
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.

The circular appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for the securities of the Company.

 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)

**DISCLOSEABLE AND CONNECTED TRANSACTION
IN RELATION TO THE ACQUISITION INVOLVING ISSUE OF
CONSIDERATION SHARES UNDER SPECIFIC MANDATE
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

**Independent Financial Adviser to the Independent Board Committee
and the Shareholders**

ADVENT
宏智融資

Advent Corporate Finance Limited

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 Unit 1603–1604, 16/F, Causeway Bay Plaza I, 489 Hennessy Road, Causeway Bay, Hong Kong on Friday, 28 January 2022, at 2:30 p.m. is set out on pages 48 to 49 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.

12 January 2022

CHARACTERISTICS OF GEM

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

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PRECAUTIONARY MEASURES FOR THE EGM

In view of the ongoing COVID-19 and recent requirements for prevention and control of its spread, the Company will implement the following preventive measures at the EGM to protect attending Shareholders, staff and other stakeholders from the risk of infection:

- i. Compulsory body temperature checks will be conducted on every Shareholder, proxy and other attendee at the entrance of the EGM venue. Any person with a body temperature of over 37.4 degrees Celsius or any person wearing an electronic tracking wristband under quarantine order may be denied entry into the EGM venue or be required to leave the EGM venue;
- ii. The Company encourages attendees to wear surgical face masks inside the EGM venue at all times, and to maintain a safe distance between seats;
- iii. Submission of personal information form, which may be used for contact tracing, if required; and
- iv. No refreshments will be served, and there will be no corporate gifts.

To the extent permitted under law, the Company reserves the right to deny entry into the EGM venue or require any person to leave the EGM venue in order to ensure the safety of the attendees at the EGM. In the interest of all stakeholders' health and safety and consistent with recent COVID-19 guidelines for prevention and control, the Company reminds all Shareholders that physical attendance in person at the EGM is not necessary for the purpose of exercising voting rights. As an alternative, by using forms of proxy with voting instructions inserted, Shareholders may appoint the Chairman of the EGM as their proxy to vote on the relevant resolutions at the EGM instead of attending the EGM in person.

The form of proxy is attached to this circular for Shareholders who opt to receive physical circulars. Alternatively, the form of proxy can be downloaded from the "Investor Centre" section of the Company's website at <http://www.ntmediabj.com>. If you are not a registered Shareholder (if your Shares are held via banks, brokers, custodians or the Hong Kong Securities Clearing Company Limited), you should consult directly with your banks or brokers or custodians (as the case may be) to assist you in the appointment of proxy.

If Shareholders have any questions relating to the EGM, please contact Tricor Investor Services Limited, Company's Hong Kong share registrar, as follows:

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East, Hong Kong
E-mail: is-enquiries@hk.tricorglobal.com
Tel. No.: (852) 2980 1333
Fax No.: (852) 2810 8185

DEFINITIONS

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

“Acquisition”	the acquisition of 10% shareholding interests of Target Company contemplated under the Equity Transfer Agreement
“Announcements”	the announcements issued by the Company on 1 December 2021, 3 December 2021, 22 December 2021 and 7 January 2022 in relation to the Acquisition
“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 Equity Transfer Agreement in accordance with the terms and condition of the Equity Transfer Agreement
“Completion Date”	date of the Completion
“Conditions Precedent”	the conditions precedent to the Completion as set out in the paragraph headed “Conditions Precedent” under the section headed “Equity Transfer Agreement” in this circular
“Consideration”	the total consideration in the sum of RMB2,112,900, to be settled by way of allotment and issue of the Consideration Shares by the Company
“Consideration Share(s)”	a total of 5,671,467 new Shares (subject to adjustment) to be allotted and issued by the Company at the Issue Price to the Vendor or its nominee(s) pursuant to the terms and conditions of the Equity Transfer Agreement
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held on Friday, 28 January 2022 at 2:30 p.m. at Unit 1603–1604, 16/F, Causeway Bay Plaza I, 489 Hennessy Road, Causeway Bay, Hong Kong, the notice of which is set out on pages 48 to 49 of this circular and any adjournment thereof

DEFINITIONS

“Equity Transfer Agreement”	the equity transfer agreement entered into among the Vendor, the Company and the Purchaser dated 1 December 2021
“GEM”	the GEM of the Stock Exchange
“GEM Listing Committee”	the listing committee of the GEM, has the meaning ascribed to it under the GEM Listing Rules
“GEM Listing Rules”	the Rules Governing the Listing of Securities on the GEM
“Group”	the Company and its subsidiaries and contractual entities
“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 Board Committee”	independent board committee of the Board, comprising all the independent non-executive Directors, namely Mr. Yau Yan Yuen, Mr. Tan Song Kwang and Ms. Fu Yuehong, established to give a recommendation to the Shareholders in respect of the Equity Transfer Agreement and the transactions contemplated thereunder
“Independent Financial Adviser”	Advent Corporate Finance Limited, a corporation licensed under the SFO to carry out type 6 (advising on corporate finance) regulated activities, being the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Shareholders on the Equity Transfer Agreement and the transactions contemplated thereunder
“Issue Price”	HK\$0.456 per Consideration Share
“Latest Practicable Date”	6 January 2022, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein
“Long Stop Date”	31 January 2022 or such later date as the Parties may agree in writing
“Ms. Zhang”	shareholder of Vendor

DEFINITIONS

“Parties”	the parties to the Equity Transfer Agreement, and “Party” means any one of them
“PRC”	the People’s Republic of China (excluding, for the purposes of this circular, Hong Kong, Macau and Taiwan)
“Purchaser/Emphasis Media”	Beijing Emphasis Media Company Limited* (北京無限印象傳媒有限公司), a company established under the laws of the PRC and is an indirect wholly owned subsidiary of the Company and controlled by the Company through contractual arrangements
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary share(s) of HK\$0.05 each in the share capital of the Company
“Shareholders”	shareholders of the Company
“Specific Mandate”	specific mandate to allot, issue or otherwise deal in additional Shares to be sought from the Shareholders at the EGM to satisfy the allotment and issue of the Consideration Shares upon Completion
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Beijing Yiju Creative Technology Limited* (北京易聚創意科技有限公司), a company established under the laws of the PRC and is an indirect non-wholly owned subsidiary of the Company
“Vendor”	Beijing Chuangju Shi Dai Cultural Communication Limited* (北京創聚時代文化傳播有限公司), a company established in the PRC with limited liability
“%”	per cent

* For identification purpose only. If there is any inconsistency, the Chinese names shall prevail.

DEFINITIONS

For the purpose of this circular, unless otherwise indicated, conversion of RMB into HK\$ is calculated at the approximate exchange rate of RMB1.00 to HK\$1.224. This exchange rate is for illustration purpose only and does not constitute a representation that any amounts have been, could have been, or may be exchanged at this or any other rate at all.

LETTER FROM THE BOARD

 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)

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

12 January 2022

To the Shareholders

Dear Sir or Madam,

**DISCLOSEABLE AND CONNECTED TRANSACTION
IN RELATION TO THE ACQUISITION INVOLVING ISSUE OF
CONSIDERATION SHARES UNDER SPECIFIC MANDATE
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

INTRODUCTION

Reference is made to the Announcements dated 1 December 2021, 3 December 2021, 22 December 2021 and 7 January 2022 in relation to the Acquisition and Equity Transfer Agreement entered into among the Vendor, the Company and the Purchaser, an indirect wholly owned subsidiary of the Company, pursuant to which the Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to acquire, 10% equity interests of the Target Company at the consideration of RMB2,112,900, which will be settled by the allotment and issue of the

LETTER FROM THE BOARD

Consideration Shares by the Company to the Vendor or its nominee(s) at the Issue Price on the Completion Date.

The purpose of this circular is to provide you with, among others things, (i) further information about the Acquisition; (ii) the recommendation of the Independent Board Committee on the Acquisition; (iii) the advice of the Independent Financial Adviser in respect of the Acquisition; (iv) other information as required to be disclosed under the GEM Listing Rules; and (v) a notice convening the EGM.

EQUITY TRANSFER AGREEMENT

Set out below are the principal terms of the Equity Transfer Agreement:

Date: 1 December 2021 (after trading hours)

Parties: (a) the Vendor
(b) the Company; and
(c) the Purchaser

Nature of the transaction

Pursuant to the Equity Transfer Agreement, the Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to acquire, 10% equity interests of the Target Company.

As at the Latest Practicable Date, the Company holds 80% equity interest in the Target Company. The Target Company is an indirect non-wholly owned subsidiary of the Company.

Consideration

The Consideration in the total sum of RMB2,112,900 (approximately HK\$2,586,189) shall be settled by the allotment and issue of 5,671,467 Consideration Shares by the Company to the Vendor or its nominee(s) at the Issue Price of HK\$0.456 on the Completion Date.

The Consideration was arrived at after arm's length negotiation among the Parties, after taking into the account: (i) the profit after taxation of approximately RMB21 million of the Target Company as per the audited accounts of the Company for the year ended 31 December 2020; (ii) the reference to the price-to-earnings ratio ("**P/E ratio**") of market comparables in recent times; (iii) the amount due to the Company of RMB94.4 million, which was the major cause of the net liability position of the Target Company as of 30 June 2021; (iv) the optimistic future performance of the Target Company including (a) its great

LETTER FROM THE BOARD

development potential in add-value services such as promotional planning for the entertainment industry via mobile application development and operation, (b) the capability to develop new mobile application, (c) the potential synergy such as online advertisements and e-commerce on mobile application and endorsements on artist management upon the cooperation arrangement resulted from the framework agreement entered into between the Target Company and Beijing Shu Cai Cultural Media Limited* (“**Shu Cai**”) on 4 October 2021 to be materialised; and (v) further enhancement of the net profits attributable to the Company as a result of the increase of its stake in the Target Company. After taking into consideration (a) that the Consideration was arrived at after arm’s length negotiation among the Parties, (b) the factors (i) to (iv) aforementioned, and (c) that the implied P/E ratio of the Acquisition of approximately 1.0 time was lower than the average P/E ratio of 12.2 times of the market comparables as set out in the letter from the Independent Financial Adviser, the Board considers that the Consideration is fair and reasonable and in the interest of the Company and the Shareholders as a whole.

Issue of the Consideration Shares under the Specific Mandate

Subject to the fulfilment or waiver (as the case may be) of the conditions precedent as set out in the paragraph headed “Conditions precedent” below, the Company will issue 5,671,467 Consideration Shares to the Vendor or its nominee(s) at the Issue Price to satisfy the Consideration on Completion.

The Consideration Shares represent (i) approximately 1.71% of the existing issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 1.68% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares (the “**Shareholding Ratio**”) (assuming that there is no other change in the issued share capital of the Company between the Latest Practicable Date and the Completion).

The Consideration Shares will be allotted and issued under the Specific Mandate proposed to be sought from the Shareholders at the EGM. The Consideration Shares, when being allotted and issued, will rank *pari passu* in all respects with all the Shares then in issue on the date of allotment and issuance of the Consideration Shares. An application will be made by the Company to the Listing Committee for the listing of, and permission to deal in, the Consideration Shares.

The Company considered to settle the Consideration by allotment and issue of the Consideration Shares over cash. The settlement of the Consideration by allotment and issue of the Consideration Shares will benefit to the Group as it will settle the Consideration without requiring any cash outflow of the Group, thereby reserving the financial resources for the operation of the Group.

LETTER FROM THE BOARD

The Issue Price of HK\$0.456, being the higher of (a) the closing price on the date of the Equity Transfer Agreement; and (b) the average closing price in the five consecutive trading days immediately prior to the date of the Equity Transfer Agreement, represents:

- i. a premium of approximately 28.45% over the closing price of HK\$0.355 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- ii. a premium of approximately 2.47% over the closing price of HK\$0.445 per Share as quoted on the Stock Exchange on the date of the Equity Transfer Agreement;
- iii. the average closing price of approximately HK\$0.456 per Share as quoted on the Stock Exchange for the five consecutive trading days of the Shares immediately prior to the date of the Equity Transfer Agreement;
- iv. a discount of approximately 1.72% to the average closing price of approximately HK\$0.464 per Share as quoted on the Stock Exchange for the ten consecutive trading days of the Shares immediately prior to the date of the Equity Transfer Agreement; and
- v. a premium of approximately 73.38% over the net asset value per Share of approximately HK\$0.263 as of 30 June 2021, based on the 331,315,511 Shares in issue with the effect of share consolidation.

The Issue Price was arrived at after arm's length negotiations among the Company, the Purchaser and the Vendors with reference to the prevailing market price of the Shares.

After taking into consideration (i) the above determination basis; and (ii) that the Issue Price is at a premium to the consolidated net asset value per Share which minimises value dilution to the Shareholders, the Board considered the Issued Price is fair and reasonable and in the interest of the Company and Shareholders as a whole.

In circumstances where there is any alteration of the number of the issued Shares by reason of any consolidation or subdivision during the period from the date of the Equity Transfer Agreement to the Completion Date, the number of the Consideration Shares and the Issue Price may be adjusted proportionally so that the Shareholding Ratio shall remain unchanged.

Conditions Precedent

Completion is conditional upon the following Conditions Precedent being fulfilled or waived by the Company in writing (as the case may be):

1. all necessary consents, confirmations, permits, approvals (including approval of the Equity Transfer Agreement and the transactions contemplated thereunder, including the allotment and issue of the Consideration Shares under the Specific Mandate by the Shareholders, if required) and authorisations under the GEM Listing Rules and other regulatory regime having been granted to and/or obtained by the Company (collectively, the “**Necessary Approvals**”), and the Necessary

LETTER FROM THE BOARD

Approvals having remained valid and effective, and not being threatened with any revocation, withdrawal, cancellation or suspension at any time prior to Completion;

2. the GEM Listing Committee having approved the listing of and dealing in the Consideration Shares, and such approval shall not be threatened with any revocation, withdrawal or cancellation at any time prior to Completion;
3. no events having been occurred that would result in any material adverse effect on Target Company up to Completion; and
4. all the representations, warranties and undertakings of or by the Vendor remaining true and accurate in all respects at all times up to Completion.

The Company may waive any of the Conditions Precedent referred to in paragraphs (3) to (4) above at any time before the Completion by written notice to the Vendor. Save as aforesaid, none of the other Conditions Precedent above is capable of being waived.

If any of the above Conditions Precedent has not been fulfilled or waived at or before 5:00 p.m. Hong Kong time on the Long Stop Date, all rights and obligations of the Parties under the Equity Transfer Agreement shall cease and terminate (save for the provisions on interpretation, rescission, confidentiality and restriction on announcements, costs and expenses, miscellaneous, notices and governing law and jurisdiction which shall remain in full force and effect), and no Party shall have any claim against the others save for claim (if any) in respect of such continuing provisions or any antecedent breach thereof.

As at the Latest Practical Date, none of the Conditions Precedent has been fulfilled and the Parties have no intention to waive any of the conditions.

Completion

Subject to the fulfilment or waiver (as the case may be) of all the Conditions Precedent, the Completion shall take place on the Completion Date.

Upon Completion, the Target Company shall be owned as to 90% by the Company. The Target Company will remain as a non-wholly owned subsidiary of the Company and its financial results will continue to be consolidated with the consolidated financial statement of the Group. The remaining 10% equity interest in the Target Company is owned by Ms. Zhao Wei, an individual investor who does not participate in the management and operation of the Target Company. Other than being an existing substantial shareholder of the Target Company, Ms. Zhao Wei is an independent third party of, and has no relationship with, the Company and its connected persons. The Company currently does not have any intention to acquire the remaining 10% equity interest in the Target Company.

LETTER FROM THE BOARD

INFORMATION OF THE PURCHASER, THE COMPANY AND THE GROUP

The Purchaser is a company established under the laws of the PRC with limited liability and controlled by the Company through contractual arrangements. It is principally engaged in the provision of program production services in the PRC.

The Company is an exempted company with limited liability incorporated in the Cayman Islands, the shares of which are listed on GEM. The Group is principally engaged in the businesses of: (i) program production, film and television program pre-production, distribution and related services; (ii) concert and event organization; (iii) mobile live broadcasting and e-commerce; and (iv) artist management.

INFORMATION OF THE VENDOR

The Vendor is a company established under the laws of the PRC. It is principally engaged in film and television drama production management and commercial event planning. As at the Latest Practicable Date, the Vendor is owned as to 100% by Ms. Zhang Wenhong (“**Ms. Zhang**”), who is an individual investor. The Vendor is a substantial shareholder of the Target Company and holding 10% equity interest in the Target Company. Accordingly, the Vendor is a connected person of the Company at a subsidiary level.

FINANCIAL INFORMATION OF THE TARGET COMPANY

The Target Company is a company established under the laws of the PRC and is an indirect non-wholly owned subsidiary of the Company. It principally provides add-value services for the entertainment industry via mobile application development and operation.

The following table sets for the financial information of the Target Company:

	For the year ended 31 December 2019 (audited) (approximately) RMB'000	For the year ended 31 December 2020 (audited) (approximately) RMB'000	For the nine months ended 30 September 2021 (unaudited) (approximately) RMB'000
Revenue	16,571	23,749	13,327
Profit before taxation	13,610	21,129	10,183
Profit after taxation	13,610	21,129	10,183
Net liability value	87,362	66,232	56,049

The increase in revenue and profit after taxation from 2019 to 2020 was mainly due to increase in revenue from (i) promotion and commercial activities; and (ii) mobile live broadcasting businesses. With reference to the unaudited management account of the Target Company for the nine months ended 30 September 2021 and taking into account the financial performance of the Target Company in the last quarter of 2021, the profit for the year ending 31 December 2021 is expected to decrease comparing to the year of 2020. Should the profit for the

LETTER FROM THE BOARD

year ending 31 December 2021 decrease, the implied P/E ratio of the Acquisition would be higher than the implied P/E ratio of approximately 1.0 time calculated based on the profit for the year ended 31 December 2020, but is expected to be lower than the average P/E ratio of 12.2 times of the market comparables as set out in the letter from the Independent Financial Adviser. The Board is optimistic to the future performance of the Target Company. Given the continuous development of the Target Company's mobile applications and the cooperation arrangement with Shu Cai being announced on 4 October 2021 to be materialised, it is expected to generate positive results in the future.

In light of the above, the Board considers that the Acquisition is fair and reasonable and in the interest of the Company and the Shareholders as a whole.

EFFECT ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

The following table illustrates the shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) immediately upon Completion assuming there will be no change in the total number of issued Shares after the Latest Practicable Date and prior to the Completion:

Name of shareholders	As at the Latest Practicable Date		Immediately upon Completion	
	Number of Shares	Approximate percentage	Number of Shares	Approximate percentage
Non-public shareholders:				
Youth Success Holdings Limited ("Youth Success") (Note 1)	81,378,000	24.56%	81,378,000	24.15%
Guang Rui Investments Limited ("Guang Rui") (Note 1)	2,594,400	0.78%	2,594,400	0.77%
Goldbless International Limited ("Goldbless") (Notes 1 and 2)	76,500,000	23.09%	76,500,000	22.70%
Alpha Master Global Limited ("Alpha Master") (Note 1)	10,077,600	3.04%	10,077,600	2.99%
Qiao Tian Limited ("Qiao Tian") (Note 1)	5,418,000	1.64%	5,418,000	1.61%
Sub-total	175,968,000	53.11%	175,968,000	52.22%
Public shareholders:				
The Vendor or its nominee(s) (Note 3)	–	–	5,671,467	1.68%
Other public Shareholders	155,347,511	46.89%	155,347,511	46.10%
Sub-total	155,347,511	46.89%	161,018,978	47.78%
Total	331,315,511	100.00%	336,986,978	100.00%

LETTER FROM THE BOARD

Notes:

1. As at the Latest Practicable Date, Youth Success and Guang Rui owns 81,378,000 Shares and 2,594,400 Shares respectively, representing 24.56% and 0.78% 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 Shaoqian (“**Mr. Yang**”) and 40% by Ms. Mu Sufang (“**Ms. Mu**”). Ms. Mu is the spouse of Mr. Yang, therefore under the SFO she is deemed to be interested in all the Shares in which Mr. Yang is deemed to be interested, and vice versa. By virtue of the shareholders voting agreement entered into by Mr. Yang, Ms. Mu, Youth Success, Mr. Li Lin, Alpha Master, Ms. Yang Qi, 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. As at the Latest Practicable Date, the entire issued share capital of Goldbless is owned by Mr. Wang Yong, the non-executive Director. Under the SFO, Mr. Wang Yong is deemed to be interested in all the Shares registered in the name of Goldbless.
3. As at the Latest Practicable Date, other than being an existing substantial shareholder of the Target Company, the Vendor or its nominee(s) has no relationship with the Company and its connected persons, and the Shareholders of the Company.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group is principally engaged in program production and related services, concert and event organisation, mobile live broadcasting and e-commerce, and artist management.

The Target Company principally provides add-value services for the entertainment industry via mobile application development and operation. It is mainly engaged in promotion and commercial activities, e-commerce and mobile live broadcasting business.

The Board considers that the Acquisition is beneficial to the Group due to (i) its great development potential in add-value services for the entertainment industry via mobile application development and operation such as promotional planning and online advertising, (ii) the potential synergy across the mobile application business and the artist management business, upon the cooperation agreement between the Target Company and Shu Cai materialized. Pursuant to the cooperation agreement on 4 October 2021, the parties aim to establish personalized fan pages of over 30 exclusive artists under Shu Cai to promote these artists and attract their fans to join their fan pages under the Target Company’s mobile application. The cooperation with an addition of over 30 exclusive artists will create new revenue stream under both mobile live broadcasting and e-commerce and artist management segments such as (a) fee paid by fan to enjoy exclusive information; (b) livestream e-commerce; and (c) endorsements, and (iii) further enhance the net profits attributable to the Company as a result of the increase of its stake in the Target Company.

The Directors are of the view that the terms of the Equity Transfer Agreement and the transactions contemplated thereunder are on normal commercial terms or better, fair and reasonable and in the interests of the Company and its shareholders as a whole, but not entered into in the ordinary and usual course of business of the Group.

LETTER FROM THE BOARD

None of the Directors have any material interest in the Equity Transfer Agreement and the transaction contemplated thereunder and none of them abstained from voting on the relevant Board resolutions.

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 Acquisition is more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction for the Company and is subject to the announcement requirement under Chapter 19 of the GEM Listing Rules. As at the Latest Practicable Date, the Target Company is an 80% owned subsidiary of the Company, while the Vendor is a substantial shareholder (as defined in the GEM Listing Rules) of the Target Company by holding 10% equity interest of the Target Company. Accordingly, the Vendor is a connected person to the Company on the subsidiary level under Chapter 20 of the GEM Listing Rules. As such, the Acquisition constitutes a connected transaction of the Company under Chapter 20 of the GEM Listing Rules. Since the Acquisition involves the allotment and issue of Consideration Shares which does not fall under the circumstances as set out in Rule 20.90 of the GEM Listing Rules, the Acquisition is subject to the announcement, reporting and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee comprising Mr. Yau Yan Yuen, Mr. Tan Song Kwang and Ms. Fu Yuehong, being all the independent non-executive Directors, has been established to advise the Shareholders as to whether the terms of the Equity Transfer Agreement and the transactions contemplated thereunder (including the allotment and issue of the Consideration Shares) are fair and reasonable, on normal commercial terms and in the ordinary and usual course of business of the Company, and in the interests of the Company and the Shareholders as a whole.

The Independent Financial Advisor has been appointed with approval of the Independent Board Committee to provide advice and recommendation to the Independent Board Committee and the Shareholders.

EGM

A notice convening the EGM to be held at Unit 1603–1604, 16/F, Causeway Bay Plaza I, 489 Hennessy Road, Causeway Bay, Hong Kong at 2:30 p.m. on Friday, 28 January 2022 is set out on pages 48 to 49 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.

LETTER FROM THE BOARD

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 Acquisition who will be required to abstain from voting at the EGM in respect of the resolution(s) relating to the Acquisition.

RECOMMENDATIONS

The Independent Board Committee has been established to advise the Shareholders whether the terms of the Acquisition are fair and reasonable so far as the Shareholders are concerned and the Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Shareholders in that connection.

The text of the letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Shareholders is set out on pages 17 to 38 of this circular and the text of the letter from the Independent Board Committee to the Shareholders is set out on pages 15 to 16 of this circular.

The Board (including the independent non-executive Directors) considers that the Acquisition is on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole, but not entered into in the ordinary and usual course of business of the Group. The Board recommends the Shareholders to vote in favour of the relevant ordinary resolution to be proposed at the EGM.

ADDITIONAL INFORMATION

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

Completion is subject to the fulfillment of the conditions precedent set out in the Equity Transfer Agreement and therefore the Acquisition may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.

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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the text of the letter of recommendation from the Independent Board Committee to the Shareholders in relation to the Acquisition prepared for the purpose of incorporation in 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)

12 January 2022

To the Shareholders,

Dear Sir or Madam,

**DISCLOSEABLE AND CONNECTED TRANSACTION
IN RELATION TO THE ACQUISITION INVOLVING ISSUE OF
CONSIDERATION SHARES UNDER SPECIFIC MANDATE**

We refer to the circular dated 12 January 2022 (the “**Circular**”) of the Company of which this letter forms part. Terms defined in the Circular shall have the same meanings when used herein unless the context requires otherwise.

We, being the independent non-executive Directors constituting the Independent Board Committee, are writing to advise you as a Shareholder whether the Independent Board Committee is of the view that the terms of the Equity Transfer Agreement and the transactions contemplated thereunder (including the allotment and issue of the Consideration Shares) are fair and reasonable, on normal commercial terms and in the ordinary and usual course of business of the Company, and in the interests of the Company and the Shareholders as a whole.

We wish to draw your attention to the letter from the Board as set out on pages 5 to 14 of the Circular and the letter from the Independent Financial Adviser as set out on pages 17 to 38 of the Circular which contains, *inter alia*, their advice and recommendation to us regarding the terms of the Equity Transfer Agreement (including the allotment and issue of the Consideration Shares) with the principal factors and reasons for those advice and recommendation.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

RECOMMENDATION

Having taken into account the advice and recommendation of the Independent Financial Adviser, we are of the view that, the terms of the Equity Transfer Agreement and the transactions contemplated thereunder (including the allotment and issue of the Consideration Shares) are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole, but not entered into in the ordinary and usual course of business of the Group. Accordingly, we recommend the Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Equity Transfer Agreement and the transactions contemplated thereunder.

Yours faithfully,

For and on behalf of the Independent Board Committee of
Creative China Holdings Limited
Mr. Yau Yan Yuen, Mr. Tan Song Kwang and Ms. Fu Yuehong
Independent Non-executive Directors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of the letter from Advent Corporate Finance Limited to the Independent Board Committee and the Shareholders, which had been prepared for the purpose of inclusion in this circular.



Advent Corporate Finance Limited
Suites 1008-08A, 10/F
Ocean Centre, Harbour City
Kowloon, Hong Kong

12 January 2022

*To the Independent Board Committee and the Shareholders of
Creative China Holdings Limited*

Dear Sirs,

DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION INVOLVING ISSUE OF CONSIDERATION SHARES UNDER SPECIFIC MANDATE

INTRODUCTION

We refer to our appointment as the independent financial adviser (the “**Independent Financial Adviser**”) to the Independent Board Committee and the Shareholders in respect of the Acquisition and the Equity Transfer Agreement (including the allotment and issue of the Consideration Shares under the Specific Mandate), details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular of the Company dated 12 January 2022 (the “**Circular**”), of which this letter forms a part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

With reference to the announcements of the Company dated 1 December 2021, 3 December 2021, 22 December 2021 and 7 January 2022 in respect of the Acquisition, the Vendor, the Company and the Purchaser, an indirect wholly owned subsidiary of the Company, entered into the Equity Transfer Agreement, pursuant to which the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to acquire, 10% equity interests of the Target Company at the Consideration of RMB2,112,900, which will be settled by the allotment and issue of the Consideration Shares by the Company to the Vendor or its nominee(s) at the Issue Price on the Completion Date. As at the Latest Practicable Date, the Company holds 80% equity interest in the Target Company. The Target Company is an indirect non-wholly owned subsidiary of the Company. Upon completion of the Acquisition, the Company will hold 90% equity interest in the Target Company and will remain as an indirect non-wholly owned subsidiary of the Company, while the remaining 10% equity interest will be held by Ms. Zhao Wei, an individual investor who, other than being an existing substantial shareholder of the Target Company, is an independent third party of, and has no relationship with, the Company and its

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

connected persons. The Consideration Shares represents (i) approximately 1.71% of the issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 1.68% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares.

As the highest applicable percentage ratio (as defined in Rule 19.07 of the GEM Listing Rules) in respect of the Acquisition is more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction of the Company and is therefore subject to the reporting and announcement requirements under Chapter 19 of the GEM Listing Rules. As at the Latest Practicable Date, the Target Company is an 80% owned subsidiary of the Company, while the Vendor is a substantial shareholder (as defined in the GEM Listing Rules) of the Target Company by holding 10% equity interest of the Target Company. Accordingly, the Vendor is a connected person to the Company on the subsidiary level under Chapter 20 of the GEM Listing Rules. As such, the Acquisition constitutes a connected transaction of the Company under Chapter 20 of the GEM Listing Rules. Since the Acquisition involves the allotment and issue of Consideration Shares which does not fall under the circumstances as set out in Rule 20.90 of the GEM Listing Rules, the Acquisition is subject to the announcement, reporting and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules. In this regard, independent financial advice to the Independent Board Committee and independent shareholders with respect to such approval under Chapter 20 of the GEM Listing Rules is required.

The EGM will be convened for the Shareholders to consider and, if thought fit, approve the Specific Mandate for the allotment and issue of the Consideration Shares. Given that none of the Shareholders has a material interest in the Acquisition and the Equity Transfer Agreement, none of them would be required to abstain from voting in the EGM.

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising all the independent non-executive Directors, namely Ms. Fu Yuehong, Mr. Yau Yan Yuen and Mr. Tan Song Kwang, has been established to advise the Shareholders on matters in relation to the allotment and issue of the Consideration Shares pursuant to the Specific Mandate. We have been appointed by the Company as the Independent Financial Adviser to advise the Independent Board Committee and the Shareholders in this respect and such appointment has been approved by the Independent Board Committee.

OUR INDEPENDENCE

As at the Latest Practicable Date, we were independent from and not connected with the Group in accordance with Rule 17.96 of the GEM Listing Rules, and accordingly, are qualified to act as the Independent Financial Adviser to the Independent Board Committee and the Shareholders. Save for our appointment as the Independent Financial Adviser, there was no engagement between the Group and us in the past two years. Apart from the advisory fee and expenses payable to us in connection with our appointment as the Independent Financial Adviser to the Independent Board Committee and the Shareholders, no arrangement exists whereby we shall receive any other fees or benefits from the Company.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

BASIS OF OUR OPINION

In formulating our opinion and recommendations, we have reviewed, among others, the Announcement, the Equity Transfer Agreement, the cooperation agreement entered between the Group and Shu Cai, the Company's annual reports for the year ended 31 December 2019 (the **"2019 Annual Report"**), the Company's annual report for the year ended 31 December 2020 (the **"2020 Annual Report"**); the Company's interim report for the six months ended 30 June 2021 (the **"2021 Interim Report"**); and the Company's third quarterly report for the nine months ended 30 September 2021 (the **"2021 Third Quarterly Report"**). We have also reviewed the audited management accounts of the Target Company for the two years ended 31 December 2019 and 2020 and the unaudited management accounts for the nine months ended 30 September 2020 and 2021. In addition, we have also (i) conducted verbal discussions with the management of the Company (the **"Management"**) in respect of, among others, the terms of and reasons for the entering into of the Equity Transfer Agreement; and (ii) considered and reviewed such other information, analyses and market data which we deemed relevant. We have assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, the Directors or the Management, which have been provided to us.

The Directors collectively and individually accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts not contained in the Circular, the omission of which would make any statement in the Circular misleading.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have no reasons to suspect that any material information has been withheld by the Directors or the Management, or is misleading, untrue or inaccurate. We have not, however, conducted any independent verification of the information provided to us by the Directors and the Management, nor have we conducted any form of independent investigation into the business, affairs and/or the future prospects of the Group and the Target Company.

This letter is issued for information of the Independent Board Committee and the Shareholders solely in connection with their consideration of the allotment and issue of the Consideration Shares pursuant to the Specific Mandate, and except for its inclusion in the Circular and for the purpose of the EGM, this letter is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendation, we have considered the following principal factors and reasons:

1. Information of the Group

(a) Business of the Group

As disclosed in the 2020 Annual Report, the Group is principally engaged in the businesses of (i) program production, film and television program pre-production, distribution and related services; (ii) concert and event organisation; (iii) mobile live broadcasting and e-commerce; and (iv) artist management. As disclosed by the Company, the Company had completed the disposal of the business of entertainment contents on demand system services in the PRC, being duly passed by the shareholders of the Company by way of poll at the extraordinary general meeting of the Company held on 11 October 2019.

(b) Financial performance of the Group

Set out below is a summary of the Group's operating results extracted from the 2020 Annual Report and the 2021 Third Quarterly Report:

Table A: Financial summary of the Group

	For the nine months ended 30 September		For the year ended 31 December	
	2021	2020	2020	2019
	<i>approximately</i>	<i>approximately</i>	<i>approximately</i>	<i>approximately</i>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)	(audited)	(audited)
<i>Revenue from continuing operations</i>				
(i) program production and related services	27,476	8,325	18,276	34,862
(ii) concert and event organisation and related services	266	1,173	1,156	9,489
(iii) mobile live broadcasting and e-commerce and related services	4,510	11,692	13,632	–
(v) artist management and related services	4,544	11,817	12,600	3,773
Total revenue	36,796	33,007	45,664	48,124
Gross profit	22,187	22,743	39,560	17,627
Profit/(loss) for the year/period from continuing operations	8,952	11,154	20,056	(215)

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The revenue of the Group slightly decreased from approximately RMB48.1 million for the year ended 31 December 2019 to approximately RMB45.7 million for the year ended 31 December 2020. As disclosed in the 2020 Annual Report, the decrease in revenue was mainly attributable to (i) the decrease in revenue from program production and related services resulted from the postponement of the negotiation of licensing the broadcasting rights and the temporary suspension of the entertainment industry operations during the beginning of the year 2020 due to the pandemic of coronavirus disease reported in late 2019 (“**COVID-19 Pandemic**”); and (ii) the decrease in revenue from concert and event organisation from approximately RMB9.5 million for the year ended 31 December 2019 to approximately RMB1.2 million for the year ended 31 December 2020 due to the suspension of concerts during the period of COVID-19 Pandemic. The decrease in revenue has been partially offset by the increase in revenue from mobile live broadcasting and e-commerce which was generated from online advertising on streaming media. The revenue from artists management and related services also increased from approximately RMB3.8 million for the year ended 31 December 2019 to approximately RMB12.6 million for the year ended 31 December 2020 due to commercial activities arranged by the Group for the Group’s contracted world champion athletes and artists, including advertisements, commercials, promotions and endorsements.

Despite the decrease in revenue, the Group’s gross profit increased from approximately RMB17.6 million for the year ended 31 December 2019 to approximately RMB39.6 million for the year ended 31 December 2020, due to the sale of an original movie script copyright, publications of advertisements and commercial engagements which were arranged for the Group’s contracted artists and related content production. As advised by the Management, the Group’s gross profit increased for the year ended 31 December 2020 due to the increase in revenue from mobile live broadcasting which have relatively higher gross profit margins. Primarily as a result of the improved gross profit, the Group recorded a turnaround from a net loss of approximately RMB0.2 million for the year ended 31 December 2019 to a net profit of approximately RMB20.1 million for the year ended 31 December 2020.

With reference to the Group’s 2021 Third Quarterly Report, the Group’s revenue for the nine months ended 30 September 2021 slightly increased from approximately RMB33.0 million for the nine months ended 30 September 2020 to approximately RMB36.8 million for the nine months ended 30 September 2021. The increase in revenue was mainly attributable to the increase in revenue from program production related services from approximately RMB8.3 million for the nine months ended 30 September 2020 to approximately RMB27.5 million for the nine months ended 30 September 2021, which was mainly resulted from transfer of script copyrights of movie and serial program which were produced by the Group. The increase in revenue from program production and related services had been partially offset by the decrease in revenue from mobile live broadcasting and e-commerce and related services due to the reduction of advertising income and the decrease in revenue from artist

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

management and related services as less jobs were arranged for the Group's contracted artists and athletes during the Tokyo Olympics.

The Group's gross profit remained relatively stable at approximately RMB22.7 million and RMB22.2 million for the nine months ended 30 September 2020 and 2021, respectively. The Group's net profit decreased from approximately RMB11.2 million for the nine months ended 30 September 2020 to approximately RMB9.0 million for the nine months ended 30 September 2021, mainly attributable to the decrease in other gains and losses recorded by the Group during the same period.

(c) Financial position of the Group

Set out below is a summary of the Group's financial position as at 31 December 2019 and 2020 as extracted from the 2020 Annual Report and as at 30 June 2021 as extracted from the 2021 Interim Report:

Table B: Summary of financial position of the Group

	As at 30 June	As at 31 December	
	2021	2020	2019
	<i>approximately</i>	<i>approximately</i>	<i>approximately</i>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(audited)	(audited)
Non-current assets	9,777	7,502	8,901
Current assets	210,640	215,573	179,915
Current liabilities	99,921	106,274	104,335
Net current assets	110,719	109,299	75,580
Non-current liabilities	49,397	49,401	46,517
Net assets	71,099	67,400	37,964

The Group's current assets increased from approximately RMB179.9 million as at 31 December 2019 to approximately RMB215.6 million as at 31 December 2020, which was mainly resulted from the increase in trade and other receivables as the prepayments and deposits paid for the pre-production made by the Group amounted to approximately RMB66.8 million as at 31 December 2020 as compared to approximately RMB38.5 million as at 31 December 2019. The Group's total liabilities slightly increased from approximately RMB150.9 million as at 31 December 2019 to approximately RMB155.7 million as at 31 December 2020 due to the increase in non-current trade payables. In view of the foregoing, the Group's net current assets and net assets increased from approximately RMB75.6 million and RMB38.0 million respectively as at 31 December 2019 to approximately RMB109.3 million and RMB67.4 million respectively as at 31 December 2020. As at 30 June 2021, the Group's net current assets and net assets amounted to approximately RMB110.7 million and RMB71.1 million respectively.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

2. Information of the Target Company

(a) *Business of the Target Company*

The Target Company is a company established under the laws of the PRC and is an indirect non-wholly owned subsidiary of the Group. As at the Latest Practicable Date, the Company and the Vendor hold 80% and 10% equity interest in the Target Company respectively. The Target Company is principally engaged in provision of add-value services for the entertainment industry via mobile application development and operation. It is mainly engaged in promotion and commercial activities, e-commerce and mobile live broadcasting business. All the revenue of the Target Company was derived in the PRC.

(b) *Financial information of the Target Company*

Set forth below is a summary of the financial information of the Target Company for the two years ended 31 December 2019 and 2020 as extracted from the 2020 Annual Report and for the nine months ended 30 September 2020 and 2021 as extracted from the unaudited management accounts of the Target Company:

Table C: Financial summary of the Target Company

	For the nine months ended/ As at 30 September		For the year ended/ As at 31 December	
	2021	2020	2020	2019
	<i>approximately</i>	<i>approximately</i>	<i>approximately</i>	<i>approximately</i>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)	(audited)	(audited)
Revenue	13,327	20,017	23,749	16,571
Profit after taxation	10,183	16,938	21,129	13,610
Net liability value	56,049	70,424	66,232	87,362

The Target Company's revenue increased from approximately RMB16.6 million for the year ended 31 December 2019 to approximately RMB23.7 million for the year ended 31 December 2020. As advised by the Management, the increase in revenue was mainly attributable to the increase in revenue from (i) promotion and commercial activities; and (ii) mobile live broadcasting businesses.

The Target Company's net liability value decreased from approximately RMB87.4 million as at 31 December 2019 to approximately RMB66.2 million as at 31 December 2020, due to the decrease in current liabilities mainly comprising intercompany balances due to repayment of the amount due to Emphasis Media, its immediate holding company.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Target Company's revenue decreased from approximately RMB20.0 million for the nine months ended 30 September 2020 to approximately RMB13.3 million for the nine months ended 30 September 2021. The decrease was due to the decrease in revenue from promotion and commercial activities as less activities were arranged during the Tokyo Olympics, which was partially offset by the increase in revenue from publishing of advertisements.

The Target Company's net liability value further decreased from approximately RMB66.2 million as at 31 December 2020 to approximately RMB56.0 million as at 30 September 2021, due to the increases in intangible assets of approximately RMB7.6 million in relation to the acquisition of mobile application in June 2021.

3. Reasons for and benefits for the Acquisition

As disclosed in the Letter from the Board contained in the Circular, the Target Company principally provides add-value services for the entertainment industry via mobile application development and operation. It is mainly engaged in promotion and commercial activities, e-commerce and mobile live broadcasting business. The Board considers that the Acquisition is beneficial to the Group due to (i) its great development potential in add-value services for the entertainment industry via mobile application development and operation such as promotional planning and online advertising; (ii) the potential synergy across the mobile application business and the artist management business, upon the cooperation arrangement between the Target Company and Shu Cai to be materialised. Pursuant to the cooperation agreement entered into on 4 October 2021, the parties aim to establish personalised fan pages of over 30 exclusive artists under Shu Cai to promote these artists and attract their fans to join their fan pages under the Target Company's mobile application. The cooperation with an addition of over 30 exclusive artists will create new revenue stream under both mobile live broadcasting and e-commerce and artist management segments such as (a) fee paid by fan to enjoy exclusive information, (b) livestream e-commerce, and (c) endorsements; and (iii) the expected further enhancement of the net profits attributable to the Company as a result of the increase of its stake in the Target Company. The Target Company continued to record a net profit of approximately RMB21.1 million and RMB10.2 million for the year ended 31 December 2020 and for the nine months ended 30 September 2021, respectively. In view of the improving financial results of the Target Company, we concur with the Directors' views that the Acquisition could facilitate the Group to gain enhanced control of the Target Company and incorporate more of the net profits attributable to the Company.

On the other hand, we have conducted independent research from the public domain in respect of the future prospect of the mobile live broadcasting and e-commerce industries in China. According to the report "Global Entertainment and Media Outlook 2021–2025: Mainland China Summary" published by PwC in July 2021 (<https://www.pwccn.com/zh/tmt/entertainment-and-media-outlook-2021-2025.pdf>), the internet advertising market in China worth US\$74.8 billion in 2020, ranking the second in the world and it is forecasted to increase to US\$117.5 billion by 2025, with a compound

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

annual growth rate (“CAGR”) of 9.4%. The mobile internet advertising revenue is expected to account for 65.6% of all internet advertising revenue in China by 2025.

In addition, with reference to the report “2021 China’s Livestreaming e-Commerce Industry Report” published by iResearch in September 2021 (https://www.iresearchchina.com/content/details8_67761.html), the Chinese livestreaming e-commerce users increased from 265 million as of March 2020 to 388 million as of December 2020 and accounted for approximately 39.2% of the total Chinese netizens. 66.2% of users placed orders after watching livestreaming. The market scale of China’s livestreaming e-commerce market was approximately RMB1.2 trillion in 2020, with annual growth rate of 197.0%. It is expected to increase to approximately RMB4.9 trillion in 2023, with a CAGR of approximately 58.3%. The livestreaming e-commerce accounts for 10.6% of the online shopping market in the PRC and it is expected to increase to 24.3% in 2023.

In light of the expected growth potential of mobile advertising and e-commerce industries in China, we are of the view that the industry prospects of the Target Company remain positive.

As disclosed by the Company, the Company had completed the disposal of the business for provision of entertainment contents on demand system services in the PRC, being duly passed by the shareholders of the Company by way of poll at the extraordinary general meeting of the Company held on 11 October 2019, in view of the unsatisfactory financial results and expected change in regulatory requirements for entertainment outlets. In contrast, the Group had put more resources to develop and enhance the mobile live broadcasting and e-commerce segments and successfully developed its own mobile live broadcasting technology, online transaction payment technology and technology for simultaneously playing video and completing payment without page redirection, which had been applied in the Group’s mobile applications. As such, we consider that the Acquisition is aligned with the Group’s business strategies in the long run.

In view of (i) the profitable track record of the Target Company for the two years ended 31 December 2019 and 2020 and for the nine months ended 30 September 2021; (ii) the Acquisition being in line with the Group’s business strategies; and (iii) the positive prospects of mobile live broadcasting and e-commerce industries in the PRC as set out above, we concur with the Directors’ view that the Acquisition is fair and reasonable and in the interest of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

4. Principal terms of the Equity Transfer Agreement

- Date** : 1 December 2021 (after trading hours)
- Parties** : (a) the Vendor
- (b) the Company; and
- (c) the Purchaser
- Nature of the transaction** : Pursuant to the Equity Transfer Agreement, the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to acquire, 10% equity interests of the Target Company.
- Consideration** : The Consideration for the Acquisition in the total sum of RMB2,112,900 (approximately HK\$2,586,189) shall be settled by the allotment and issue of 5,671,467 Consideration Shares by the Company to the Vendor or its nominee(s) at the Issue Price of HK\$0.456 per Consideration Share on the Completion Date.
- Conditions Precedent** : Completion is conditional upon the following Conditions Precedent being fulfilled or waived by the Company in writing (as the case may be):
1. all necessary consents, confirmations, permits, approvals (including approval of the Equity Transfer Agreement and the transactions contemplated thereunder, including the allotment and issue of the Consideration Shares under the Specific Mandate by the Shareholders, if required) and authorisations under the GEM Listing Rules and other regulatory regime having been granted to and/or obtained by the Company (collectively, the “**Necessary Approvals**”), and the Necessary Approvals having remained valid and effective, and not being threatened with any revocation, withdrawal, cancellation or suspension at any time prior to Completion;

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

2. the GEM Listing Committee having approved the listing of and dealing in the Consideration Shares, and such approval shall not be threatened with any revocation, withdrawal or cancellation at any time prior to the Completion;
3. no events having been occurred that would result in any material adverse effect on Target Company up to Completion; and
4. all the representations, warranties and undertakings of or by the Vendor remaining true and accurate in all respects at all times up to Completion.

The Company may waive any of the Conditions Precedent referred to in paragraphs (3) and (4) above at any time before the Completion by written notice to the Vendor. Save as aforesaid, none of the other Conditions Precedent is capable of being waived.

As at the Latest Practicable Date, none of the above Conditions Precedent has been fulfilled and the Parties have no intention to waive any of the conditions.

Completion : Subject to the fulfilment or waiver (as the case may be) of all the Conditions Precedent, the Completion shall take place on the Completion Date.

For details of the principal terms of the Equity Transfer Agreement, please refer to the Letter from the Board contained in the Circular.

5. Analysis on the fairness and reasonableness of the Consideration

As set out in the Letter from the Board, the Consideration was arrived at after arm's length negotiation among the Parties having taken into account: (i) the profit after taxation of approximately RMB21 million of the Target Company as per the audited accounts of the Company for the year ended 31 December 2020; (ii) the reference to the P/E ratios of the market comparables in recent times; (iii) the amount due to the Company of RMB94.4 million, which was the major cause of the net liability position of the Target Company as of 30 June 2021; (iv) the optimistic future performance of the Target Company including (a) its great development potential in add-value services such as promotional planning for the entertainment industry via mobile application development and operation, (b) the capability to develop new mobile application, (c) the potential synergy such as online advertisements and e-commerce on mobile application and endorsements on artist management upon the cooperation arrangement resulted from the framework agreement

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entered into between the Target Company and Shu Cai on 4 October 2021 to be materialised; and (v) further enhancement of the net profits attributable to the Company as a result of the increase of its stake in the Target Company.

(a) Comparison with comparable companies

The Target Company is principally engaged in add-value services for the entertainment industry via mobile application development and operation which comprise mobile live broadcasting and e-commerce businesses. In order to assess the fairness and reasonableness of the Consideration, we have carried out an analysis by comparing peer companies engaging in similar businesses. Price-to-earnings ratio (“P/E”) and price-to-book ratio (“P/B”) are the most commonly used benchmark in valuing a company or business. Having said that, as the Target Company was in a net liabilities position, the P/B ratio is therefore not applicable. Given that the Consideration was determined with reference to, among others, the profit after taxation of the Target Company, we have adopted the P/E analysis to assess the fairness and reasonableness of the Consideration.

For the purpose of our analysis, we have searched for companies (i) listed on the Stock Exchange; (ii) principally engaged in principal or similar businesses comparable to that of the Target Company (the “**Relevant Business**”); (iii) derived at least 50% of revenue in the PRC, as disclosed in their respective audited financial information for the latest full financial year; and (iv) whose market capitalisation are below HK\$4,000 million. We have excluded companies under prolonged suspension. To the best of our knowledge and on a best-effort basis, we have identified an exhaustive list of three comparable companies (the “**Comparable Companies**”) that met the aforesaid criteria. Though the Comparable Companies have a different level of market capitalisation, we are of the view that they are representative as (i) they have similar business and operations as the Target Company; (ii) their major revenue was derived from the Relevant Business which was similar to that of the Target Company; and (iii) the revenue from Relevant Business of the Comparable Companies were mainly derived from the PRC, the same geographical region where the Target Company is running its business, and therefore is relevant for our analysis and serve as appropriate, fair and representative samples.

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Table D: Summary of Comparable Companies

Stock code	Company Name	Principal business	Percentage of revenue derived from Relevant Business over total revenue	Market capitalisation as at 1 December 2021 (i.e. the date of the Equity Transfer Agreement) (HK\$ million)	Approximate P/E ratio (times)
1849	AM Group Holding Limited ("AM Group")	Principally engaged in the provision of marketing services and operation of online e-commerce platform	57.1%	456	10.3 (Note 1)
3700	Inke Limited ("Inke")	Principally engaged in operating live streaming platforms, social networking platforms and provision of advertising services	97.7%	3,432	14.5 (Note 2)
1980	Tian Ge Interactive Holdings Limited ("Tian Ge")	Principally engaged in the operating of live social video platforms, mobile and online games, advertising and other services	99.5%	1,153	11.7 (Note 3)
				Average	12.2
				Maximum	14.5
				Minimum	10.3
				The Acquisition	1.0 (Note 4)

Source: Bloomberg and publications of the respective Comparable Companies

Notes:

- The P/E ratio of AM Group was calculated based on its market capitalisation as at 1 December 2021 divided by the profits for the year ended 30 June 2021 attributable to the shareholders of AM Group of approximately SG\$7.7 million (equivalent to approximately HK\$44.1 million).

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2. The P/E ratio of Inke was calculated based on its market capitalisation as at 1 December 2021 divided by the profits for the year ended 31 December 2020 attributable to the shareholders of Inke of approximately RMB193.9 million (equivalent to approximately HK\$232.7 million).
3. The P/E ratio of Tian Ge was calculated based on its market capitalisation as at 1 December 2021 divided by the profits for the year ended 31 December 2020 attributable to the shareholders of Tian Ge of approximately RMB80.6 million (equivalent to approximately HK\$96.7 million).
4. The implied P/E ratio of the Acquisition is calculated based on the Consideration of RMB2,112,900 (approximately HK\$2,586,189) divided by the product of 10% (being the percentage of equity interest in the Target Company to be acquired by the Purchaser in the Acquisition) and the audited net profit of the Target Company of approximately RMB21 million as set out in the 2020 Annual Report of the Company.
5. For illustrative purpose in the Table D above, conversions of Singapore dollars and RMB into HK\$ are based on the exchange rates of SG\$1.00 to HK\$5.71 and RMB1.00 to HK\$1.224 respectively.

As shown in Table D above, the P/E ratios of the Comparable Companies ranged from approximately 10.3 times to approximately 14.5 times with an average P/E ratio of approximately 12.2 times. The implied P/E ratio of the Acquisition of approximately 1.0 time was the lowest among the P/E ratios of the Comparable Companies. With reference to the unaudited management account of the Target Company for the nine months ended 30 September 2021 and taking into account the financial performance of the Target Company in the last quarter of 2021, the Management expects (i) the profit for the year ending 31 December 2021 to be lower than that for the year ended 31 December 2020; and (ii) the implied P/E ratio of the Acquisition calculated based on the profit for the year ending 31 December 2021 to be higher than the implied P/E ratio of approximately 1.0 time (calculated based on the profit for the year ended 31 December 2020) but remaining the lowest among the P/E ratios of the market comparables. In light of the above and given the Acquisition only constitute a minority interest in the Target Company, we considered the Consideration to be fair and reasonable so far as the Shareholders are concerned and in the interest of the Company and the Shareholders as a whole.

In view of the relatively low implied P/E ratio represented by Consideration, we have discussed with the Management to understand the reasons that the Vendor was willing to dispose of its equity interest in the Target Company with such a relatively low P/E ratio. As advised by the Management, the Consideration was determined primarily based on an arm's length negotiation with the Vendor. The Vendor invested in the Target Company in previous period of which the then investment amount was made reference to the registered capital of the Target Company of RMB1.25 million. Thus, the Vendor was of the view that the Consideration for the Acquisition of RMB2.1 million offers an opportunity for it to realise the investment in the Target Company with an acceptable return.

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(b) Comparison of the Issue Price against the historical share price performance of the Group

The Issue Price of HK\$0.456 per Consideration Share, being the higher of (a) the closing price on the date of the Equity Transfer Agreement; and (b) the average closing price in five consecutive trading days immediately prior to the date of the Equity Transfer Agreement, represents:

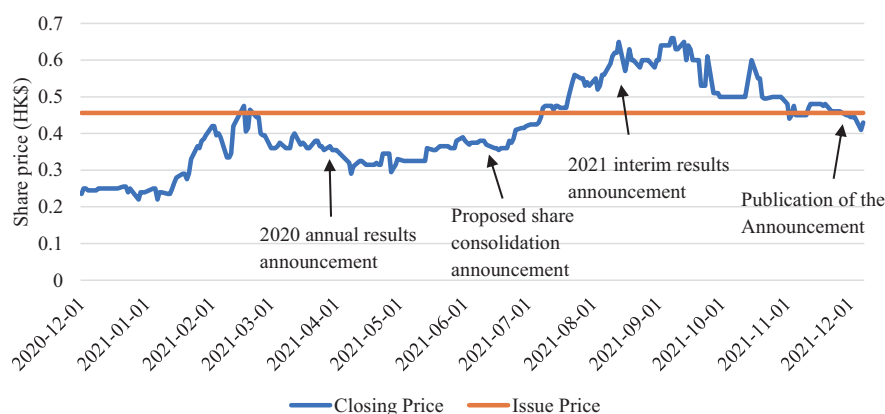
- i. a premium of approximately 2.47% to the closing price of HK\$0.445 per Share as quoted on the Stock Exchange on the date of the Equity Transfer Agreement;
- ii. a premium of approximately 28.45% over to the closing price of HK\$0.355 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- iii. the average closing price of approximately HK\$0.456 per Share as quoted on the Stock Exchange for the five (5) consecutive trading days of the Shares immediately prior to the date of the Equity Transfer Agreement;
- iv. a discount of approximately 1.72% to the average closing price of approximately HK\$0.464 per Share as quoted on the Stock Exchange for the ten (10) consecutive trading days immediately prior to the date of the Equity Transfer Agreement; and
- v. a premium of approximately 73.38% over the net asset value per Share of approximately HK\$0.263 as at 30 June 2021, based on the 331,315,511 Shares in issue with the effect of share consolidation.

As set out in the Letter from the Board, the Issue Price was arrived at after arm's length negotiations among the Parties with reference to the prevailing market price of the Shares.

In assessing the fairness and reasonableness of the Issue Price, we have assessed the daily closing price of the Shares during the period from 1 December 2020 (being the first trading day of the 12-month period prior to the date of the Equity Transfer Agreement up to and including the Latest Practicable Date (the "**Review Period**"). We consider that the Review Period which covers an approximate full year prior to the date of the Equity Transfer Agreement is sufficient and representative in assessing the fairness and reasonableness of the Issue Price, since (i) it illustrates the recent price movement of the Shares for conducting a reasonable comparison between the Issue Price and the historical closing prices of the Shares, which has substantially reflected the changes in market sentiment and investor appetite towards the Company caused by the latest development of the economic and political environment, if any, the Company is subject to in the recent past; and (ii) a longer review period may be too distant in time making the analysis less relevant to the recent market trends.

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Chart 1: Share price performance against the Issue Price during the Review Period



Source: the website of the Stock Exchange

As shown in Chart 1 above, the closing price of the Shares ranged from HK\$0.22 per Share on 6 January 2021 to HK\$0.66 per Share on 8 September 2021 with an average closing price of approximately HK\$0.42 per Share during the Review Period, and the Issue Price represents (i) a premium of approximately 9.09% to the average closing price; (ii) a premium of approximately 107.27% over the minimum closing price during the Review Period; and (iii) a discount of approximately 30.91% over the maximum closing price during the Review Period.

From 1 December 2020 to 8 April 2021, the closing Share price fluctuated with a range between HK\$0.22 and HK\$0.475. On 29 March 2021, the Company published the annual results for the year ended 31 December 2020. The closing price of the Shares generally demonstrated an uptrend since the early of January 2021 and closed at HK\$0.475 on 16 February 2021. Thereafter, the closing prices of the Shares were decreased gradually.

From 9 April 2021 to 7 September 2021, the Share price closed between HK\$0.295 and HK\$0.66. During such period, the closing price of the Shares showed a general uptrend. On 10 June 2021, the Company announced the proposed share consolidation being every five issued existing Share of HK\$0.01 each being consolidated into one consolidated Share of HK\$0.05 each. Following the announcement, the closing price of the Shares has been generally increased. On 13 August 2021, the Company published the 2021 interim results and the price of the Share dropped by approximately 12.31% on the following trading day and closed at HK\$0.57 on 14 August 2021. Since then, the Share price fluctuated moderately and closed at HK\$0.66 on 7 September 2021.

From 8 September 2021 to 30 November 2021, the closing price of the Shares demonstrated a decreasing trend in general, with a high of HK\$0.66 on 8 September 2021 and a low of HK\$0.44 on 2 November 2021. On 1 December 2021, the Company

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published the Announcement and the closing price of the Shares remained relatively stable on the following trading day and closed at 0.445 on 3 December 2021. Since then, the Share price has fluctuated in a range between HK\$0.355 and HK\$0.445, and the closing price of the Shares as at the Latest Practical Date was HK\$0.355.

Given that the Issue Price is (i) within the range of the closing price of the Shares during the Review Period; (ii) equivalent to the average closing price of approximately HK\$0.456 as quoted for the five (5) consecutive trading days immediately prior to the date of the Equity Transfer Agreement; (iii) at a premium over (a) the closing price of approximately HK\$0.445 as quoted on the date of the Equity Transfer Agreement; and (b) the closing price of HK\$0.355 as quoted on the Latest Practicable Date; and (iv) at a premium over the net asset value per Share of approximately HK\$0.263 as at 30 June 2021 (thereby minimising value dilution to the Shareholders), we consider that the Issue Price is fair and reasonable and in the interest of the Company and Shareholders as a whole.

(c) Comparison against the Comparable Transactions

In order to assess the fairness and reasonableness of the Issue Price, we have, to the best of our knowledge and on a best-effort basis, identified an exhaustive list of acquisition transactions which (i) were announced by the companies listed on the GEM of the Stock Exchange; (ii) involved issue of consideration shares for such acquisitions; and (iii) were announced during the period from 1 June 2021 up to the date of the Equity Transfer Agreement and has not been terminated as at the date of the Equity Transfer Agreement (the “**Comparable Transactions**”). We are of the view that a review period of six months immediately prior to the date of the Equity Transfer Agreement is adequate and appropriate to capture the recent market conditions and sentiments in the Hong Kong equity capital market and reflect the general trends of acquisition transactions entered at a time close to the date of the Equity Transfer Agreement which terms shall be negotiated and determined under similar conditions and investment sentiments as the Equity Transfer Agreement. We are also of the view that this length of period allows a sufficient number of Comparable Transactions to be identified for a valid analysis of the issue prices of consideration shares for acquisition purpose under such recent market sentiment. We considered that the Comparable Transactions, although not to be used solely in determining the fairness and reasonableness of the Issue Price, can serve as a general reference to the Shareholders as they can reflect the recent market trends of terms for acquisition transactions which involved issuing shares as settlement of consideration. The Comparable Transactions can also provide a reference as to where the issue of the Consideration Shares stood in the recent market transactions, which are fair, sufficient, and representative from the perspective that they covered the transactions satisfying the selection criteria without any sample being prejudiced. Shareholders should note that the businesses, operations and prospects of the Target Company may not be the same as, or even substantially vary from, that of the Comparable Transactions.

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Set out below is the summary of the Comparable Transactions:

Table E: Summary of Comparable Transactions

Announcement date	Company name	Stock code	Issue price (HK\$)	Premium/(discount) of the issue price over/(to) the average closing price over the last five consecutive trading days prior to the date of the closing price on the date of the relevant agreement or the last trading day (the “five-day average closing price”)				the consolidated net asset value per share of the respective company (Note 1)
				the closing price on the date of the relevant agreement or the last trading day (%)	agreement or the last trading day (the “five-day average closing price”) (%)	the average closing price over the last ten consecutive trading days prior to the date of the relevant agreement or the last trading day (the “ten-day average closing price”) (%)	the average closing price over the last ten consecutive trading days prior to the date of the relevant agreement or the last trading day (the “ten-day average closing price”) (%)	
28 June 2021	Madison Holdings Group Limited	8057	0.148	0.00	0.00	3.93		285.72
6 July 2021	Astrum Financial Holdings Limited	8333	0.141	0.71	0.71	(0.98)		(24.60)
12 July 2021	WAC Holdings Limited	8619	0.095	0.00	(1.04)	(2.86)		29.75
15 October 2021	Kinetix Systems Holdings Limited	8606	0.135	(6.25)	0.00	(4.73)		(1.31)
29 November 2021	National Arts Group Holdings Limited (“National Arts”)	8228	0.113	9.71	2.73	(1.40)		N/A (Note 2)
			Average	0.83	0.48	(1.21)		72.39
			Maximum	9.71	2.73	3.93		285.72
			Minimum	(6.25)	(1.04)	(4.73)		(24.60)
	The Consideration Shares		0.456	2.47	0.00	(1.72)		73.38

Source: the website of the Stock Exchange

Note 1: The comparisons of the issue price for the Comparable Transactions against the respective net asset value per share were extracted from the relevant acquisition announcements or circulars. For those Comparable Transactions which the comparisons of issue price against net asset value per share were not available in the relevant acquisition announcements or circulars, the respective net asset value per share was calculated by dividing the consolidated net asset value of respective company recorded in its latest published financial information by the total number of issued shares as of the date of respective acquisition announcement.

Note 2: The net asset value per share for National Arts was not applicable as it recorded a net liabilities position as at 30 September 2021.

As illustrated in the Table E above, we noted that the issue price of the Comparable Transactions ranged (i) from a discount of approximately 6.25% to a premium of approximately 9.71% to/over the closing price on the date of relevant

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agreement or the last trading day with an average premium of approximately 0.83%; (ii) from a discount of approximately 1.04% to a premium of approximately 2.73% to/over the five-day average closing price with an average premium of approximately 0.48%; (iii) from a discount of approximately 4.73% to a premium of approximately 3.93% to/over the ten-day average closing price with an average discount of approximately 1.21%; and (iv) from a discount of approximately 24.60% to a premium of approximately 285.72% to/over the consolidated net asset value per share with an average premium of approximately 72.39%.

The Issue Price represents (i) a premium of approximately 2.47% over the closing price of the Shares on the date of Equity Transfer Agreement; (ii) the average closing price over the last five consecutive trading days prior to the date of Equity Transfer Agreement; (iii) a discount of approximately 1.72% to the average closing price over the last ten consecutive trading days prior to the date of Equity Transfer Agreement; and (iv) a premium of approximately 73.38% over the consolidated net asset value per Share. The relevant premium/ discount represented by the Issue Price falls within the range of the discount/premium of the issue prices of the Comparable Transactions on each of the date of relevant agreement or the last trading day, the five-day average closing price, the ten-day average closing price and the consolidated net asset value per share. In this regard, we consider that the Issue Price is fair and reasonable and is in the interests of the Company and the Shareholders as a whole.

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6. Shareholding structure of the Company

The following illustrates the Company's shareholding structure (i) as at the Latest Practicable Date; and (ii) immediately upon Completion, assuming there will be no change in the total number of issued Shares after the Latest Practicable Date and prior to the Completion:

Name of shareholders	As at the Latest Practicable Date		Immediately upon Completion	
	Number of Shares	Approximate %	Number of Shares	Approximate %
<i>Non-public shareholders:</i>				
Youth Success	81,378,000	24.56	81,378,000	24.15
Guang Rui	2,594,400	0.78	2,594,400	0.77
Goldbless	76,500,000	23.09	76,500,000	22.70
Alpha Master	10,077,600	3.04	10,077,600	2.99
Qiao Tian	5,418,000	1.64	5,418,000	1.61
Sub-total	175,968,000	53.11	175,968,000	52.22
<i>Public shareholders:</i>				
The Vendor or its nominee(s)	–	–	5,671,467	1.68
Other public Shareholders	155,347,511	46.89	155,347,511	46.10
Sub-total	155,347,511	46.89	161,018,978	47.78
Total	331,315,511	100.00	336,986,978	100.00

Pursuant to the Equity Transfer Agreement, the Consideration will be satisfied by the allotment and issue of 5,671,467 Consideration Shares by the Company to the Vendor at the Issue Price of HK\$0.456 per Consideration Share. As shown in the table above, the shareholding of other public Shareholders will slightly decrease from approximately 46.89% to approximately 46.10% immediately after the Completion. Taking into consideration (i) the degree of potential dilution effects being relatively small; (ii) the settlement of the Consideration by allotment and issue of the Consideration Shares without imminent cash outflow of the Group thereby reserving financial resources of the Group; (iii) the potential benefits from the Acquisition; and (iv) the fairness and reasonableness of the Issue Price as set out above, we are of the view that the dilution effect on shareholding of the other public Shareholders to be acceptable.

7. Possible financial effects of the Acquisition

Immediately upon Completion, the Target Company will continue to be a non-wholly owned subsidiary of the Company and its financial results will continue to be consolidated into the Group's financial statements.

(i) Earnings

Upon Completion, the equity interest of the Target Company owned by the Company will be increased from 80% to 90%. On the basis that the Target Company has recorded net profits for the two years ended 31 December 2019 and 2020 and for the nine months ended 30 September 2021, it is expected that the Target Company will continue to contribute positive earnings to the Company after Completion. The net profit attributable to the owners of the Company is expected to increase upon Completion as a result of the increase in its stake in the Target Company.

(ii) Working capital

As the Consideration will be settled by allotment and issue of Consideration Shares, it is expected that the working capital of the Group will not be affected after the allotment and issue of Consideration Shares.

Shareholders should note that the foresaid analyses are for illustrative purpose only and do not purport to represent the financial position of the Group upon completion of the Acquisition.

In view of the expected positive impact on the profit contribution to the Group with no material impact to the Group's working capital, we are of the view that the overall financial effects to the Group as a result of the Acquisition is generally positive.

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RECOMMENDATION

Having considered the principal factors and reasons set out in this letter, we are of the opinion that the Acquisition, though was not entered in the ordinary and usual course of business of the Group, is in the interests of the Company and the Shareholders as a whole, and that the terms of the Equity Transfer Agreement and the transactions contemplated thereunder (including the allotment and issue of the Consideration Shares under the Specific Mandate) are on normal commercial terms and are fair and reasonable so far as the Shareholders are concerned.

Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, the Shareholders to vote in favour of the relevant resolution(s) to be proposed at the EGM.

Yours faithfully,
For and on behalf of

Advent Corporate Finance Limited	
Charmaine Wai	Denny Hui
<i>Director</i>	<i>Senior Vice President</i>

Ms. Charmaine Wai is a licensed person registered with the Securities and Futures Commission and a responsible officer of Advent Corporate Finance Limited to carry out Type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance (Chapter 571 of the law of Hong Kong) and has over 10 years of experience in corporate finance industry.

Mr. Denny Hui is a licensed person registered with the Securities and Futures Commission and a responsible officer of Advent Corporate Finance Limited to carry out Type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance (Chapter 571 of the law of Hong Kong) and has over 10 years of experience in corporate finance industry.

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")), which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO), or which were required pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange:

(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)	76,500,000	23.09%
Mr. Wang Yong	Interest of controlled corporation ^(note)	76,500,000	23.09%

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) which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO), or which were required pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

Substantial Shareholders' and Other Persons' Interests and Short Positions in the Shares and Underlying Shares of the Company

As at Latest Practicable Date, according to the register kept by the Company pursuant to section 336 of the SFO, and so far as is known to the Directors or chief executive of the Company, the following persons (other than a Director or a chief executive of the Company) had, or was deemed or taken to have, an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or who was directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group and the amount of each of such person's interests in such securities, together with particulars of any options in respect of such capital:

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; deemed interest under shareholders voting agreement ^(note 1)	173,373,600	52.33%
Guang Rui Investments Limited ("Guang Rui")	Beneficial owner; interest in controlled corporation; deemed interest under shareholders voting agreement ^(note 1)	175,968,000	53.11%
Mr. Yang Shaoqian ("Mr. Yang")	Interest in controlled corporation ^(note 1) ; interest of spouse ^(note 2) ; deemed interest under shareholders voting agreement ^(note 1)	175,968,000	53.11%

Name of Shareholder	Capacity and nature of interest	Number of Shares	Percentage of the Company's issued share capital
Ms. Mu Sufang ("Ms. Mu")	Interest in controlled corporation ^(note 1) ; interest of spouse ^(note 2) ; deemed interest under shareholders voting agreement ^(note 1)	175,968,000	53.11%
Mr. Wu Jian	Beneficial owner	31,612,903	9.54%

Notes:

1. Youth Success and Guang Rui owns 81,378,000 shares and 2,594,400 shares respectively, representing 24.56% and 0.78% 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 (the "**Shareholders Voting Agreement**"), 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. As at the Latest Practicable Date, Mr. Philip Jian Yang is the sole director of Youth Success and Guang Rui.
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, the Company has not been notified of any other person (other than the Directors and chief executives of the Company) who had an interest or short position in the shares and/or underlying shares of the Company which fell to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO, or pursuant to section 336 of the SFO, which would have to be recorded in the register referred to therein.

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. INTERESTS IN CONTRACT OR ARRANGEMENTS

Save for disclosed in this circular and below, 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 2020, the date to which the latest published audited consolidated financial statements of the Group were made up.

Tenancy agreement entered into between Mr. Philip Jian Yang and Emphasis Media on 15 March 2019, for the period from 15 March 2019 to 14 March 2022. The right-of-use asset recognised was approximately RMB2,938,000, which is the present value of the lease payments payable by Emphasis Media under the terms of the Tenancy Agreement.

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 ADVERSE CHANGE

As at the Latest Practicable Date, except as disclosed below, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2020, the date to which the latest published audited accounts of the Company have been made up.

A profit warning was announced on 23 July 2021 in relation to the preliminary review of the unaudited consolidated management accounts of the Group for the six months period ended 30 June 2021 (the “**Period**”) and the information available to the Board at that time. The Company expected to record a loss not exceeding RMB1.0 million for the Period as compared to the profit of approximately RMB2.6 million for the corresponding period in 2020. The Board considered that the decrease in profit for the Period was mainly due to the relevant adjustment made by mainstream platform and channels to adopt the relative trend of key promotion on television series and films to be broadcasted during the exceptional period, hence, the negotiation of licensing the broadcasting rights has been postponed. Further, under the pandemic, concerts were postponed and there was limitation of our contracted athletes to participate in commercial activities, amid the enclosed training camp before the Tokyo Olympics.

8. EXPERT AND CONSENT

The following is the qualification of the expert or professional adviser who has given opinion or advice contained in this circular:

Name	Qualification
Advent Corporate Finance Limited	a licensed corporation under the SFO to carry out type 6 (advising on corporate finance) regulated activities

As at the Latest Practicable Date, Advent Corporate Finance Limited:

- (a) did not have any shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group;

- (b) did not have any direct or indirect interest in any assets which had been acquired or disposed of by or leased to any member of the Group, or was proposed to be acquired or disposed of by or leased to any member of the Group, since 31 December 2020, the date to which the latest audited financial statements of the Group was made up; and
- (c) has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and reference to its name in the form and context in which it appears.

9. 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 cooperation agreement dated 20 October 2021 entered into among Truth Pictures (Hong Kong) Limited, Yuanxin Pictures (Beijing) Limited*, Mr. Liang Longfei, CCH Film Production Limited and the Company pursuant to which the said parties agreed to carry out the distribution of 6 foreign imported films through cinemas, television stations and/or the New Media (as the case may be) at a consideration of RMB30 million;
- (b) the assets acquisition agreement dated 27 May 2021 entered into between Idol Entertainment Limited (“**Idol**”), Beijing Yiju and the Company pursuant to which Beijing Yiju agreed to purchase, and Idol agreed to sell, the assets pertinent to a mobile application at a consideration of RMB14 million;
- (c) the equity transfer agreement dated 9 March 2021 entered into between Beijing Chuangshixing Management Consulting Partnership (Limited Partnership) (北京創視興管理諮詢合夥企業(有限合夥)) (“**Beijing Chuanshixing**”) and Emphasis Media pursuant to which Emphasis Media agreed to transfer 6.25% equity interest of Capital Land Digital Entertainment Co. Ltd. to Beijing Chuanshixing at a consideration of RMB5 million;
- (d) the subscription agreement dated 10 January 2020 entered into between the Company and the Subscriber in relation to the issue of 158,064,516 shares (before the share consolidation became effective on 15 July 2021) at the subscription price of HK\$0.062 per subscription share.

10. 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	Ms. Kwan Wing Man <i>(member of the Hong Kong Institute of Certified Public Accountants)</i>
Compliance officer	Mr. Philip Jian Yang

11. DOCUMENTS ON DISPLAY

Electronic copies of the following documents are published on the website of the Stock Exchange (<http://www.hkexnews.hk>) and the website of the Company (<http://www.ntmediabj.com>) for a period of 14 days from the date of this circular (both days inclusive):

- (i) the Equity Transfer Agreement;
- (ii) the letter from the Board;
- (iii) the letter from the Independent Board Committee;
- (iv) the letter from the Independent Financial Adviser;
- (v) the written consent referred to in the paragraph headed “Expert and consent” in this appendix; and
- (vi) this circular.

NOTICE OF EGM

 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)

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 Unit 1603–1604, 16/F, Causeway Bay Plaza I, 489 Hennessy Road, Causeway Bay, Hong Kong on 28 January 2022 (Friday), at 2:30 p.m. for the purpose of considering and, if thought fit, passing with or without modifications, the following resolution as an ordinary resolution of the Company:

ORDINARY RESOLUTION

“THAT

- (1) the Acquisition of the 10% of the issued share capital of Beijing Yiju Creative Technology Limited* (北京易聚創意科技有限公司) (“**Beijing Yiju**”), a company established in the PRC with limited liability, under the equity transfer agreement dated 1 December 2021 entered into among the Company, Beijing Chuangju Shi Dai Cultural Communication Limited* (北京創聚時代文化傳播有限公司) (“**Beijing Chuangju**”), and Beijing Emphasis Media Co., Ltd (“**Emphasis Media**”), a subsidiary of the Company controlled through contractual arrangements as the purchaser (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); contemplated thereunder and incidental thereto be and are hereby approved, confirmed and ratified; and
- (2) subject to the fulfillment or waiver of the conditions set out in the Equity Transfer Agreement, the directors of the Company (the “**Directors**”) be and are hereby granted a specific mandate (the “**Specific Mandate**”) which shall entitle the Directors to exercise all the powers of the Company to allot and issue 5,671,467 new shares (the “**Shares**”) of the Company (the “**Consideration Shares**”) at the issue price of HK\$0.456 per Share to the Vendor or its nominee(s), to settle the consideration for the Acquisition in accordance with the terms and conditions of the Equity Transfer Agreement; and

NOTICE OF EGM

- (3) 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 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 and Executive Director

Hong Kong, 12 January 2022

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) Record date (being the last date of registration of any share transfer given there will be no book closure) for determining the entitlement of members of the Company to attend and vote at the EGM will be the close of business on Thursday, 27 January 2022. All documents for the transfer of shares of the Company accompanied by the relevant share certificates must be lodged with the share registrar of the Company, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Thursday, 27 January 2022 (Hong Kong Time).
- (6) According to Rule 17.47(4) of the GEM Listing Rules, the voting at the EGM will be taken by poll.
- (7) If there is Typhoon Signal No. 8 or above, a “black” rainstorm warning and/or extreme conditions caused by a super typhoon in force in Hong Kong at any time after 11:00 a.m. on the date of the forthcoming extraordinary general meeting, the meeting will be postponed. The Company will publish an announcement on the websites of the Company at <http://www.ntmediabj.com> and the Stock Exchange at <http://www.hkexnews.hk> to notify Shareholders of the date, time and venue of the rescheduled meeting.

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.