") to be held at 24/F, Admiralty Centre I, 18 Harcourt Road, Hong Kong on Friday, 11 October 2019, at 2:00 p.m. is set out on pages 60 to 62 of this circular. Whether or not you are able to attend the EGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof if you so wish.

This circular, 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 circular is accurate and complete in all material aspects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

24 September 2019

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE

GEM has been positioned as a market designed to accommodate 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 and no assurance is given that there will be a liquid market in the securities traded on GEM.

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

"Announcement"	the announcement issued by the Company on 28 August 2019 in relation to the Disposal by Emphasis Media
"Auditor"	BDO Limited, auditor of the Company
"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 and held on Friday, 11 October 2019 at 2:00 p.m. at 24/F, Admiralty Centre I, 18 Harcourt Road, Hong Kong, the notice of which is set out on pages 60 to 62 of this circular and any adjournment thereof
"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
"Latest Practicable Date"	20 September 2019, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein
"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 circular, Hong Kong, Macau and Taiwan)
"Profit Forecast"	Discounted cash flow of the Target Company for the purpose of the valuation which is regarded as a profit forecast under Rule 19.61 of the GEM Listing Rules

"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 interest 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 circular for illustration purposes only is HK$1.108 = RMB1.000.

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)

Executive Directors:
Mr. Philip Jian Yang *(Chairman)*
Ms. Yang Jianping

Non-executive Directors:
Mr. Yang Shiyuan
Mr. Ge Xuyu
Mr. Wang Yong

Independent non-executive Directors:
Ms. Fu Yuehong
Mr. Yau Yan Yuen
Mr. Tan Song Kwang

Registered office:
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman
KY1-1111
Cayman Islands

Principal place of business in Hong Kong:
23/F, Yue Thai Commercial Building
128 Connaught Road Central
Sheung Wan
Hong Kong

24 September 2019

To the Shareholders

Dear Sir or Madam,

MAJOR AND CONNECTED TRANSACTION IN RELATION TO DISPOSAL OF 19.25% INTEREST IN A SUBSIDIARY AND NOTICE OF EXTRAORDINARY GENERAL MEETING

INTRODUCTION

Reference is made to the Announcement dated 28 August 2019 in relation to the Disposal. The purpose of this circular is to provide you with, among others, (i) details of the Equity Transfer Agreements and the Supplemental Agreements; (ii) valuation report of the Target Company; (iii) report from the Auditor and letter from the Board in relation to the Profit Forecast; (iv) other information as required to be disclosed under the GEM Listing Rules; and (v) a notice convening the EGM.

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 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 valuation report by the Valuer, the report from the Auditor and letter from the Board in relation to the Valuation are set out in Appendix III, IV and V of this circular respectively.

Financial Forecast Adopted

The five-year financial forecast is prepared by the Target Company, reviewed by the Directors and adopted by the Valuer. The Valuer has discussed with the management of the Company on the details of the financial forecast and adopted an appropriate discount rate as at 30 June 2019 in their valuation based on market parameters.

The Directors consider the financial forecast to be fair and reasonable based on their investigations and analyses. Key preparation basis and major assumptions are set out below:

(1) Revenue

(a) The revenue was derived from a bundle of sales (including subscription of content and provision of equipment) to end users.

(b) The revenue was projected to grow at 687% from 2018 to 2019, which was based on total contracts amount of approximately RMB80 million being entered up to 30 June 2019. The agreements were legally binding and were entered in between the period from the last quarter of 2018 to second quarter of 2019, which covered the period from 2018 to 2020. The historical growth rate of the number of screens and equipment as of 30 June 2019 was approximately 260% and 791% when comparing to same period last year. The strong growth from 2018 to 2019 were mainly due to the huge demand and less authorized competitors followed by the regulation and promotion of entertainment content on demand implemented by the relevant authorities in May 2019.

(c) The growth rate of quantities of screens and equipment for the period from 2020 to 2022 were projected to grow based on the actual growth rate from 2017 to 2018 of approximately 70%. The actual growth rate in 2018 at 70% was assumed to exponentially decrease based on the median churn rate (i.e. the rate of annual loss of subscription) for subscription video on demand (SVoD) industry at 10% each year in 2020, 2021 and 2022 to 50%, 40% and 30% respectively. The projected growth rate in 2023 approximately decreased to 10% after taking into account of the upper quartile churn rate at approximately 20% due to more competitors entered under fierce competition environment. For further details, please refer to the graph of "OTT/SVod" Churn Rate by industry on the website link (https://info.recurly.com/research/churn-rate-benchmarks).

(2) Cost

(a) The projected percentage of total cost to revenue was approximately 77% from 2019 to 2023.

(b) The historical percentage of total cost to revenue was approximately 77% for the past twelve months (i.e. the period from 1 July 2018 to 30 June 2019) was adopted as 2018 was a gross loss margin.

(3) Gross Profit

The projected gross margin was approximately 23% for 2020 to 2023.

(4) Operating Expenses

(a) The main operating expenses included selling and distribution expenses and general and administrative expenses.

(b) The selling and distribution and administration and general expenses were projected to be increased by 3% each year based on the year on year inflation.

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.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the Latest Practicable Date, save as to obtaining the approval by the Shareholders at the EGM as referred in part (b) above, all of the conditions precedents have been fulfilled.

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 to which the Founding Shareholders will provide certain special rights to Youxi, Dingjunshan, Jiexi and the Original Shareholders.

The 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 unanimous written consent from Youxi, Jiexi, Dingjunshan and the Original Shareholders.

If Youxi, Jiexi, Dingjunshan and the Original Shareholders unanimously agree to allow 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 that they shall 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.

If Youxi, Jiexi, Dingjunshan and the Original Shareholders unanimously agree the Founding Shareholders to transfer their equity interests in the Target Company to third party(ies) by written consent, the Founding Shareholders guarantees that Youxi, Jiexi, Dingjunshan and the Original Shareholders will equally enjoy the same transfer rights according to their equity interest ratio under the same consideration, terms and conditions.

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.

Drag-along Rights

Youxi, Dingjunshan, Jiexi and the Original Shareholders may unanimously agree in writing to request the Founding Shareholders to transfer its equity interests in the Target Company to other third party(ies) at the same consideration stated in their respective agreements signed between the Founding Shareholders on the one part and Youxi, Dingjunshan and Jiexi or the Original Shareholders on the other part. The consideration received by the Founding Shareholders shall be prioritized to be paid for any loss and damages suffered by Youxi, Dingjunshan and Jiexi and the Original Shareholders arising out of the breaches of the buy-back provision below by the Founding Shareholders under the Supplemental Agreements.

Buy-back

Should any of the following circumstances occurred within 3 years from the completion date (i.e. the date upon which the completion of the Equity Transfer Agreements takes place), Youxi, Dingjunshan and Jiexi and the Original Shareholders shall be entitled to transfer their entire equity interest in the Target Company to the Founding Shareholders at an consideration equal to their consideration paid at their respective time of acquisition together with an interest at a rate of 8% per annum less any dividends paid from the date of their respective acquisition to the buy-back:

(1) the main business of the Target Company changed significantly without the written consent from Youxi, Dingjunshan and Jiexi and the Original Shareholders;

(2) the Target Company or the Founding Shareholders is in serious breach of the Agreement or breach of each representation and warranty in this Supplemental Agreement;

(3) the Target Company and its related parties entered into transactions or provide guarantee that is detrimental to the Company;

(4) any proposed public offering failed to proceed due to the fact that the Founding Shareholders or its management rejected the same without good reason or the management did not cooperate with its best efforts despite the support from Youxi, Dingjunshan and Jiexi and the Original Shareholders;

(5) material events such as property transfer, off-book sale, external borrowing, related party transaction, external guarantee with individual or cumulative value of over RMB1,000,000 occurred to the Target Company without the unanimous consent of all members of the board of directors;

(6) event occurred to or discovered by the Target Company and its subsidiaries that constitute substantive obstacle to any proposed public offering (except for the reasons unrelated to the Target Company and its subsidiaries) which cannot be corrected in accordance to the relevant requirements of the PRC laws and its Founding Shareholders refused to regulate;

(7) the Target Company failed to provide the financial statements of previous year audited by an accounting firm with qualification of securities to Youxi, Dingjunshan and Jiexi and the Original Shareholders within six months from the end of each year;

(8) the Founding Shareholders transferred its equity interest in the Target Company to other third parties either directly or indirectly without the unanimous written consent of Youxi, Dingjunshan and Jiexi and the Original Shareholders;

(9) the Founding Shareholders failed to fulfil the relevant special rights as stated herein;

(10) the Founding Shareholders and core personnel including core technical personnel are in breach of their non-competition undertakings with the Target Company;

(11) material and adverse changes to the main business of the Target Company (except for the reasons unrelated to the Target Company), including but not limited to the license required for operation of the main business is invalid, voided, revoked, withdrawn or granted to a third party;

(12) the qualification as a legal subject of the Target Company is deemed to be invalid, cancelled, revoked according to the laws (except for the reasons unrelated to the Target Company);

(13) the Founding Shareholders or the Target Company is in serious breach of the statement, representation and warranty or other terms it provided under the Equity Transfer Agreements or the Supplemental Agreements; or

(14) the Target Company failed to select a stock exchange agreed by Youxi, Dingjunshan and Jiexi and the Original Shareholders for any proposed public offering.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Company confirms that the Target Company does not have any definitive plan of public offering as at the Latest Practicable Date. For the avoidance of doubt, the buy back provision would not be triggered if the Target Company is not suitable for public offering.

Investors' right to transfer

If Youxi, Dingjunshan and Jiexi intends to transfer the equity interests in the Target Company and the Founding Shareholders waives its right to purchase, the Target Company and the Founding Shareholders guarantee that the transferee will be entitled to all the rights under the Equity Transfer Agreements and the Supplemental Agreements and that they would provide necessary assistances in the process of the equity interest transfer.

Non-Competition Provision

Founding Shareholders and the Original Shareholders agrees and guarantees that unless with the written consent of Youxi, Dingjunshan and Jiexi, any new investors introduced by the Founding Shareholders and/or the Original Shareholders to the Target Company may not have direct or indirect competition in business with Youxi, Dingjunshan or Jiexi, failing which Youxi, Dingjunshan or Jiexi have the right to request for the Founding Shareholders to buy back their shares.

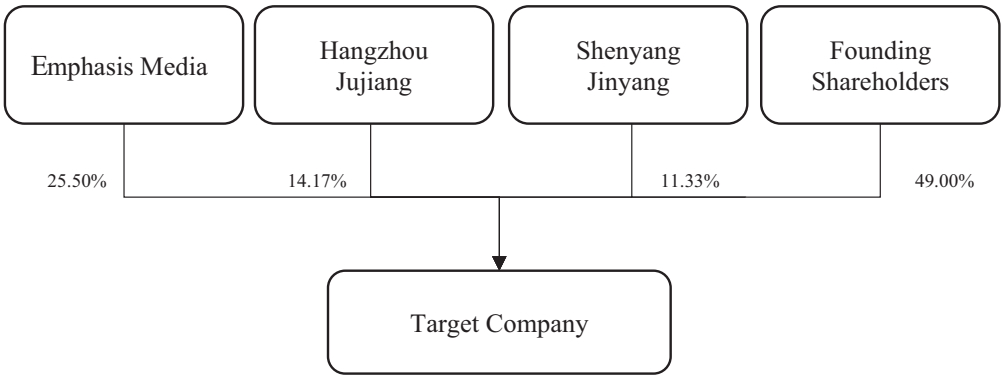
INFORMATION OF THE TARGET COMPANY

As at the Latest Practicable Date, 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.

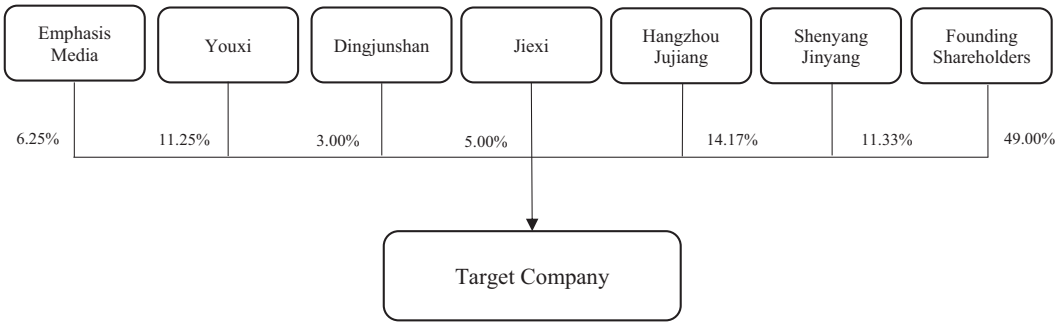
Emphasis Media completed the acquisition of 51% equity interest of the Target Company on 15 November 2016 (the "**Acquisition**") at maximum consideration of RMB122,400,000 for the Acquisition, which was satisfied as to (i) RMB24,000,000 by capital injection to the Target Company; (ii) RMB37,200,000 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 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 circular:



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



INFORMATION OF THE PURCHASERS, THE FOUNDING SHAREHOLDERS, HANGZHOU JUJIANG AND SHENYANG JINYANG

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. The ultimate beneficial owner of Youxi is Jia Chao（賈超）.

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. The ultimate beneficial owner of Dingjunshan is Chen Huibo（陳惠波）.

Jiexi is a partnership established in the PRC with limited liability and is principally engaged in investment management in the PRC. The ultimate beneficial owners of Jiexi are Tang Bo（唐波）and Feng Minshan（馮敏珊）.

The First Founding Shareholder, Second Founding Shareholder, Third Founding Shareholder are partnerships established in the PRC with limited liability principally engaged in investment holding. The ultimate beneficial owner of both First Founding Shareholder and Second Founding Shareholder is Yao Qinrong（姚欽榮）while the ultimate beneficial owner of the Third Founding Shareholder is Liu Shanfang（劉善芳）.

Hangzhou Jujiang and Shenyang Jinyang are partnerships established in the PRC with limited liability principally engaged in investment management. The ultimate beneficial owner of Hangzhou Jujiang and Shenyang Jinyang is Zhao Lihua（趙力華）and Zeng Canzhong（曾燦中）respectively.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the Latest Practicable Date, 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 ended 30 June 2019:

	For six months ended 30 June 2019 *(approximately) RMB'000*	**For the year ended 31 December 2018** *(approximately) RMB'000*	**For the year ended 31 December 2017** *(approximately) 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 Latest Practicable Date, 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 RMB1,858,000, 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 RMB14,735,000, (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 consolidated 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 RMB12,491,000. As for the remaining equity interests of 6.25% in the Target Company, the Company intends to retain the same in the present circumstances unless there is other disposal options and the consideration for the said options will be based on a proportional basis not less than the consideration for the Disposal.

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 in the sum of RMB14,735,000 for working capital for the future business development of the Group and repayment of shareholders' loan of the Group.

The expected allocation of proceeds is as follows:

Intended use of net proceeds	Amount of net proceeds to be utilized and its percentage	Anticipated time of usage
For payment of production of television serial programs	Approximately RMB4,635,000 (31%)	By end of 2019

Intended use of net proceeds	Amount of net proceeds to be utilized and its percentage	Anticipated time of usage
For payment of expenditures for concerts and events organisation	Approximately RMB5,149,000 (35%)	By end of 2019
For repayment of shareholders' loan	Approximately RMB4,951,000 (34%)	By end of 2019

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 contents 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 reasonable return from the investment in the entertainment contents on demand system business; 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 and on normal

commercial terms and 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 Latest Practicable Date, 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.

EGM

A notice convening the EGM to be held at 24/F, Admiralty Centre I, 18 Harcourt Road, Hong Kong on Friday, 11 October 2019 at 2:00 p.m. is set out on pages 60 to 62 of this circular. A form of proxy for the EGM is enclosed. Whether or not you are able to attend the EGM in person, you are requested to complete the form of proxy and return it to the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, in accordance with the instructions printed thereon not less than 48 hours before the time fixed for the EGM or the adjourned meeting thereof (as the case may be). The completion of a form of proxy will not preclude you from attending and voting at the EGM in person if you so wish.

Voting at the EGM will be taken by poll, the results of which will be announced after the EGM.

As at the Latest Practicable Date 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.

RECOMMENDATIONS

The Board considers that the terms and conditions of the Equity Transfer Agreements and the Supplemental Agreements are fair and reasonable and the Disposal is in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Shareholders to vote in favour of the ordinary resolution(s) as set out in the notice of the EGM.

ADDITIONAL INFORMATION

Your attention is drawn to the information set out in the appendices to this circular.

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

1. FINANCIAL INFORMATION

The financial information of the Group for the three years ended 31 December 2016, 31 December 2017 and 31 December 2018, was disclosed in the annual reports of the Company for the three years ended 31 December 2016, 31 December 2017 and 31 December 2018. The aforementioned financial information of the Group has been published on both the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.ntmediabj.com). Please refer to the hyperlinks as stated below:

2016 annual report: (Pages 73-159)
http://www3.hkexnews.hk/listedco/listconews/GEM/2017/0302/GLN20170302111.pdf

2017 annual report: (Pages 86-163)
http://www3.hkexnews.hk/listedco/listconews/GEM/2018/0228/GLN20180228055.pdf

2018 annual report: (Pages 87-203)
http://www3.hkexnews.hk/listedco/listconews/GEM/2019/0329/GLN20190329413.pdf

2. STATEMENT OF INDEBTEDNESS

Borrowings

As at the close of business on 31 July 2019, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Group had outstanding unsecured loans of approximately RMB10,743,000 of which approximately RMB792,000, RMB5,000,000 and RMB4,951,000 are repayable on demand, within 1 year and after 1 year respectively. All loans are not secured by any assets of the Group.

Unpaid contractual lease payments

As at the close of business on 31 July 2019, the Group, as a lessee, has outstanding unpaid contractual lease payments amounting to approximately RMB3,567,000 in aggregate in relation to the remaining lease terms of certain lease contracts, of which approximately RMB164,000 is secured by rental deposits, and the remaining approximately RMB3,403,000 is unsecured. All lease liabilities are unguaranteed.

Save as disclosed above, as at the close of business on 31 July 2019, the Group did not have any debt securities issued and outstanding, and authorised or otherwise created but unissued, or indebtedness in the nature of borrowing including bank overdrafts, liabilities under acceptances (other than normal trade bills), acceptance credits, material hire purchase commitments, mortgages and charges, material contingent liabilities and guarantees.

Pledge of assets, contingent liabilities

As at 31 July 2019, the Group did not have any pledge of assets and substantial contingent liabilities.

3. WORKING CAPITAL

The Directors are of the opinion that, after taking into account of the Group's internal resources and present available facilities, cash flow from operations, the existing cash and bank balances and also the effect of the Disposal, the Group will have sufficient working capital to satisfy its present requirements, that is, for at least the next 12 months from the date of this circular in the absence of unforeseen circumstances.

4. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial or trading position or outlook of the Group since 31 December 2018 (the date to which the latest audited consolidated financial statements of the Group were made up).

5. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

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 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 reasonable return from the investment in the entertainment contents on demand system business 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.

For program production segment, the Group has entered into sales agreement with media companies in China to license the first-round broadcasting rights and non prime-time broadcasting rights of the serial programme of the Group purchased in 2018. The Group is actively in negotiation of transferring its online broadcast rights with major online video platforms in the PRC. In addition, the Group is in negotiation with different parties on various projects in production, publication and distribution. Among these the Group has entered into several agreements in relation to production, publication and distribution of serial programs: (1) An exclusive distribution agency agreement with a film and television production company for a serial program totaling 45 episodes. (2) A production contract with a film and television production company for an online drama with approximately 28 episodes which will be completed by end of 2019. (3) A joint development and production agreement with a PRC media company in Year 2020 to re-produce a top-rated TV serial programme adapted from South Korean TV station. (4) An exclusive adaptation right agreement with a Korean media company for a TV serial programme. Our Group expects these serial programs will bring more revenue to the Group in the coming future.

The Group organised concerts of Korean artists in Hong Kong and Southeast Asia. The Group has secured a handful of concerts to be organised in Hong Kong, China and Southeast Asia. The Group has entered into an agreement with a renowned top league PRC singer to

organize concerts in 2020 to 2021. The Group is also in negotiation with relevant artists management companies and expect to organize more concerts. The Group expects the concerts organisation of the Group will have more desirable results in the future.

"Great Star", our mobile live broadcasting and e-commerce APP, signed a custodial agreement with a Hong Kong developer of the mobile application "Aiwoo" (an APP provides online fans and stars with the tools necessary to fuel engagement and interaction), for the exclusive operational rights of their application in the PRC in May 2019. The Group aims to leverage the synergy between these two applications to increase overall application downloads and daily boot activity in order to build a comprehensive online community of fans and micro-communities. Our Group believes that with "Great Star" and "Aiwoo", our mobile live broadcasting and e-commerce segment holds great potential and promising synergy with our other businesses, namely in the Internet age as an online supplementary to our traditionally offline event and concert organization and our artist management segment.

The Group entered into a global exclusive artist agency agreement with world champion athletes and obtained the agency rights to represent the China Badminton Association on its advertising sponsorship projects. Our management is actively looking for potential business opportunities. With the advent of the 2020 Tokyo Olympics, the commercial value of world champion athletes will be considerably increased. The Group believes that it will bring considerable benefits to the Group. Our Group will continue to seek for opportunities between our artists and customers or brands, as well as managing and promoting our artists and/or athletic artists in order to bring more value to the Group.

1. RESPONSIBILITY STATEMENT

This circular, 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 regarding the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular 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 circular misleading.

2. DISCLOSURE OF INTERESTS

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at the Latest Practicable Date, the interest and short position of the Directors of the Company and chief executive of the Group in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("**SFO**")), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors of listed issuers as referred to in Rules 5.46 of the GEM Listing Rules were as follows:

(i) Long positions in ordinary shares of the Company

Name of Director	Capacity and nature of interest	Number of Shares	Percentage of the Company's issued share capital
Goldbless International Limited ("**Goldbless**")	Beneficial owner *(note)*	382,500,000	26.87%
Mr. Wang Yong	Interest of controlled corporation *(note)*	382,500,000	26.87%

Note: The entire issued share capital of Goldbless is owned by Mr. Wang Yong. Under the SFO, Mr. Wang Yong is deemed to be interested in all the shares registered in the name of Goldbless.

(ii) Long positions in ordinary shares of US$1.00 each in Youth Success Holdings Limited ("Youth Success")

Name of Director	Number of Shares	Percentage of shareholding
Mr. Philip Jian Yang *(note 1)*	1,273	12.73%
Ms. Yang Jianping *(note 2)*	150	1.50%
Mr. Yang Shiyuan *(note 3)*	148	1.48%

Notes:

1. Mr. Philip Jian Yang holds the shares of Youth Success through Ever Ring Holdings Limited which is wholly owned by him.

2. Ms. Yang Jianping holds the shares of Youth Success through Rich Promise Investments Limited which is wholly-owned by her.

3. Mr. Yang Shiyuan holds the shares through State Trade Global Limited which is wholly-owned by him.

Save as disclosed above, as at the Latest Practicable Date, none of the directors and chief executives of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors of listed issuers as referred to in Rule 5.46 of the GEM Listing Rules.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at Latest Practicable Date, the following persons (other than a Director of the Company or chief executive of the Group) had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO:

Long positions in ordinary shares of the Company

Name of Shareholder	Capacity and nature of interest	Number of Shares	Percentage of the Company's issued share capital
Youth Success	Beneficial owner *(note 1)*	866,868,000	60.89%
Guang Rui Investments Limited ("**Guang Rui**")	Beneficial owner; Interest of controlled corporation *(note 1)*	879,840,000	61.80%
Mr. Yang Shaoqian ("**Mr. Yang**")	Interest of controlled corporation *(note 1)*; interest of spouse *(note 2)*	879,840,000	61.80%
Ms. Mu Sufang ("**Ms. Mu**")	Interest of controlled corporation *(note 1)*; interest of spouse *(note 2)*	879,840,000	61.80%

Notes:

1. Youth Success and Guang Rui owns 406,890,000 shares and 12,972,000 shares respectively, representing 28.58% and 0.91% of the issued share capital of the Company. The issued share capital of Youth Success is legally and beneficially owned as to 83.54% by Guang Rui. Under the SFO, Guang Rui is deemed to be interested in all the Shares registered in the name of Youth Success. The entire issued share capital of Guang Rui is legally and beneficially owned as to 60% by Mr. Yang and 40% by Ms. Mu. By virtue of the shareholders voting agreement entered into by Mr. Yang, Ms. Mu, Youth Success, Mr. Li Lin, Alpha Master Global Limited ("Alpha Master"), Ms. Yang Qi, Qiao Tian Limited ("Qiao Tian"), Mr. Wang Yong and Goldbless, Youth Success is deemed to be interested in the Shares held by Alpha Master, Qiao Tian and Goldbless in aggregate by virtue of the SFO.

2. Ms. Mu is the spouse of Mr. Yang, therefore she is deemed to be interested in all the Shares in which Mr. Yang is deemed to be interested, and vice versa.

Save as disclosed above, as at the Latest Practicable Date, no other interests or short positions in the shares or underlying shares of the Company were recorded in the register required to be kept by the Company under section 336 of the SFO.

3. COMPETING INTERESTS

As at the Latest Practicable Date, the Directors are not aware of any business or interest of the Directors nor the controlling shareholder of the Company nor any of their respective associates (as defined in the GEM Listing Rules) that compete or may compete with the business of the Group and any other conflicts of interest which any such person has or may have with the Group.

4. DIRECTOR'S SERVICE CONTRACTS

Mr. Philip Jian Yang has entered into directors' service contract with the Company for an initial fixed term of three years commencing from 18 November 2015 (the "**Listing Date**") renewable automatically until terminated by not less than three months' notice in writing served by either party on the other expiring at the end of the initial term or any time thereafter.

Ms. Yang Jianping has entered into a service contract with the Company for an initial fixed term of three years commencing from 6 April 2017 renewable automatically until terminated by not less than three months' notice in writing served by either party on the other expiring at the end of the initial term or any time thereafter.

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

Each of our independent non-executive directors has entered into a letter of appointment with the Company. Each letter of appointment is for an initial term commencing on the date of the letter of appointment and shall continue thereafter subject to a maximum of three years unless terminated by either party giving at least one month's notice in writing.

As at the Latest Practicable Date, save as disclosed above, none of the Directors had any existing or proposed service contracts with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

5. DIRECTORS' INTERESTS IN CONTRACT OR ASSETS

As at the Latest Practicable Date, none of the Directors was materially interested in contract or arrangement subsisting which is significant in relation to the business of the Group, nor has any Director had any direct or indirect interest in any assets which have

been acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2018, the date to which the latest published audited consolidated financial statements of the Group were made up.

6. LITIGATION

As at the Latest Practicable Date, so far as the Directors are aware, no member of the Group was engaged in any litigation, arbitration or claim of material importance and there was no litigation, arbitration or claim of material importance known to the Directors to be pending or threatened against any member of the Group.

7. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business of the Company) have been entered into by members of the Group within two years immediately preceding up to and including the Latest Practicable Date which are or may be material:

(a) the Dingjunshan Equity Transfer Agreement;

(b) the Dingjunshan Supplemental Agreement;

(c) the Youxi Equity Transfer Agreement;

(d) the Youxi Supplemental Agreement;

(e) the Jiexi Equity Transfer Agreement;

(f) the Jiexi Supplemental Agreement;

(g) the equity transfer agreement dated 3 July 2018 entered into between Emphasis Media and the Shenyang Jinyang in relation to the disposal of approximately 11.33% equity interest in the Target Company by Emphasis Media;

(h) the supplementary agreement dated 3 July 2018 entered into between the Founding Shareholders and Emphasis Media, Hangzhou Jujiang and Shenyang Jinyang in relation to certain special rights granted by the Founding Shareholders to Emphasis Media, Hangzhou Jujiang and Shenyang Jinyang;

(i) the equity transfer agreement dated 28 March 2018 entered into between Emphasis Media and the Hangzhou Jujiang in relation to the disposal of approximately 14.17% equity interest in the Target Company by Emphasis Media;

(j) the supplementary agreement dated 28 March 2018 entered into between the Foundering Shareholders and Emphasis Media and Hangzhou Jujiang in relation to certain special rights granted by the Founding Shareholders to Emphasis Media and Hangzhou Jujiang;

(k) the additional consideration waiver agreement dated 28 March 2018 entered into among the Company and the Vendors, pursuant to which the Vendors agreed to waive the Company's obligation to issue certain Shares to them;

(l) the share restriction release agreement dated 19 December 2017 entered into between the Company and the Vendors, pursuant to which the Company agreed to release certain restrictions on the Shares held by the Vendors and the Vendor agreed to sell the Shares held by them and pay the proceeds of such sale to the Company;

(m) the sale and purchase agreement dated 24 May 2019 entered into between the Company and the major shareholder of Instance App Inc. Pte. Ltd. ("**Instance**") in relation to the disposal of 7,500 shares in Instance for a consideration of US$997,500;

(n) the subscription agreement dated 20 April 2018 entered into among the Company, Instance and the founders of Instance, pursuant to which the Company subscribed 7,500 shares in Instance for a consideration of US$997,500; and

(o) the shareholders' agreement dated 20 April 2018 entered into among the Company, Instance and the founders and certain investors of Instance in relation to Instance.

8. CORPORATE INFORMATION OF THE COMPANY

Registered Office	Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Head office and principal place of business in PRC	Room 1901, 19/F Yulin Building No. 5A Xiangjun Nanli 2nd Alley Beijing, the PRC
Principal place of business in Hong Kong	23/F, Yue Thai Commercial Building 128 Connaught Road Central Sheung Wan Hong Kong
Principal share registrar and transfer office	Conyers Trust Company (Cayman) Limited Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands

Hong Kong branch share registrar and transfer office	Tricor Investor Services Limited Level 54 Hopewell Centre 183 Queen's Road East Hong Kong
Company secretary	Mr. Chiu Chun Yin *(fellow member of the Hong Kong Institute of Certified Public Accountants)*
Compliance officer	Mr. Philip Jian Yang

9. AUDIT COMMITTEE

The audit committee of the Company (the "**Audit Committee**") was established on 3 November 2015. As at the Latest Practicable Date, the Audit Committee comprises of 3 independent non-executive Directors, namely, Mr. Yau Yan Yuen, Ms. Fu Yuehong and Mr. Tan Song Kwang. Mr. Yau Yan Yuen is the chairman of the Audit Committee. The terms of reference of the Audit Committee are available at the Company's website and on the website of the Stock Exchange.

The major roles and functions of the Audit Committee are to review and supervise the financial reporting process, risk management and internal control systems of the Company and to provide recommendations and advices to the Board on the appointment, re-appointment and removal of the external auditor as well as their terms of appointment.

Biographical information of each member of the Audit Committee is set out below:

Mr. Yau Yan Yuen, aged 31, was appointed as an independent non-executive director of the Group on 18 July 2018. Mr. Yau has joined Wai Hung Group Holdings Limited (stock code: 3321) since February 2018 and appointed as Chief Financial Officer on 21 February 2018. Mr. Yau is responsible for the overall financial management of Wai Hung Group Holdings Limited. Mr. Yau graduated from the Hong Kong Polytechnic University with a bachelor's degree of business administration (Honours) in professional accountancy in October 2011. He has been a certified public accountant registered with the Hong Kong Institute of Certified Public Accountants since January 2018. Prior to joining Wai Hung Group Holdings Limited, Mr. Yau worked in the audit and assurance department at Deloitte Touche Tohmatsu since September 2011 and he left Deloitte Touche Tohmatsu as an audit manager in February 2018.

Ms. Fu Yuehong, aged 57, is the vice-president of China General Chamber of Commerce and the executive vice president and the general secretary of Beijing Commercial Association. Ms. Fu graduated from the Beijing Institute of Business (now known as Beijing Technology and Business University) with a bachelor's degree in business and economics in 1983. She is a senior economist and also holds a bachelor's degree in law in China University of Political Science and Law. She had been the deputy minister of finance and minister of Marketing of Beijing New Yansha Group*, and was the chairman of Beijing

Capital Retailing Group Co., Ltd. (stock code: 6000723), a company listed on Shanghai Stock Exchange, from February 2015 to June 2018. She has extensive experience in management, finance and marketing.

Mr. Tan Song Kwang, aged 51, was appointed as an independent non-executive director of our Group on 3 November 2015. Mr. Tan has been a director of the Financial Advisory Department of Stratus Capital Pte Ltd. since 2005 and an independent director, chairman of the nomination committee and member of the remuneration and audit committees of Oriental Group Ltd. (SGX: 5FI) from February 2004 to December 2016. From May 2012 to January 2014, he served as an independent non-executive director, chairman of the remuneration committee, member of the nomination and audit committees of China Paper Holdings Ltd (SGX: C71). Mr. Tan graduated from National University of Singapore with a bachelor's degree in arts, majoring in economics and sociology, in 1991.

10. EXPERT AND CONSENTS

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

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

As at the Latest Practicable Date, 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.

As at the Latest Practicable Date, each of the above experts had no direct or indirect interests in any assets which has been acquired or disposed of by or leased to any member of the Group since 31 December 2018 (the date to which the latest published audited consolidated financial statements of the Group were made up) or proposed to be so acquired, disposed of or leased to any member of the Group.

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

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours on any Business Day at the principal place of business of the Company in Hong Kong at 23/F, Yue Thai Commercial Building, 128 Connaught Road Central, Sheung Wan, Hong Kong from the date of this circular up to and including 11 October 2019.

1. the memorandum and articles of association of the Company;

2. the annual reports of the Company for the three years ended 31 December 2016, 31 December 2017 and 31 December 2018;

3. the material contracts referred to in the paragraph headed "7. Material contracts" of this appendix; and

4. this circular.

利駿行測量師有限公司
L C H (Asia-Pacific) Surveyors Limited
PROFESSIONAL SURVEYOR
PLANT AND MACHINERY VALUER
BUSINESS & FINANCIAL SERVICES VALUER

The readers are reminded that the report which follows has been prepared in accordance with the reporting guidelines set by the International Valuation Standards 2017 and published by the International Valuation Standards Council which entitles the valuer to make assumptions which may on further investigation, for instance by the readers' legal representative, prove to be inaccurate. Any exception is clearly stated below. Headings are inserted for convenient reference only and have no effect in limiting or extending the language of the paragraphs to which they refer. This report is prepared and signed off in English format, translation of this report in language other than English shall only be used as reference and should not be regarded as a substitute for this report. Piecemeal reference to this report is considered to be inappropriate and no responsibility is assumed from our part for such piecemeal reference. Translation of terms in English or in Chinese are for readers' identification purpose only and have no legal status or implication on the report. It is emphasised that the findings and conclusions presented below are based on the documents and facts known to us at the Latest Practicable Date of this circular. If additional documents and facts are made available, we reserve the right to amend this report and its conclusion.

17th Floor
Champion Building
287-291 Des Voeux Road Central
Hong Kong

24 September 2019

The Board of Directors
Creative China Holdings Limited
23/F, Yue Thai Commercial Building
128 Connaught Road Central
Sheung Wan
Hong Kong

Dear Sirs,

In accordance with the instructions given by the present management of Creative China Holdings Limited (hereinafter referred to as the "Instructing Party"), we have investigated and conducted an agreed-upon procedures valuation of the business enterprise value of 京江南數娛(北京)科技有限公司 (translated as Capital Land Digital Entertainment Co., Limited, and hereinafter referred to as the "Target Company") as at 30 June 2019 (hereinafter referred to as the "Valuation Date") for the Instructing Party's internal management reference purpose.

We understand that the Instructing Party will refer our work product (in any form of presentation) as part of its business due diligence, and we have not been engaged to make specific purchase or sales recommendations. We further understand that the Instructing Party will not rely solely on our work, and that the use of our work product will not supplant

other due diligence which the Instructing Party should conduct in reaching its decision with regard to the Target Company. It is agreed that our work is designed solely to provide information that will give a reference to the Instructing Party as part of its due diligence process, and our work should not be the only factor to be referenced by the Instructing Party.

Our findings and conclusion in this agreed-upon procedures valuation are documented as follows:

INTRODUCTION

Business enterprise value is defined as the total value of a business. It comprises monetary assets (net working capital), tangible assets and intangible assets, thereby encompassing all assets of a business enterprise. In other words, the business enterprise value is also equal to the value of its invested capital – common equity, preferred stocks and long-term debts. While there is no universal definition of the term, it is the usual practice for a professional valuer, based on his professional knowledge and experience, to identify the definition for the intended valuation.

In this appraisal (the word *appraisal* has the same meaning of *valuation* in this report), we were instructed to analyse and to express our opinion of the possible market value of the entire equity interest in the Target Company as at the Valuation Date, on a going concern basis, and based on documents and information provided by the Instructing Party or the appointed personnel of Creative China Holdings Limited (hereinafter referred to as the "Company"). For the purpose of this valuation, we define the term business enterprise value in this engagement as the market value of the entire equity interest in the Target Company (hereinafter referred to as the "Appraised Asset").

The term "Market Value" is defined by the International Valuation Standards 2017 (hereinafter referred to as the "IVS") and published by the International Valuation Standards Council as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

THE TARGET COMPANY'S PROFILE

According to the Business License with Uniform Social Credit Code No. 91110228MA005HMR14 dated 7 November 2018, the Target Company was established on 17 May 2016 as a limited liability company in the People's Republic of China (hereinafter referred to as the "PRC" or "China") with the registered capital of RMB 10,204,082. The registered address of the Target Company is located at – 1336, Room 313, 3/F, Shanshui Building, Gulou East Street No.3, Miyun District, Beijing (Centralised Office of Yun Chuang Gu Economy Research and Development Center) (雲創谷經濟開發中心集中辦公區). The business operation period of the Target Company is 30 years, from 17 May 2016 to 16 May 2046. Its business scope was restricted to, translated by the Company or its appointed personnel, "technology research, technical services, technical consultancy, technology promotion, technology transfer; software services; product design; design, production,

agency and issue of advertisement; organisation of culture and arts exchange activities (excluding performance and chess/cards entertainment); literary creation; movie and television program planning; computer network system integration; basic software services; applications services; retails of cultural commodities, sportswear, daily necessities, machinery and equipment, electronic products, computers, software and supplementary equipment, knitwear and textiles, apparel, handicrafts and gifts; import and export of technology and commodities and import and export agency; ticketing agency for theatrical performances and exhibitions; trading of licenses; license transfer and agency services; sales (including online sales) of home appliances, electronic products and machinery and equipment; telecommunication business; internet information services; production of broadcasting television program; filming of movies; cultural activities on the internet; and production of broadcasting television program. (Enterprise is allowed to choose the business to be engaged in and carry out such business activities pursuant to laws. For telecommunication business; internet information services; production of broadcasting television program; filming of movies and business items for which approvals are required under the laws, they can be carried out after obtaining approval from relevant authorities. No business activities which are prohibited and restricted by the industrial policies of the municipality shall be carried out.)."

According to the information available to us, as at the Valuation Date, the registered capital of the Target Company was owned (i) as to 25.50% to 北京無限印象傳媒有限公司 (translated as Beijing Emphasis Media Co., Ltd, and hereinafter referred to as "Emphasis Media"), a company controlled by the Company through contractual arrangements; (ii) as to 14.17% to 杭州巨匠文創壹號投資管理合夥企業(有限合夥) (translated as Hangzhou Jujiang Wenchuang No.1 Investment Management Partnership (Limited Partnership), and hereinafter referred to as "Hangzhou Jujiang"); (iii) as to 11.33% to 瀋陽金楊海泉隆熙股權投資基金管理中心(有限合夥) (translated as Shenyang Jinyang Haiquan Longxi Investment Fund Management Centre (Limited Partnership), and hereinafter referred to as "Shenyang Jinyang"); and (iv) as to 49.00% to the various founding shareholders.

As advised by the Instructing Party, the Target Company is principally engaged in the provision of entertainment contents on demand system services in the PRC under 風霆迅 (hereinafter referred to as "Fengtingxun"), which is a legally authorised on-demand content provider with its own IP on entertainment contents on demand system including digital entertainment, video encoding system, cloud management system, digital settlement system. The Target Company 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 in the Target Company on 15 November 2016 at a maximum consideration of RMB 122,400,000, which was satisfied as to (i) RMB 24,000,000 by capital injection to the Target Company; (ii) RMB 37,200,000 settled by the issue and allotment of 16,266,667 consideration shares of the Company; and (iii) additional consideration at a maximum of RMB 61,200,000 payable upon satisfaction of the specific performance targets.

Emphasis Media completed the disposal of 14.17% equity interest in the Target Company to Hangzhou Jujiang on 26 April 2018 at the consideration of RMB 10,000,000 and further disposed 11.33% equity interest in the Target Company to Shenyang Jinyang on 12 July 2018 at the consideration of RMB 8,000,000.

VALUATION PROCEDURES ADOPTED

In performing the appraisal, we have adopted the following procedures which were agreed with the Instructing Party before the engagement. They were:

- to read the supplied materials and based on the content of the materials such as asset schedule, company information, product information, market condition, financial information, financial projections and the scale of the going concern of business of the Target Company to arrive at our opinion. In the course of valuation, we will assume the information that contained in the materials is correct and we will not verify or ascertain the correctness of the information contained in the materials;

- to prepare and submit a list(s) of required document and information regarding the operation of business of the Target Company during the course of valuation. The completeness of the valuation depends on the availability of the required information being supplied by the Instructing Party or the appointed personnel of the Company;

- to hold discussions with relevant personnel and to review various accounting and financial documents in order to understand the scope of the Target Company's assets and operations;

- to obtain the latest available asset schedule on which to start the valuation;

- to gather relevant information regarding the type of business, its operation and the assets of the Target Company;

- to conduct appropriate study / research in order to obtain necessary industry and market information to support our opinion of value. The extent of research is at our discretion;

- to value the Appraised Asset using the respective standards of value that is most appropriate; and

- to document our findings and conclusion in our appraisal report.

THE BASIS OF VALUE AND ASSUMPTIONS

The Appraised Asset is valued on the basis of "Market Value" in continued use or as a going concern. The continued use premise assumes that the Appraised Asset will be used for the purpose for which the Appraised Asset was conceived or is currently used. Implicit in

this definition is the fact that a hypothetical willing and able buyer would not pay more to acquire the Appraised Asset than he could reasonably expect to earn in the future from an investment in the Appraised Asset.

Our valuation has been made on the assumptions that, as at the Valuation Date,

1. the legally interested party in 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 contained in our report 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 (a part of or the whole of) 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 management of the Target Company has adopted reasonable and necessary security measures and has considered several contingency plans against any disruption (such as change of government policy and labour dispute) to the normal business of the Target Company; and

6. the Appraised Asset (a part of or the whole of) 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.

Should any of the above not be the case, it will have adverse impact to the reported findings and conclusion herein.

FACTORS CONSIDERED IN THE VALUATION

For the purpose of the valuation, the valuation of the Appraised Asset required consideration of a number of pertinent factors affecting the Target Company's ability to generate future investment returns through its operating subsidiaries, if any. The factors considered in the valuation included, but were not limited to, the following:

- the nature of the Appraised Asset such as the remaining life and its characteristics;

- the nature and the going concern business of the Target Company;

- the quality of the Target Company's assets;
- the capability and determination of the management of the Target Company to renew all the necessary licences, permits and approvals from time to time to make the business of the Target Company on-going;
- the capability and determination of the management of the Target Company to maintain its existing clientele (the sales and distribution network) and its favourable working relationship with its suppliers (the supply network);
- the capability and determination of the management of the Target Company to continue the existing marketing strategy to maintain and attract customers or potential customers;
- the capability and determination of the management of the Target Company to continue develop and construct its business;
- the capability and determination of the management of the Target Company to maintain its existing qualification and management standards and to review/up-lift its standards to catch the market needs from time to time;
- the capability and determination of the management of the Target Company to trade up-to-date products to catch the market needs;
- the commitment of the management of the Target Company to protect the Appraised Asset against any disruption of the normal business of the Target Company;
- the commitment of the management of the Target Company to maintain a cost effective and stable supply chain of the products to distribute to the customers;
- the economic and industry data affecting the Target Company and the related in the relevant locality;
- market-derived investment returns in similar nature of entities; and
- the risks facing the Target Company and the Appraised Asset.

FINANCIAL RATIO ANALYSIS OF THE TARGET COMPANY

Financial statements outline the financial activities of a business, an individual or any other entity. Financial statements are meant to present the financial information of the entity in question as clearly and concisely as possible for both the entity and for readers. The three basic financial statements are (i) balance sheet, which summarises what a firm owns and owes at a point in time; (ii) income statement, which reports on how much a firm earned in a particular period; and (iii) statement of cash flows, which reports on cash inflows and outflows to the firm in a particular period.

Financial ratios express relationships between financial statement items. Although they provide historical data, management can use ratios to identify internal strengths and weaknesses, and estimate future financial performance. There are four basic types of ratios to measure a company's performance, (i) liquidity; (ii) solvency; (iii) profitability; and (iv) efficiency.

Liquidity

The liquidity ratio is aimed to analyse a company's ability to pay off its short-term obligations. Common liquidity ratios include current ratio and quick ratio. Generally, the higher the ratio is, the larger the margin of safety that a company possesses to cover short-term debts.

	2016	2017	2018
Current Ratio*	15.17	3.03	0.24
Quick Ratio*	15.17	3.03	0.23

* *current ratio is calculated as total current assets/total current liabilities*
quick ratio is calculated as (total current assets minus inventories)/total current liabilities

Solvency

Solvency ratios indicate financial stability as they measure a company's debt relative to its assets and equity. The common solvency ratios are debt-to-asset and debt-to-equity. In our calculation of solvency ratios, debt is calculated as the sum of short-term borrowings and long-term borrowings. However, other than interest-bearing debts, a company may also have other obligations, such as payables and finance leases.

	2016	2017	2018
Debt-to-Asset Ratio*	0.00	0.00	1.47
Debt-to-Equity Ratio*	0.00	0.00	(0.89)

* *debt-to-asset ratio is calculated as (short-term borrowings plus long-term borrowings)/total assets*
debt-to-equity ratio is calculated as (short-term borrowings plus long-term borrowings)/book equity

Profitability

Profitability ratios indicate management's ability to convert sales dollars into profits and cash flows. The common ratios are gross margin, operating margin and net income margin.

	2016	2017	2018
Gross Margin*	(770%)	(17%)	(17%)
Operating Margin*	(6,905%)	(420%)	(212%)
Net Margin*	(5,179%)	(420%)	(213%)

* *gross margin is calculated as (revenue minus cost of goods sold)/revenue*
operating margin is calculated as operating income/revenue
net margin is calculated as net income/revenue

Efficiency

Efficiency ratios are typically used to analyse how well a company uses its assets internally. Common ratios include asset turnover, receivables turnover and inventory turnover. The higher the ratio, the more efficient a firm is operating.

	2017	**2018**
Asset Turnover*	0.22	0.94
Receivables Turnover*	1,633.89	87.31
Inventory Turnover*	N/A	118.56

* *asset turnover is calculated as revenue/average total assets*
receivables turnover is calculated as revenue/average accounts receivables
inventory turnover is calculated as cost of goods sold/average inventory

ESTABLISHMENT OF TITLES

For the purpose of this valuation, the Instructing Party was requested to provide us the necessary documents to support that the legally interested party in the Appraised Asset has free and uninterrupted rights to assign the Appraised Asset (a part of or the whole of, at absolute title) free of all encumbrances and any premiums payable have already been paid in full or outstanding procedures have been completed. However, our procedures to value as agreed with the Instructing Party did not require us to conduct legal due diligence on the legality and formality on the way that the legally interested party obtained the Appraised Asset and the relevant exclusive right to distribute and sell its products from the relevant authorities. We agreed with the Instructing Party that this should be the responsibility of the legal advisor to the Instructing Party. Thus, no responsibility or liability is assumed from our part to the origin and continuity of the titles and the rights to the Appraised Asset.

We have been provided with various copies of title documents regarding the Appraised Asset. However, we have not inspected the original documents to verify ownership or to verify any amendment which may not appear on the copies handed to us. We are not legal professionals, thus we are unable to ascertain the titles and to report any encumbrances that may be registered against the Appraised Asset. No responsibility or liability is assumed in relation to those opinions or copies of documents.

In our valuation, we have assumed that the legally interested party in the Appraised Asset has obtained all the approval and/or endorsement from the relevant authorities, and that there would have no legal impediment (especially from the regulators) for the legally interested party to continue the ownership in the Appraised Asset. Should this not be the case, it will affect our conclusion in this report significantly. The readers are reminded to have their own legal due diligence work on such issues. No responsibility or liability is assumed.

APPROACH TO VALUE

In the process of valuation, we have considered the three generally accepted business enterprise appraisal approaches to value, namely, the Asset-based Approach, the Market Approach and the Income Approach.

The Asset-based Approach

The assumption of this approach is that when each of the elements of working capital, tangible and intangible assets is individually valued, their sum represents the value of a business enterprise and equals to the value of its invested capital (equity and long-term debt). In other words, the value of the business enterprise is represented by the money that has been collected to purchase the business assets needed. This money comes from investors who buy stocks of the business enterprise (equity) and investors who lend money to the business enterprise (debt). After collecting the total amount of money from equity and debt, and converting into various types of assets of the business enterprise for its operation, their sum equals to the value of the business enterprise.

From a valuation perspective, the valuer will restate the value of all types of assets of a business enterprise from book value i.e. historical cost minus depreciation to appropriate standards of value. After the restatement, the valuer can identify the indicated value of the business enterprise, or, by applying the accounting principle "assets minus liabilities" to arrive at the value of the equity interests of the business enterprise. The former is known as Asset Accumulation Method and the latter known as Adjusted Net Asset Method though they are identically the same. There is another method known as Excess Earning Method which is a collective valuation of all intangible assets as a group by capitalised returns over and above a reasonable rate of return on tangible assets and adding the capitalised value of intangibles plus the estimated value of tangible assets to become the value of a business enterprise. However, some practitioners prefer to classify this method as a hybrid method for it combines asset value with a capitalised earnings component.

Due to the facts that (i) the Target Company was not asset rich as at the Valuation Date; and (ii) the Asset-based Approach does not take into account the profits-generating capabilities in the future, the Asset-based Approach is considered inappropriate in this valuation.

The Market Approach

The Market Approach is basically a comparison method to value a business enterprise by comparison to the prices at which other similar business nature companies or interests changed hands in arm's-length transactions. The underlying theory of this approach is one would not pay more than one would have to pay for an equally desirable alternative. Therefore, the valuer will seek valuation guidance for valuation indication from the prices of other similar companies or equity interests in companies that were sold recently. The right transactions used in analysing for valuation indication need to be sales on an arm's-length basis, assuming that the buyers and sellers are well informed and have no special motivations or compulsions to buy or to sell. Then, multiples (i.e. financial ratios) are derived based on those transactions to apply to the fundamental financial variables of the

subject business enterprise and further arrive at an indicated value of the subject business enterprise. The most commonly used multiples are price-to-earnings ("P/E"), enterprise value-to-sales (or revenue) ("EV/S"), price-to-book ("P/B") and enterprise value-to-EBITDA (earnings before interest, taxes, depreciation and amortisation) multiple ("EV/EBITDA").

There are two methods of the Market Approach known as the Guideline Publicly Traded Company Method (by using similar company daily stock transaction prices) and the Guideline Merged and Acquired Company Method. Both methods need to rely on analysing available similar transacted comparables, and the big difference is on the structure of transactions – daily stock transaction prices in public market or mergers and acquisitions as occurred. In most cases, finding good market comparables is often difficult (particularly for those mergers and acquisitions) for there is no single marketplace where similar assets change hands between buyers and sellers, who are well informed and have no special motivations or compulsions to buy or to sell, are recorded.

To the best of our knowledge, we are not aware that there were any of transactions of similar companies to the Target Company around the Valuation Date in the PRC. Under such circumstances, we have not relied on the Guideline Merged and Acquired Company Method in our estimate of the value of the Appraised Asset due to insufficient supporting data (market-based transactional information in this instance).

However, we are aware of transactions of equity interest in the Target Company in 2018 arising from the disposal of certain equity interests in the Target Company to Hangzhou Jujiang and Shenyang Jinyang, respectively. According to the information available to us, the major details are summarised as follows,

Completion Date	**Name of the Purchasers**	**Consideration (in RMB)**	**Interest in the Target Company**	**Implied value of 100% equity interest (in RMB '000)**
26 April 2018	Hangzhou Jujiang	10,000,000	14.17%	70,572
12 July 2018	Shenyang Jinyang	8,000,000	11.33%	70,609

* *The figures may not add to total due to rounding*

However, according to the information available to us, both the partial disposals listed above constituted a connected transaction of the Company. As such, we have not adopted the guideline transactions of the Target Company in estimating the value of the Appraised Asset but have only referenced as benchmark in our valuation.

Apart from the nature of connected transactions, the partial disposals were completed at around a year before the Valuation Date. Considering that the Target Company has incurred net losses after the completion dates of the partial disposals until the Valuation Date, the considerations for the partial disposals may not reflect the updated financial condition and

business operation of the Target Company and may overstate the value of the Target Company as at the Valuation Date. Given that the considerations for the partial disposal are higher than the value estimated based on the Income Approach, the valuation conclusion was based on the more conservative Income Approach.

We then moved to the Guideline Publicly Traded Company Method. The use of this method is considered by the market as final arbiter of value for the prices of guideline publicly traded companies are easily available and observed, disregard direct or proxy, from the public domains or mass media or the local stock exchange as of the relevant date. There will have sufficient data for each guideline company to analysis for the statutory requirement of filings of accounting books and records to the regulators. Because of that, it is a method widely used by financial analysts, fund managers and investors to value a company in a developed economy.

We noticed that there are several listed companies which are engaged in similar business to the Target Company in the PRC, the criteria applied for selecting the said companies were that these companies provide entertainment content and movie screening services mainly in China. We have reviewed the business description of the list of comparable companies and the major geographical and operational segments of the comparable companies sourced from Bloomberg. The said companies may not represent an exhaustive list, however, their major revenue segments are from provision of entertainment content or movie screening services in China, we are of the view that they form a representative industry benchmark of the provision of entertainment contents on demand system services in the geographical region the Target Company is principally engaged in. Other comparable companies which are not involved in the provision of movie screening services or entertainment content platform, with domicile outside China, involved in other significant segments but less relevant to the Target Company such as sports copyright and marketing operation, art business and auction, online games, were not selected. A brief description of their operations is listed as follows:

Company Ticker	Description
002905 CH	GuangZhou JinYi Media Corporation offers movie screening services. The company provides movie tickets sales, film information consultation, advertising, and other related services. GuangZhou JinYi Media also offers catering services. GuangZhou JinYi Media operates in China.
300528 CH	Omnijoi Media Corporation produces, releases, and markets TV shows and movies. The company also operates and invests in movie theaters and related business.

002739 CH	Wanda Film Holding Co Ltd operates cinemas. The company provides film production, television production, film distribution, film screening, and other services. Wanda Film Holding also conducts cinema construction investment, advertising production, and other businesses.
603103 CH	Hengdian Entertainment Co., Ltd. operates as a films manufacturing company. The company offers film poster designing, production, marketing, and other services. Hengdian Entertainment also provides investments in movie theater construction and retail merchandising ventures.
IQ US	iQIYI, Inc. offers video entertainment services. The company provides movies, television dramas, variety shows, and other video contents. iQIYI offers services worldwide.

Source: Bloomberg

The further details of the comparables are as follows:

Comparables	Market Cap	Enterprise Value	Historical Net Sales (trailing 12 months)	Historical Net Income (trailing 12 months)	Forecasted Net Sales in next 12 months
			(in RMB million)		
002905 CH	4,771	4,181	1,973	134	2,288
300528 CH	2,839	2,492	1,745	(564)	N/A
002739 CH	38,326	43,138	13,421	1,180	16,394
603103 CH	10,046	9,655	2,585	291	3,194
IQ US	103,094	107,200	27,102	(10,528)	34,014

Company (Stock code)	Forward EV/S Ratio As at 30 June 2019
GuangZhou JinYi Media Corporation (002905 CH)	1.8
Omnijoi Media Corporation (300528 CH)	N/A
Wanda Film Holding Co Ltd (002739 CH)	2.6
Hengdian Entertainment Co., Ltd. (603103 CH)	3.0
iQIYI, Inc. (IQ US)	3.2

Source: Bloomberg

As the comparables are listed companies which are considered to be more mature and sizable than the Target Company, size premium has been added when arriving at the EV/S multiple to incorporate the difference in size between the identified comparables and the Target Company.

The adjustment was made to the reciprocal of the multiple. The product of the difference in size premium between the comparable company and the Target Company, the ratio of the equity value to the total invested capital of the comparable company divided by the net margin of the comparable company, was added. The reciprocal of the adjusted result would represent the multiple of the comparable company as if it were at the same size as the Target Company. The comparable companies with negative forecasted net margin or without available forecasted sales in the next 12 months were excluded as outliers.

The size premium was referenced to Duff & Phelps Cost of Capital Navigator. We are given to understand that Duff & Phelps is a global advisor that protects, restores and maximizes value for clients in the areas of valuation, corporate finance, investigations, disputes, cyber security, compliance and regulatory matters, and other governance-related issues. They work with clients across diverse sectors, mitigating risk to assets, operations and people.

As the operation of the Target Company was still in an early stage as at the Valuation Date, the Target Company has been incurring net losses in recent years and is expected to achieve breakeven in near future. As the earnings at around breakeven are subject to higher uncertainty and do not represent normalized earnings, the forward EV/S multiple appropriate for early stage companies and not influenced by capital structure was applied. The forecasted trailing 12-month net sales of the comparables were sourced from Bloomberg, if available, when arriving at the forward EV/S multiples. Size premium was then added based on the market capitalization of the comparable companies as at the Valuation Date. The average forward EV/S multiple after adjusting size among the comparables was approximately 1.21.

After adjustments and removing the outliers, the market ratio adopted is as follows,

Forward EV/S	**1.21**

Based on the forecasted trailing 12-month financials of the Target Company provided by the Instructing Party or the appointed personnel of the Company, the equity value, by using the forward EV/S ratio, can be derived as follows,

(in RMB '000)

Ratio	**Forecasted Trailing 12-month Revenue**	**Ratios**	**Enterprise Value**	**Equity Value***
EV/S	68,112	1.21	82,135	77,446
			DLOM (to be detailed in later section):	25%
			Control Premium (to be detailed in later section):	26%
			Equity Interests in the Target Company:	100%
			Indicated Value of the Appraised Asset as at 30 June 2019:	73,302

* *The figures may not add to total and may be different from the actual worksheet due to rounding*

After discussion with the Instructing Party, we were given to understand that the forecasted trailing 12-month revenue was based on contracts entered by the Target Company together with the regulation and promotion of entertainment content on demand implemented by the relevant authorities in May 2019. The revenue was derived from a bundle of sales (including subscription of content and provision of equipment) to end users. The quantities of screens and equipment was projected to grow at 50% for 2020. The percentage of growth was estimated based on the increase of demand to use the Target Company's system, which was authorized by relevant authority, to fulfill the requirement of the implementation of regulation and policy in May 2019.

We note that the comparable listed companies may be engaged in other business segments different from the Target Company and may be influenced by different company-specific factors, including but not limited to, product mix, geographical segmentation, operating history, internal control and customer loyalty. In addition, the deviation of the above financial ratios is high among the comparable companies. In particular, simple arithmetic average is highly sensitive to extreme values of the financial ratios, and thus may not be a reliable estimate of the value of the Appraised Asset. Considering also that the financial multiples we obtained were from comparable companies which have been operating in more diversified and general scope of the entertainment content business whilst the Target Company focused on the provision of entertainment content on demand system services with limited operating history and profitable track record, we have reservation to use the Market Approach to arrive at our opinion of value, instead, we used the Market Approach for sanity check. Given that the value estimated based on the Market Approach is higher than the value estimated based on the Income Approach to be detailed in next paragraph, considering that the deviation of the forward EV/S multiples among the comparables is relatively high and the forward EV/S multiple does not account for the profitability specific to the Target Company, the valuation conclusion was based on the more conservative Income Approach which factors in the Target Company's progress of turning net losses into breakeven.

The Income Approach

The Income Approach focuses on the economic benefits generated by the income-producing capability of a business enterprise. The underlying theory of this approach is that the value of a business enterprise can be measured by the present worth of the economic benefits to be received over the useful life of the business enterprise. Based on this valuation principle, the Income Approach estimates the future economic benefits and discounts these benefits to its present value using a discount rate suitable for the risks associated with realising those benefits. Alternatively, this can be calculated by capitalising the economic benefits to be received in the next period at an appropriate capitalisation rate. This is subject to the assumption that the business enterprise has been maintaining stable economic benefits and growth rate. The core idea under this approach is that a rational buyer normally will purchase an asset only if the present value of the expected economic benefits is at least equal to the purchase price. Likewise, a rational seller normally will not sell if the present value of the expected economic benefits is more than the selling price. Thus, a sale generally will occur at an amount equal to the economic benefits of the asset being valued.

We have used the Discounted Cash Flow ("DCF") analysis of the Income Approach to arrive at our opinion of the value of the Appraised Asset. The DCF analysis is designed to serve the purpose of valuing the total sum of money to be received during the useful life of an asset by investing certain amount of capital after considered the time value of money. This would necessitate the subtraction, from net income, the capital expenditures and net changes in working capital and the addition of depreciation in the computation of cash flows. The use of the DCF analysis reflects investment criteria and requires the valuer to make empirical and subjective assumptions.

In considering the DCF analysis as the appropriate method to assess the value of the Appraised Asset, we have used the Net Present Value ("NPV") technique. By using this technique, the expected future benefits generated from the Appraised Asset are set out year by year, and brought to a present value by use of present value factors at the appropriate rate. In constructing the cumulative present value table, positive present values are netted off against deficit present values so as to arrive at the "net present value".

The NPV is the difference between the present values of project benefits and project costs, and is computed using the following formula (for illustration purpose):

$$\text{NPV} = \sum_{i=0}^{n} \frac{b_i - c_i}{(1+r)^i}$$

Where b_i = benefits in period i
c_i = costs in period i
r = discount rate
n = discounting period
i = period

We considered two variants of the DCF Method, namely the Free Cash Flows to Equity Technique ("FCFE", equity capital) and the Free Cash Flows to the Firm Technique ("FCFF", invested capital as a whole). The FCFE Technique values the enterprise by estimating the fair market value of the ownership interests (equity) of the enterprise. This technique requires that the firm's interest expenses, if any, be excluded from the free cash flows and the resulting cash flows to be discounted at the relevant rate of return required by equity. This technique then equates the value of the ownership interests as the value of the enterprise. The FCFF Technique measures the cash flows available to the entire firm (all its claimholders), and therefore interest expenses are added back to arrive at free cash flows. In this engagement, we have used the FCFF technique.

The first step is to estimate the economic income projection. After discussion with the Instructing Party, we were given to understand that the economic income projection was estimated based on contracts entered by the Target Company together with the regulation and promotion of entertainment content on demand implemented by the relevant authorities in May 2019. The economic income projection covered the period of 5 years to the year ended 31 December 2023. The revenue was derived from a bundle of sales (including subscription of content and provision of equipment) to end users. The quantities of screens and equipment were projected to grow at 50%, 40%, 30%, 10% for the period 2020-2023. The percentage of growth was estimated based on the increase of demand to use the Target

Company's system, which was authorized by relevant authority, to fulfill the requirement of the implementation of regulation and policy in May 2019. The cost of sales was referenced to the historical gross margin for the past twelve months ending 30 June 2019. The selling and distribution and administration and general expenses were projected to be increased by 3% each year based on the inflation. The terminal value was calculated based on the projected income in the final year and the long-term growth rate of 2%, which was referenced to the change in consumer price index in China sourced from Bloomberg. The projections of the future revenues used in this valuation are mainly based on the information as provided by the Instructing Party or the appointed personnel of the Company, and they are responsible for the assumptions upon which the projections are based. We were given to understand that the assumptions adopted by them reflected their judgment of the ability for future operation, and that it represented the most likely result. These data have been utilised without further verification.

The next step is to estimate the appropriate present value factor i.e. discount rate. Discount rate equals to the cost of capital. The cost of capital represents investors' expectations and for any given investment is a combination of three basic factors, namely the risk-free rate, the expected inflation and a premium for risk. There are many ways to estimate the discount rate such as the Build-up Model, the Capital Asset Pricing Model ("CAPM") and the Arbitrage Pricing Model for equity investment and the Weighted Average Cost of Capital ("WACC") for invested capital. The use of the appropriate model in each analysis depends on numerous factors, in particular the future capital structure of the investment. There is no universal model that applies to all cases. In this case, we have considered the WACC to arrive at the discount rate.

The WACC Model is an average representing the expected return on all of a company's capital. Each source of capital, such as stocks, bonds, and other debt, is assigned a required rate of return, and then these required rates of return are weighted in proportion to the share each source of capital contributes to the company's capital structure. The resulting rate is what the firm would use as a minimum for evaluating a capital project or investment *(extracted from investorwords.com for readers' easy understanding)*.

The WACC is computed using the following formula (for illustration purpose):

$$WACC = P_e \times R_e + P_1 \times R_1$$

Where P_e = percentage of equity investment to total capital funds
P_1 = percentage of loaned funds
R_e = opportunity cost of capital of equity funds
R_1 = effective cost of loaned funds

To arrive at the opportunity cost of capital of equity funds (i.e. cost of equity), the CAPM has been adopted. The CAPM is a model for pricing an individual security (asset) or a portfolio. For individual security perspective, we made use of the security market line (SML) and its relation to expected return and systematic risk (beta) to show how the market must price individual securities in relation to their security risk class. The SML enables us to calculate the reward-to-risk ratio for any security in relation to that of the overall market.

Therefore, when the expected rate of return for any security is deflated by its beta coefficient, the reward-to-risk ratio for any individual security in the market is equal to the market reward-to-risk ratio, thus, for illustration purpose,

$$r_a = r_f + \beta_a (r_m - r_f)$$

Where, r_a = CAPM derived discount rate
r_f = risk free rate
β_a = beta of the asset
r_m = expected market return

Source: Investopedia

In estimating the discount rate in the valuation, we have adopted the market-derived discount rate by the CAPM. After our study and discussion with the Instructing Party, companies with similar business to the Target Company, were identified as comparable companies. After adjustments, we have adopted a (relevered) beta of 1.31, a risk free rate of 3.24% and a market premium of 8.54%. The risk free rate and market premium were referenced to the China market data as at the Valuation Date sourced from Bloomberg. The relevered beta was based on the historical observed betas of the identified comparables as at the Valuation Date sourced from Bloomberg, adjusted for capital structure and cash position. After consideration of additional size premium of 5.22%, the cost of equity adopted in this valuation was approximately 20%.

The size premium was referenced to Duff & Phelps Cost of Capital Navigator. We are given to understand that Duff & Phelps is a global advisor that protects, restores and maximizes value for clients in the areas of valuation, corporate finance, investigations, disputes, cyber security, compliance and regulatory matters, and other governance-related issues. They work with clients across diverse sectors, mitigating risk to assets, operations and people.

The following table is the summary of the comparable companies and their corresponding indexes.

Ticker	Company Name	Adjusted Beta	D/E
002905 CH	GuangZhou JinYi Media Corporation	1.113	0.00
300528 CH	Omnijoi Media Corporation	1.121	0.00
002739 CH	Wanda Film Holding Co Ltd	0.954	0.17
603103 CH	Hengdian Entertainment Co., Ltd.	1.274	0.00
IQ US	iQIYI, Inc.	1.479	0.15

* *Due to rounding process, the figures may be different from the actual worksheet.*
Source: Bloomberg

Adopting a cost of debt (net of tax) of 6% and the D/E ratio of 0.06, with reference to the average D/E ratio of the above comparable companies with similar business to the Target Company as at the Valuation Date sourced from Bloomberg, the adopted WACC was approximately 19% in our valuation.

VALUATION COMMENTS

Since the Target Company is a private company, and by definition, ownership interests in closely held companies are typically not readily marketable, and not as liquid and as easily converted to cash compared to similar interests in the public companies. Therefore, a share of stock in a privately held company is usually worth less than an otherwise comparable share in a publicly held company. In this valuation, we opted to apply a lack of marketability discount ("DLOM") for our Income Approach and Market Approach valuations.

When applying the Guideline Publicly Traded Company Method under the Market Approach, the share prices of the identified comparable companies are deemed to be non-controlling interest. A controlling ownership interest is typically more valuable than a pro-rata share of a minority interest. This is because the minority owner does not have control over important business decisions like declaring dividends, determining compensation, setting policies and deciding to sell or liquidate. In this Market Approach valuation, we opted to apply a control premium in estimating the value of the Appraised Asset as at the Valuation Date.

The DLOM and the control premium were referenced to Mergerstat Review and Control Premium Studies published by Factset Mergerstat. We are given to understand that Factset Mergerstat LLC is an information provider. The firm provides merger and acquisition information for the local, regional, national, and international financial news media. It offers daily M&A transaction data, in-depth historical deal information, and trend analysis for various M&A market sectors and industries. The firm engages in publishing annual, monthly, and weekly M&A publications. It also provides M&A and private equity information through its online database.

MATTERS THAT MIGHT AFFECT THE VALUE REPORTED

No allowance has been made in our valuation for any charges, mortgages, outstanding premium or amounts owing on the Appraised Asset. Also, no allowance has been made in our valuation for any expenses or depreciation or taxation, which may be incurred in effecting a sale of the Appraised Asset. Unless otherwise stated, it is assumed that the Appraised Asset is free from all encumbrances, restrictions, and outgoings of an onerous nature which could affect its value.

In our valuation, we have assumed that the Appraised Asset is able to sell and purchase in the market without any legal impediment (especially from the regulators). Should this not be the case, it will affect the reported value significantly. The readers are reminded to have their own legal due diligence work on such issues. No responsibility or liability is assumed.

As at the date of this report, we are unable to identify any adverse news against the Appraised Asset or each of the operating unit of the Target Company which may affect the reported value in our report. Thus, we are not in the position to report and comment on its impact (if any) to the Appraised Asset. However, should it be established subsequently that such news did exist as at the Valuation Date, we reserve the right to adjust the value reported herein.

INSPECTIONS AND INVESTIGATIONS

As part of our agreed-upon procedure, we did not conduct any company visits and physical inspection to the Target Company for this assignment. However, we have relied on the information provided by the Instructing Party as we have requested for the purpose of our valuation. We cannot express an opinion about or advice upon the condition of the assets or the status of the Target Company, and our report should not be taken as making any implied representation or statement about such assets or status. We are not, however, able to report that the assets being valued are free from rot, insect, infestation or any other defects. No tests were carried out to the services (if any) and we are unable to identify those services covered, unexposed or inaccessible.

Our valuation has been made on the assumption that no unauthorised alteration, extension or addition has been made in the premises of the Target Company. If the Instructing Party wants to satisfy them as to the condition of it, then the Instructing Party should obtain a third party detailed inspection and report of their own before reaching any business decision of the Appraised Asset.

SOURCES OF INFORMATION AND ITS VERIFICATION

For the purpose of valuing the Appraised Asset, we were furnished with various latest financial documents, and other documents related to the Target Company. These data have been utilised without further verification like an auditor. We have had no reason to doubt the truth and accuracy of the information that we have been furnished. No responsibility or liability is assumed for the accuracy of the provided information.

We have relied solely on the information provided by the Instructing Party or the appointed personnel of the Company without further verification and have fully accepted advice given to us on such matters as planning approvals or statutory notices, titles, easements, financial data, corporation status, business scope, assets and all other relevant matters.

We are not contracted to conduct a due diligence to review the digital entertainment industry. In the course of appraisal, we have solely depended on the advice given by the Instructing Party. We are unable to accept any responsibility or liability for the reliability of the advice.

Our procedures to value did not include preparing an error free asset list for the purpose of our valuation. In our valuation, we were instructed to rely on the information as contained in the materials provided by the Instructing Party or the appointed personnel of the Company, thus, we expressed no comment to the existence and the functional ability of the assets. No responsibility or liability is assumed from our part.

Information furnished by others, upon which all or portions of our report are based, is believed to be reliable but has not been verified in all cases. Our procedures to value or work do not constitute an audit, review, or compilation of the information provided. Thus, no warranty is made nor liability assumed for the accuracy of any data, advice, opinions, or estimates identified as being furnished by others which have been used in formulating our report.

When we adopted the work products from other named or unnamed professionals, external data providers and/or the Instructing Party in our valuation, the assumptions and caveats adopted by them in arriving at their opinions also applied in our valuation. The procedures we have taken do not require us to examine all the evidences, like an auditor, in reaching at our opinion. As we have not performed an audit, we are not expressing an audit opinion in our valuation.

We are unable to accept any responsibility for the information that has not been supplied to us by the Instructing Party. We have sought and received confirmation from the Instructing Party that no material factors have been omitted from the information supplied. Our analysis and valuation are based upon full disclosure between us and the Instructing Party of material and latent facts that may affect the appraisal.

Unless otherwise stated, all monetary amounts are in Renminbi Yuan ("RMB").

LIMITING CONDITIONS

This report is provided strictly for the sole use of the Instructing Party. Neither the whole nor any part of this report or any reference made hereto may be included in any published documents, circular or statement, or published in any way, without our written approval of the form and context in which it may appear. Unless otherwise stated, the copyright of this report belongs to us.

Our opinion of value in this report is valid only for the stated purpose at the Valuation Date. We or our personnel shall not be required to give testimony or attendance in court or to any government agency by reason of this report, and we accept no responsibility whatsoever to any other person.

No responsibility is taken for changes in market conditions and no obligation is assumed to revise this report to reflect events or change of government policy or financial condition or other conditions, which occur subsequent to the date hereof.

Our maximum liability relating to services rendered under this engagement (regardless of form of action, whether in contract, negligence or otherwise) shall be limited to the charges paid to us for the portion of its services or work products giving rise to liability. In no event shall we be liable for consequential, special, incidental or punitive loss, damage or expense (including without limitation, lost profits, opportunity costs, etc.), even if it has been advised of their possible existence.

It is agreed that the Instructing Party and the Company are required to indemnify and hold us harmless and our personnel from any claims, liabilities, costs and expenses (including, without limitation, attorney's fees and the time of our personnel involved) brought against, paid or incurred by us at a time and in any way based on the information made available in connection with our work product except to the extent any such losses,

expenses, damages or liabilities are ultimately determined to be the result of gross negligence of our engagement team in conducting its work. This provision shall survive even after the termination of this engagement for any reason.

OPINION OF VALUE

Based on the above, and on the appraisal methods employed, it is our opinion that as of the Valuation Date, the possible market value of the entire equity interests in the Target Company (before taking into consideration any transaction cost) was reasonably stated by the amount of **RENMINBI SIXTY FOUR MILLION AND SIX HUNDRED THOUSAND YUAN ONLY (RMB 64,600,000).**

STATEMENTS

Our opinion of value is based on generally accepted appraisal procedures and practices that rely extensively on assumptions and considerations, not all of which can be easily quantified or ascertained exactly. While we have exercised our professional judgement in arriving at the appraisal, the readers are urged to consider carefully the nature of such assumptions which are disclosed in our report and should exercise caution in interpreting our report.

Our valuation is prepared in line with the reporting guidelines as contained in the IVS. The valuation has been undertaken by us, acting as external valuer, qualified for the purpose of the valuation.

We retain a copy of our report together with the data provided by the Instructing Party for the purpose of this assignment, and these data and documents will, according to the Laws of Hong Kong, be kept for a period of 6 years it provided to us and to be destroyed thereafter. We considered these records confidential, and we do not permit access to them by anyone, with the exception for law enforcement authorities or court order, without the Instructing Party's authorisation and prior arrangement made with us. Moreover, we will add the Company's information into our client list for our future reference.

We hereby certify that the fee for this service is not contingent upon our conclusion of value and we have no present nor prospective interest in the Appraised Asset, the Company or the value reported.

Yours faithfully,
For and on behalf of
LCH (Asia-Pacific) Surveyors Limited

Elsa Ng Hung Mui *BSc MSc RPS(GP)*
Executive Director

Contributing Valuers:
Ivan Chan Chun Ting *BSc*
Patrick Wong Chi Pang *BBA*

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

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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 24 September 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

24 September 2019

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)

24 September 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 circular of Creative China Holdings Limited (the "**Company**") dated 24 September 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 24 September 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

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)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the extraordinary general meeting ("**EGM**") of Creative China Holdings Limited (the "**Company**") will be held at 24/F, Admiralty Centre I, 18 Harcourt Road, Hong Kong on 11 October 2019 (Friday), at 2:00 p.m. for the purpose of considering and, if thought fit, passing with or without modifications, the following resolution(s) as ordinary resolution(s) of the Company:

ORDINARY RESOLUTIONS

1. "**THAT**

   (a) the disposal of 11.25% equity interest in Capital Land Digital Entertainment Co., Limited, a company established in the PRC with limited liability, under the equity transfer agreement dated 28 August 2019 entered into between Beijing Emphasis Media Co., Ltd ("**Emphasis Media")**, a subsidiary of the Company controlled through contractual arrangements, as the vendor and Hubei Youxi Hotel Management Co., Ltd.*（湖北有戲酒店管理有限公司）as the purchaser (the "**Youxi Equity Transfer Agreement**", a copy of the said Agreement is marked "**A**" and signed by the chairman of the EGM for identification purpose has been tabled at the EGM) and all the transactions contemplated thereunder and incidental thereto be and are hereby approved, confirmed and ratified; and

   (b) any director of the Company or any other person authorized by the directors of the Company be and is hereby generally and unconditionally authorized to do all such acts and things, to sign and execute all such further documents for and on behalf of the Company, and to take such steps as he/she may in his/her absolute discretion consider necessary, appropriate, desirable or expedient to give effect to or in connection with this resolution."

2. "**THAT**

   (a) the disposal of 3.00% equity interest in Capital Land Digital Entertainment Co., Limited, a company established in the PRC with limited liability, under the equity transfer agreement dated 28 August 2019 entered into between Emphasis Media, a subsidiary of the Company controlled through contractual arrangements, as the vendor and Shenzhen Dingjunshan Technology Co., Ltd.* （深圳市定軍山科技有限公司） as the purchaser (the "**Dingjunshan**

Equity Transfer Agreement", a copy of the said Agreement is marked "**B**" and signed by the chairman of the EGM for identification purpose has been tabled at the EGM) and all the transactions contemplated thereunder and incidental thereto be and are hereby approved, confirmed and ratified; and

(b) any director of the Company or any other person authorized by the directors of the Company be and is hereby generally and unconditionally authorized to do all such acts and things, to sign and execute all such further documents for and on behalf of the Company, and to take such steps as he/she may in his/her absolute discretion consider necessary, appropriate, desirable or expedient to give effect to or in connection with this resolution."

3. "**THAT**

(a) the disposal of 5.00% equity interest in Capital Land Digital Entertainment Co., Limited, a company established in the PRC with limited liability, under the equity transfer agreement dated 28 August 2019 entered into between Emphasis Media, a subsidiary of the Company controlled through contractual arrangements, as the vendor and Guangzhou Jiexi Innovation Investment Partnership (Limited Partnership)*（廣州傑希創新投資合夥企業(有限合夥)）as the purchaser (the "**Jiexi Equity Transfer Agreement**" a copy of the said Agreement is marked "**C**" and signed by the chairman of the EGM for identification purpose has been tabled at the EGM) and all the transactions contemplated thereunder and incidental thereto be and are hereby approved, confirmed and ratified; and

(b) any director of the Company or any other person authorized by the directors of the Company be and is hereby generally and unconditionally authorized to do all such acts and things, to sign and execute all such further documents for and on behalf of the Company, and to take such steps as he/she may in his/her absolute discretion consider necessary, appropriate, desirable or expedient to give effect to or in connection with this resolution."

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

Hong Kong, 24 September 2019

Notes:

(1) Any member entitled to attend and vote at the EGM is entitled to appoint one or more proxies (if such member is the holder of two or more shares) to attend and to vote instead of them. A proxy need not be a member of the Company.

(2) Where there are joint holders of any share, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he were solely entitled thereto, but if more than one of such joint holders be present at any meeting, the vote of the senior who tenders a vote, whether in person or by proxy,

shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose, seniority shall be determined by the order in which the names stand in the register of members in respect of the joint holding.

(3) A form of proxy for use at the EGM is enclosed.

(4) To be valid, the form of proxy, together with the power of attorney or other authority, if any, under which it is signed or a certified copy of such power or authority, must be deposited at the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for holding the EGM or adjourned meeting. Completion and return of the form of proxy will not preclude members from attending and voting in person at the EGM or any adjourned meeting.

(5) According to Rule 17.47(4) of the GEM Listing Rules, the voting at the EGM will be taken by poll.

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

* *for identification only*