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

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8368)

KEY FINDINGS OF INTERNAL CONTROL REVIEW

Reference is made to the announcement of Creative China Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) dated 14 November 2023 (the “**Announcement**”) pertaining to the discloseable transaction in relation to the provision of financial assistance. Unless otherwise specified, capitalised terms used herein shall have the same meanings as defined in the Announcement.

KEY FINDINGS OF THE INTERNAL CONTROL REVIEW

As set out in the Announcement, the Company has engaged an internal control consultant (the “**IC Consultant**”) to review the Company’s internal control and compliance systems (the “**Internal Control Review**”). The main objective of the Internal Control Review was to carry out an analysis and independent appraisal of the adequacy and effectiveness of the Group’s risk management and internal control systems relating to the Transaction, and to make recommendations to the Company on remediating the risk management and internal control systems of the Group to prevent future re-occurrence of similar incidents. The review period is from 1 January 2023 to 31 December 2023.

On 30 January 2024, the IC Consultant issued a report on its findings. The key findings of the Internal Control Review, corresponding recommendations, the response of the management of the Company and relevant actions taken are summarised as follows:

Summary of key findings	Recommendations	Response of the management and remedial measures taken by the Company
<p>1. It is observed that the Company has established a few governance policies (“Original Policies”) relating to connected transactions, corporate governance code and continuing disclosure principle. However, such Original Policies were considered not comprehensive in a way that they did not cover areas relating to Chapters 17, 19 and 20 of the GEM Listing Rules, and did not specify areas of matters that shall be reserved for the Board.</p>	<p>The Company shall establish a governance policy that covers at least Chapters 17, 19 and 20 of the GEM Listing Rules and a policy of formal matters reserved for the Board.</p> <p>The Company shall also circulate the compliance manual to the management to facilitate their understanding of the relevant requirements.</p>	<p>Since 28 September 2023, the Company has established a compliance manual which includes policies relating to Chapters 17, 19 and 20 of the GEM Listing Rules and a policy of formal matters reserved for the Board.</p> <p>On 10 November 2023, the compliance manual was circulated to all Directors and management of the Group, including the finance team, and legal representatives of the Company’s subsidiaries.</p>
<p>The provision of Corporate Guarantee was approved by way of board resolution of New Talent Media passed by five directors of New Talent Media. In the absence of comprehensive governance policies, formal requirements or consistent practice were not clearly established and communicated for stipulating that transactions falling or potentially falling under Chapters 17, 19 and 20 of the GEM Listing Rules should be directed by, timely reported to and reserved for the decision of the Board, as a whole, at listing level.</p>		
<p>The management of the Company confirmed that the Transaction was not escalated to or approved by the Board.</p>		

Summary of key findings	Recommendations	Response of the management and remedial measures taken by the Company
<p>2. The Company did not put in place a formal monthly management reporting system. Although members of the Board met regularly in quarterly interval, there was no formal monthly management report covering important matters from financial, operational and compliance aspects.</p> <p>While the provision of Corporate Guarantee was formally discovered in the course of preparation of the potential transfer of listing of the Company in June 2023, the matters could have been detected earlier if a formal monthly management reporting system was in place at the relevant time.</p>	<p>The Company shall establish a formal monthly management reporting system, in which:</p> <ul style="list-style-type: none"> (i) the management of the Company shall provide all members of the Board with important financial information, such as the management accounts; (ii) the management of the Company shall perform a regular assessment of operational and compliance aspects; (iii) the management of the Company shall regularly calculate and present the basic size test thresholds (e.g. 5% for each size test) as a reference or benchmark of assessment; and (iv) the Directors shall be requested to provide active comments or to provide information or knowledge they hold about the Company to other members of the Board. 	<p>Effective since December 2023, the Company has formally adopted a monthly management reporting system in which the management of the Company is required to provide a reporting program to all members of the Board.</p> <p>The reporting program comes with basic size test thresholds, profit and loss information of October 2023 and a checklist that reveals matters relating to potential inside information issues.</p> <p>The program also sets out principles by which the Directors are requested to provide feedback and information or knowledge they hold about the Company to other members of the Board.</p>
<p>3. Although the Company had put in place necessary departments, such as finance department and legal and compliance team, it was observed that the Company relied on individual management’s judgement in identifying and reporting important transactions and matters. Hence, the provision of Corporate Guarantee was not timely identified or reported to the oversight level.</p>	<p>The Company shall establish a compliance committee (the “Compliance Committee”) which will be charged with the power and duty to identify important transactions and matters at time of proposal or occurrence.</p>	<p>The Company has established the Compliance Committee, consisting of an executive Director, the chief financial officer and the Chairman of the Audit Committee, since 18 September 2023 under the relevant terms of reference. The Compliance Committee is charged with the power and duty to identify important transactions and matters, serve as a front-line of the Board judging the nature and extent of identified transactions and matters and report to the Board for matters reserved for the Board.</p>

Summary of key findings	Recommendations	Response of the management and remedial measures taken by the Company
<p>4. The management of the Group represented that they mistakenly believed that the Withheld Payables under the Counter-Guarantee could be offset against the guaranteed amount under the Corporate Guarantee. Consequently, they did not consider the Transaction as a discloseable transaction under Chapter 19 of the GEM Listing Rules and failed to report the Transaction to the Board for further approval at the material time.</p> <p>It pointed to a situation where the Directors, directors of the subsidiaries and management of the Group may not have sufficient knowledge over the key principles and requirements set out in Chapters 17, 19 and 20 of the GEM Listing Rules. It was also observed that the Company provided training to its Directors mainly through provision of training materials. The sufficiency of training did not appear to commensurate with the level of knowledge required to make proper judgement.</p>	<p>The Company shall arrange formal training, which shall be conducted by qualified professionals, to the Directors, directors of the subsidiaries and management of the Group on a regular basis. The training shall cover key requirements under Chapters 17, 19 and 20 of the GEM Listing Rules.</p>	<p>On 21 November 2023, the Company arranged a training covering topics such as regulation of listed company, directors' duties, discloseable transactions and connected transactions, inside information, regulations about corporate governance, consequences of non-compliance and key regulatory aspects of the Stock Exchange and the Securities and Futures Commission. The training was provided by a law firm and attended by all Directors, directors of the subsidiaries and management of the Group, including the chief financial officer and the legal representatives of the Company's subsidiaries.</p>

According to the report, the remedial measures above are considered implemented.

VIEWS OF THE COMPLIANCE COMMITTEE AND THE BOARD

Having considered the results of the Internal Control Review, the remedial measures taken as set out in the table above and the complete implementation of the remedial measures, the Compliance Committee and the Board are of the view that the actions taken are adequate and effective to address the key findings of the Internal Control Review. As such, the Board is of the view that the Company has in place adequate internal control systems to meet the obligations under the GEM Listing Rules and prevent the re-occurrence of similar incidents in the future. The Company will continue to enforce its internal control policies and procedures on an ongoing basis and update such policies and procedures as and when appropriate to ensure ongoing compliance with the GEM Listing Rules.

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

Hong Kong, 19 February 2024

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

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

This announcement will remain on the website of the Stock Exchange at www.hkexnews.hk on the “Latest Listed Company Information” page for at least 7 days from the date of its posting and on the Company’s website at www.ntmediabj.com.