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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**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.

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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)**

**CONNECTED TRANSACTIONS IN RELATION TO  
(I) SUBSCRIPTION OF NEW SHARES UNDER SPECIFIC MANDATE;  
(II) ISSUE OF CONVERTIBLE BONDS UNDER SPECIFIC MANDATE; AND  
(III) NOTICE OF EXTRAORDINARY GENERAL MEETING**

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



**雋匯國際金融有限公司**  
Jun Hui International Finance Limited

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*This circular together with a form of proxy will remain on the website of the Stock Exchange at <http://www.hkewnews.hk> on the “Latest Company Announcements” page for at least 7 days from the date of its posting and on the website of the Company at <http://www.ntmediabj.com>.*

A notice convening the extraordinary general meeting (“EGM”) to be held at 24/F, Admiralty Centre I, 18 Harcourt Road, Admiralty, Hong Kong on Tuesday, 18 July 2023, at 2:00 p.m. is set out on pages 72 to 74 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 17/F, Far East Finance Centre, 16 Harcourt Road, Admiralty, 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.

27 June 2023

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## CHARACTERISTICS OF GEM

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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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## DEFINITIONS

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

“associate”	has the meaning ascribed thereto in the GEM Listing Rules
“Board”	board of the Directors
“Bond Instrument”	the deed to be executed by the Company constituting the Convertible Bonds
“Business Day”	a day on which banks are generally open for business in Hong Kong (other than a Saturday, Sunday or public holiday or a day on which a tropical cyclone warning No. 8 or above or a “black rainstorm warning signal” is hoisted or remains hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.)
“CB Completion”	completion of the issue of the Convertible Bonds in accordance with the terms and condition of the CB Subscription Agreement
“CB Completion Date”	a date which is within five (5) Business Days after fulfillment or waiver (as the case may be) of the CB Conditions Precedent (or such other date as the Company and the CB Subscriber may agree in writing before CB Completion) and the date on which CB Completion takes place
“CB Conditions”	the terms and conditions of the Convertible Bonds as set out in the Bond Instrument
“CB Material Adverse Effect”	(a) any outbreak or escalation of hostilities, act of terrorism, the declaration by Hong Kong or the PRC of a national emergency or war or other calamity or crisis;  (b) any material adverse change or development involving a prospective material adverse change in or affecting the financial markets in Hong Kong or the PRC, or in international financial, political or economic conditions, currency exchange rates, exchange controls or taxation; or

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## DEFINITIONS

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(c) any change, event, occurrence, state of facts or effect, the consequence of which is to, or could reasonably be expected to materially and adversely affect the financial position, management, business or property, results of operations, legal or financing structure, business prospects or assets or liabilities of the Group,

that would make the enforcement of the Contracts impracticable

“CB Subscriber”	Ms. Li Wen (李雯), an Independent Third Party
“CB Subscription Agreement”	the Convertible Bonds subscription agreement entered into by and between the Company and the CB Subscriber in relation to the issue of the Convertible Bonds dated 22 May 2023
“Company”	Creative China Holdings Limited (中國創意控股有限公司), a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the GEM (Stock Code: 8368)
“Concert Group”	Youth Success Holdings Limited (“ <b>Youth Success</b> ”), Guang Rui Investments Limited, Goldbless International Limited, Alpha Master Global Limited, Qiao Tian Limited and Mr. Liang Longfei
“Contracts”	the CB Subscription Agreement, the Bond Instrument and all other agreements and documents contemplated by the CB Subscription Agreement
“Contractual Arrangements”	a series of Group’s contractual arrangements to allow New Talent Media Company Limited* (北京聚視文化傳媒有限公司) to exercise effective control over the Group’s PRC subsidiaries and enjoy the economic benefits generated by these entities
“controlling shareholder(s)”	has the meaning ascribed to it under the GEM Listing Rules

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## DEFINITIONS

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“Conversion Period”	the period commencing on the Issue Date and ending on the close of business on the Business Day prior to the Maturity Date, both dates inclusive, or such other date as the Company and the CB Subscriber shall agree in writing
“Conversion Price”	the initial conversion price of HK\$0.54 per Conversion Share, subject to adjustments
“Conversion Rights”	means the rights of the bondholder(s) to subscribe for fully-paid Shares pursuant to the Convertible Bonds as set out in the CB Conditions
“Conversion Share(s)”	the Share(s) to be issued by the Company upon exercise by the bondholder(s) of the Conversion Rights attached to the Convertible Bonds
“Convertible Bonds”	means the convertible bonds due 2025 in the aggregate principal amount of RMB17,500,000 to be issued by the Company subject to, and with the benefit of, the Bond Instrument and the CB Conditions
“Designated Subsidiary(ies)”	the relevant subsidiary(ies) of the Company in the PRC designated by the Company to receive the deposit payable by the Share Subscriber and CB Subscriber under the Subscription Agreement and CB Subscription Agreement respectively
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held on Tuesday, 18 July 2023 at 2:00 p.m. at 24/F, Admiralty Centre I, 18 Harcourt Road, Admiralty, Hong Kong, the notice of which is set out on pages 72 to 74 of this circular and any adjournment thereof
“GEM”	the GEM of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on the GEM
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

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## DEFINITIONS

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“Independent Board Committee”	an independent committee of the Board, comprising all three independent non-executive Directors, formed for the purpose of advising the Independent Shareholders in respect of, among other things, the Transactions (including the grant of the Specific Mandate)
“Independent Financial Adviser” or “Jun Hui International”	Jun Hui International Finance Limited, a licensed corporation permitted to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the Subscription Agreement and the CB Subscription Agreement and the transactions contemplated thereunder
“Independent Third Party”	an individual(s) or a company(ies) who or which is/are independent of and not connected with (within the meaning of the GEM Listing Rules) any of the directors, chief executives or substantial shareholders of the Company or any of its subsidiaries or any of their respective associates
“Issue Date”	means the day on which the Convertible Bonds are issued under the Bond Instrument
“Issue Price”	RMB17,500,000 (equivalent to HK\$19,775,000), a price equal to 100% of the principal amount of the Convertible Bonds
“Latest Practicable Date”	21 June 2023, being the latest practicable date prior to printing of this circular for the purpose of ascertaining certain information for inclusion in this circular
“Majority Bondholder”	the holder(s) of the Convertible Bonds representing a majority in principal amount of the Convertible Bonds outstanding for the time being
“Maturity Date”	the date falling on the second (2nd) anniversary of the Issue Date
“PRC”	the People’s Republic of China which, and for the sole purpose of this circular, shall exclude Hong Kong, the Macau Special Administrative Region and Taiwan

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## DEFINITIONS

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“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
“Share Subscriber”	ALPINE NOVA LIMITED (高星有限公司), an Independent Third Party
“Shareholders”	shareholders of the Company
“Specific Mandate”	the specific mandate to be sought from the Independent Shareholders at the EGM to grant the authority to the Directors for the allotment and issuance of the Subscription Shares and Conversion Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the subscription by the Share Subscriber for the Subscription Shares on the terms and subject to the conditions set out in the Subscription Agreement
“Subscription Agreement”	the share subscription agreement entered into by and between the Company and the Share Subscriber in relation to the Subscription dated 22 May 2023
“Subscription Completion”	completion of the Subscription in accordance with the terms and condition of the Subscription Agreement
“Subscription Completion Date”	a date which is within five (5) Business Days after fulfillment or wavier (as the case may be) of the Subscription Conditions Precedent (or such other date as the Company and the Share Subscriber may agree in writing before the Subscription Completion) and the date on which Subscription Completion takes place



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## DEFINITIONS

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“Subscription Material Adverse Effect”	<p>(a) any outbreak or escalation of hostilities, act of terrorism, the declaration by Hong Kong or the PRC of a national emergency or war or other calamity or crisis;</p> <p>(b) any material adverse change or development involving a prospective material adverse change in or affecting the financial markets in Hong Kong or the PRC, or in international financial, political or economic conditions, currency exchange rates, exchange controls or taxation; or</p> <p>(c) any change, event, occurrence, state of facts or effect, the consequence of which is to, or could reasonably be expected to materially and adversely affect the financial position, management, business or property, results of operations, legal or financing structure, business prospects or assets or liabilities of the Group,</p> <p>that would make the enforcement of contracts to purchase the Subscription Shares impracticable, or would materially prejudice trading of the Subscription Shares in the secondary market</p>
“Subscription Price”	HK\$0.214 per Subscription Share
“Subscription Shares”	a total of 30,362,150 Shares to be allotted and issued by the Company at Subscription Completion pursuant to terms and condition of the Subscription Agreement, and each a “Subscription Share”
“subsidiary(ies)”	has the meaning ascribed to it under the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
“Takeovers Code”	means the Codes on Takeovers and Mergers and Share Buybacks, as amended from time to time
“Total Subscription Price”	RMB5,750,000 (equivalent to HK\$6,497,500)
“Transactions”	the Subscription Agreement and the CB Subscription Agreement and the transactions contemplated thereunder (including the Voting Agreements and the grant of the Specific Mandate)

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## DEFINITIONS

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“Voting Agreements” means (i) shareholders voting agreement to be entered into by and between Youth Success, Mr. Yang, Ms. Mou and the Share Subscriber under the Subscription Agreement; and (ii) shareholders voting agreement to be entered into by and between Youth Success, Mr. Yang, Ms. Mou and the CB Subscriber under the CB Subscription Agreement, and each a “Voting Agreement”

“%” per cent

*For the purpose of this circular, unless otherwise indicated, conversion of RMB into HK\$ is calculated at the exchange rate of RMB1.00 to HK\$1.13. 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.*

\* *For identification purposes only*

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LETTER FROM THE BOARD

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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)**

*Executive Director:*

Mr. Philip Jian Yang (*Chairman*)

*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 Kwan

*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 Chaoyang District

Beijing

the PRC

*Principal place of business  
in Hong Kong:*

23/F, Yue Thai Commercial Building

128 Connaught Road Central

Sheung Wan

Hong Kong

27 June 2023

*To the Shareholders*

Dear Sir or Madam,

**CONNECTED TRANSACTIONS IN RELATION TO  
(I) SUBSCRIPTION OF NEW SHARES UNDER SPECIFIC MANDATE;  
(II) ISSUE OF CONVERTIBLE BONDS UNDER SPECIFIC MANDATE; AND  
(III) NOTICE OF EXTRAORDINARY GENERAL MEETING**

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## LETTER FROM THE BOARD

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### INTRODUCTION

References are made to (i) the announcement of Creative China Holdings Limited (the “**Company**”) dated 22 May 2023 in relation to the Subscription Agreement and issue of the Subscription Shares; (ii) the announcement of the Company dated 22 May 2023 in relation to the CB Subscription Agreement and the issue of the Convertible Bonds; and (iii) the announcement of the Company dated 23 May 2023 in relation to, among others, the Transactions and issue of the Subscription Shares and Conversion Shares under Specific Mandate.

The purpose of this circular is to provide you with (i) information relating to the Transactions (including the grant of the Specific Mandate); (ii) the recommendation from the Independent Board Committee to the Independent Shareholders in relation to the Transactions (including the grant of the Specific Mandate); (iii) the letter of advice from Jun Hui International to the Independent Board Committee and the Independent Shareholders in relation to the Transactions; (iv) other information as required under the GEM Listing Rules; and (v) the notice of the EGM.

### 1. SUBSCRIPTION OF NEW SHARES UNDER SPECIFIC MANDATE

References are made to (i) the announcement of the Company dated 22 May 2023 in relation to the Subscription Agreement and issue of the Subscription Shares; and (ii) the announcement of the Company dated 23 May 2023 in relation to, among others, the Subscription Agreement and issue of the Subscription Shares under Specific Mandate.

On 22 May 2023 (after trading hours of the Stock Exchange), the Company and the Share Subscriber entered into the Subscription Agreement, pursuant to which the Share Subscriber has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue, 30,362,150 Subscription Shares at a subscription price of HK\$0.214 per Subscription Share.

#### **The Subscription Agreement**

Principal terms of the Subscription Agreement are summarised as follows:

**Date:** 22 May 2023 (after trading hours of the Stock Exchange)

**Parties:** The Company as the issuer; and

ALPINE NOVA LIMITED (高星有限公司) as the subscriber, an Independent Third Party.

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## LETTER FROM THE BOARD

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**Subscription Shares:** A total of 30,362,150 Shares, representing approximately 8.14% of the existing issued share capital of the Company as at the Latest Practicable Date and approximately 7.53% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares (assuming there are no other changes in the share capital of the Company between the Latest Practicable Date and the Subscription Completion Date). The aggregate nominal value of the 30,362,150 Subscription Shares is HK\$1,518,107.50. The Subscription Shares upon issue shall rank pari passu with all other Share. Application will be made by the Company for the Listing of, and permission to deal in, the Subscription Shares.

**Total Subscription Price:** RMB5,750,000 (equivalent to HK\$6,497,500)

**Payment:** The Share Subscriber agrees to pay a deposit of RMB5,750,000 (the “**Subscription Deposit**”) to the Designated Subsidiary by way of bank transfer to the bank account of the Designated Subsidiary within three (3) Business Days following the date of the Subscription Agreement, so as to guarantee the Share Subscriber’s obligation to pay to the Company an amount of HK\$6,497,500 as the settlement of the Total Subscription Price on or before 31 July 2024 (the “**Subscription Settlement**”). Subject to the compliance of the PRC law, the Company shall have the right to apply the full amount of the Subscription Deposit towards the payment of Total Subscription Price on or before 31 July 2024, by serving a prior written notice of not less than three (3) Business Days to the Share Subscriber, in which event the Share Subscriber is deemed having duly made the Subscription Settlement and discharged of its payment obligation thereunder.

Subject to the full payment of the Subscription Deposit and satisfaction (or waiver, as the case may be) of the Subscription Conditions Precedent (as defined below), the Company shall, on the Subscription Completion Date, allot and issue the Subscription Shares to the Share Subscriber (or its nominee(s)) and shall deliver the share certificates in respect of the Subscription Shares (the “**Share Certificates**”) to the escrow agent appointed by the Company (the “**Subscription Escrow Agent**”). The Share Certificates shall be under the escrow of the Subscription Escrow Agent and shall be released to the Share Subscriber upon completion of the Subscription Settlement.

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## LETTER FROM THE BOARD

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The above payment arrangement was merely a commercial decision on normal commercial terms mutually arrived at and agreed among the Company and the Share Subscriber after arm's length negotiation. The primary purposes of the payment arrangement are to guarantee the payment obligations of the Share Subscriber to the Company, allow the Share Subscriber more time to prepare direct payments to the Company and serve as a security to the Company from the Share Subscriber on its payment obligations. The Board is therefore of the view that the payment arrangement is in favour to the Company as the Company can secure the transactions contemplated under the Subscription Agreement based on the Subscription Deposit paid by the Share Subscriber.

**Subscription  
Price:**

HK\$0.214 per Subscription Share, representing:

- (1) a discount of approximately 10.83% to the closing price of HK\$0.2400 per Share as quoted on the Stock Exchange on the date of the Subscription Agreement;
- (2) a discount of approximately 7.36% to the average closing price of approximately HK\$0.2310 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 Subscription Agreement; and
- (3) a discount of approximately 2.55% to the average closing price of approximately HK\$0.2196 per Share as quoted on the Stock Exchange for the ten (10) consecutive trading days of the Shares immediately prior to the date of the Subscription Agreement.

The Subscription Price was arrived at after arm's length negotiations between the Company and the Share Subscriber with reference to the recent trading price and trading volume of the Shares. The Directors consider that the terms and conditions of the Subscription Agreement (including the Subscription Price) are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

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## LETTER FROM THE BOARD

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### *Subscription Conditions Precedent*

Subscription Completion is conditional upon the following conditions precedent (the “**Subscription Conditions Precedent**”) being fulfilled or waived by the Share Subscriber in writing (as the case may be):

- (1) the Stock Exchange having approved the listing of and dealing in the Subscription Shares, and such approval shall not be threatened with any revocation, withdrawal or cancellation at any time prior to Subscription Completion;
- (2) all necessary consents, confirmations, permits, approvals and authorisations (collectively, the “**Necessary Approvals**”) under the GEM Listing Rules and other regulatory regime having been granted to and/or obtained by the Company, and the Necessary Approvals having remained valid and effective, and not being threatened with any revocation, withdrawal, cancellation or suspension at any time before Subscription Completion;
- (3) the warranties made by the Company under the Subscription Agreement having remained true and accurate and not misleading in all material respects as at Subscription Completion; and
- (4) no Subscription Material Adverse Effect having been occurred.

Other than Subscription Conditions Precedent referred to in paragraph (1) above which cannot be waived, the Share Subscriber may at any time before Subscription Completion waive any of other Subscription Conditions Precedent above by prior written notice to the Company. As at the Latest Practicable Date, none of the Subscription Conditions Precedent have been fulfilled or waived.

In the event that any of the Subscription Conditions Precedent above are not fulfilled or waived on or before 31 July 2023 or such later date as the parties of the Subscription Agreement may agree in writing, the Subscription Agreement and everything contained thereof shall terminate and be null and void and of no further effect and neither of the parties thereto shall have any liability to any other party, save for any antecedent breach(es) of any obligation under the Subscription Agreement. Upon termination of the Subscription Agreement, the Company shall immediately procure the Designated Subsidiary to return the full amount of the Subscription Deposit to the Share Subscriber within three (3) Business Days following such termination.

### *Subscription Completion*

Subject to the Share Subscriber’s full payment of the Subscription Deposit and the fulfilment or waiver (as the case may be) of all Subscription Conditions Precedent, the Subscription Completion shall take place on the Subscription Completion Date.

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## LETTER FROM THE BOARD

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### **Information of the Parties**

#### ***The Share Subscriber***

The Share Subscriber is a company incorporated in the British Virgin Islands with limited liability and is principally engaged in investment holding. As at the Latest Practicable Date, the Share Subscriber was wholly-owned by Mr. Wang Xu (王旭先生), an individual investor who is a PRC resident. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, each of the Share Subscriber and Mr. Wang Xu is an Independent Third Party.

#### ***The Company and the Group***

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 (i) serial program/film production and related services and film rights investment; (ii) concert and event organisation and related services; (iii) mobile application development and operation and related services; and (iv) artist management.

### **Reasons for the Subscription and Use of Proceeds**

The aggregate gross proceeds of the Subscription will be HK\$6,497,500 and the aggregate net proceeds of the Subscription, having deducted the professional fees and other expenses in connection with the Subscription, are estimated to be approximately HK\$5,681,640 (equivalent to RMB5,028,000), representing a net issue price of approximately HK\$0.187 per Subscription Share. The Company intends to apply the net proceeds of the Subscription in the following manner:

- (i) approximately 70.17% of the net proceeds, or approximately HK\$3,986,640 (equivalent to RMB3,528,000) to mobile application development and operation and related services; and
- (ii) approximately 29.83% of the net proceeds, or approximately HK\$1,695,000 (equivalent to RMB1,500,000), will be used for the general working capital of the Group.

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

In light of the foregoing, the Board (including the independent non-executive Directors) is of the view that terms and conditions (including the Total Subscription Price) of the Subscription Agreement are on normal commercial terms, which are fair and reasonable and in the interests of the Company and the Shareholders as a whole.



## LETTER FROM THE BOARD

### 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 Subscription Completion assuming there will be no change in the total number of issued Shares between the Latest Practicable Date and the Subscription Completion:

Name of shareholders	As at the Latest Practicable Date		Immediately upon Subscription Completion	
	Number of Shares	Approximate percentage	Number of Shares	Approximate percentage
Non-public shareholders:				
Youth Success (Notes 1, 3 and 5)	81,378,000	21.82%	81,378,000	20.18%
Guang Rui Investments Limited (“Guang Rui”) (Note 1)	2,594,400	0.70%	2,594,400	0.64%
Goldbless International Limited (“Goldbless”) (Notes 1 and 2)	76,500,000	20.51%	76,500,000	18.97%
Alpha Master Global Limited (“Alpha Master”) (Note 1)	10,077,600	2.70%	10,077,600	2.50%
Qiao Tian Limited (“Qiao Tian”) (Note 1)	5,418,000	1.45%	5,418,000	1.34%
Mr. Liang Longfei (“Mr. Liang”) (Note 3)	36,000,000	9.65%	36,000,000	8.93%
Share Subscriber (or its nominee(s)) (Note 4)	–	–	30,362,150	7.53%
Sub-total	211,968,000	56.83%	242,330,150	60.08%
Public Shareholders:				
Other public Shareholders	161,018,978	43.17%	161,018,978	39.92%
Sub-total	161,018,978	43.17%	161,018,978	39.92%
Total	372,986,978	100.00%	403,349,128	100.00%

*Notes:*

- As at the Latest Practicable Date, Youth Success and Guang Rui owned 81,378,000 Shares and 2,594,400 Shares respectively, representing 21.82% and 0.70% 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 was legally and beneficially owned as to 60% by Mr. Yang Shaoqian (“Mr. Yang”) and 40% by Ms. Mou Sufang (“Ms. Mou”). Ms. Mou 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. Mou, Youth Success, Mr. Li

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## LETTER FROM THE BOARD

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Lin, Alpha Master, Ms. Yang Qi, Qiao Tian, Mr. Wang Yong and Goldbless on 8 November 2015 (the “**First 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. For details of the First Voting Agreement, please refer to the paragraph headed “First Voting Agreement” below.

Mr. Li Lin and Ms. Yang Qi were former members of the Company’s senior management team, who had already ceased to hold any position in the Group as at the Latest Practicable Date. Mr. Li Lin was appointed as an executive Director on 21 April 2015 and resigned as an executive Director on 6 April 2017. Mr. Li Lin and Ms. Yang Qi are both registered shareholders of Beijing Emphasis Media Co., Ltd.\* (北京無限印象傳媒有限公司), a PRC subsidiary of the Company, with shareholding interest of 12% and 5% respectively. Save as being parties to the First Voting Agreement, there is no other relationship among Mr. Li Lin and Ms. Yang Qi, on one hand, and Mr. Yang, Ms. Mou, Mr. Wang Yong, Youth Success, Alpha Master, Qiao Tian and Goldbless, on the other hand.

2. As at the Latest Practicable Date, the entire issued share capital of Goldbless was 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. By virtue of the shareholders voting agreement entered into by and among Mr. Yang, Ms. Mou, Youth Success and Mr. Liang on 11 November 2021 (the “**Second Voting Agreement**”), Mr. Liang irrevocably agrees to delegate and authorize Youth Success to exercise voting rights attached to all of the Shares held by him, and Youth Success is deemed to be interested in the Shares held by Mr. Liang in aggregate by virtue of the SFO. For details of the Second Voting Agreement, please refer to the paragraph headed “Second Voting Agreement” below.
4. Pursuant to the Subscription Agreement, the Share Subscriber shall, on the Subscription Completion Date, execute and deliver to the Company a Voting Agreement for the purpose of ensuring compliance with the undertakings dated 8 November 2015 (the “**Control Undertakings**”) executed by Mr. Yang and Ms. Mou in favour of the Company, pursuant to which Mr. Yang and Ms. Mou shall remain holding/controlling not less than 50% voting rights in the issued share capital of the Company or otherwise maintain control during the subsistence of the Contractual Arrangements (details of the Contractual Arrangements are set out in the paragraph headed “Contractual Arrangements” below). By virtue of such Voting Agreement, Youth Success shall be entitled to exercise voting rights attached to all of the Shares held by the Share Subscriber (or its nominee(s)) (either indirectly through its respective holding company(ies) (the “**Holdco**”) or directly held by itself). As such, Youth Success is deemed to be interested in the Shares held by the Holdco or the Share Subscriber (or its nominee(s)) by virtue of the SFO.
5. By virtue of the First Voting Agreement and Second Voting Agreement, Youth Success shall be entitled to exercise control over the voting rights attaching to an aggregate of 209,373,600 Shares, representing approximately 56.13% of the issued share capital of the Company as at the Latest Practicable Date.

### Contractual Arrangements

Beijing Emphasis Media Co., Ltd.\* (北京無限印象傳媒有限公司), Starry Knight Entertainment Co., Ltd.\* (北京縱橫飛揚國際文化發展有限公司), Beijing Joy Star Production Co., Ltd.\* (北京光影互動影視文化傳播有限公司), Beijing New Image Media Co. Ltd.\* (北京對比色彩影視文化傳播有限公司) and Beijing Great Wise Media Co., Ltd.\* (北京天瀚影視文化傳播有限公司) (collectively defined as the “**PRC Contractual Entities**”) are deemed to be the wholly-owned subsidiaries of the Company pursuant to the Contractual Arrangements.

The PRC Contractual Entities hold certain licences and permits required for the operation of abovementioned principal business (including The Permit to Produce and Distribute Radio or Television Programs and operate as a performance brokerage enterprise with the relevant licence). According to the Guidance Catalogue of Industries for Foreign Investment (2015 Version), radio and television program production and operating companies falls within the prohibited foreign-invested industry, and the production of

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## LETTER FROM THE BOARD

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television programs (limited to Chinese-foreign contractual joint ventures) and performance brokerage fall within the restricted foreign-invested industry. The principal activities of the Group are provision of program production and event organisation services in the PRC, the sectors where foreign investment is subject to significant restrictions under PRC laws and regulations. Accordingly, the Group cannot directly acquire any equity interest in the PRC Contractual Entities, which hold certain licences and permits required for the operation of the principal business of the Group.

In order to achieve the Group's business purposes and be in line with common practice in industries in the PRC subject to foreign investment restrictions, on 18 May 2015, New Talent Media Company Limited\* (北京聚視文化傳媒有限公司) (“**New Talent Media**”), an indirect wholly-owned subsidiary of the Company, entered into the Contractual Arrangements narrowly tailored to provide New Talent Media with control over the PRC Contractual Entities and grant New Talent Media the right to acquire the equity interests of the PRC Contractual Entities when and to the extent permitted by the PRC laws and regulations. By adopting the Contractual Arrangements, the Group has been able to exercise and maintain control over the operations of the PRC Contractual Entities, obtain their entire economic benefits and prevent leakage of the assets and values of the PRC Contractual Entities to their shareholders in the PRC. In addition, as a result of the Contractual Arrangements, financial position and results of operations of the PRC Contractual Entities have been consolidated into the financial position and results of operations of the Group under HKFRSs.

For details of the Contractual Arrangements, please refer to the section headed “Contractual Arrangements” in the Company's prospectus dated 12 November 2015 (the “**Prospectus**”) and pages 90 to 103 of the Company's annual report for the year ended 31 December 2022 (the “**2022 Annual Report**”).

### **First Voting Agreement**

At the time of preparing the Company's listing application in 2015, the then Company's PRC legal advisers advised that, with respect to the then existing VIE structures (including in restricted and prohibited business), the relevant opinions of the governmental authorities inclined to allow foreign-invested enterprise controlled by PRC investors to continue to retain the VIE structure under the then Draft Foreign Investment Law of the PRC.

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## LETTER FROM THE BOARD

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In order to maintain and enhance the control over the Company for the purpose of satisfying the Draft Foreign Investment Law, Mr. Yang, Ms. Mou, Youth Success, Mr. Li Lin, Alpha Master, Ms. Yang Qi, Qiao Tian, Mr. Wang Yong and Goldbless entered into the First Voting Agreement on 8 November 2015, pursuant to which, among other things,

- (i) each of Mr. Li Lin and Ms. Yang Qi irrevocably agrees to, through their respective holding company, namely Alpha Master and Qiao Tian, delegate to Youth Success and authorise Youth Success to exercise the voting rights attached to all of the Shares indirectly held by him/her;
- (ii) Mr. Wang Yong irrevocably agrees to, through Goldbless, delegate to Youth Success and authorise Youth Success to exercise the voting rights attached to all of the Shares indirectly held by him;
- (iii) each of Mr. Li Lin, Ms. Yang Qi and Mr. Wang Yong could not, through their respective holding company, namely Alpha Master, Qiao Tian and Goldbless, in any way transfer, charge, mortgage, encumber or create any interest over or in relation to the Shares he/she indirectly holds unless (a) prior written consent has been granted by Mr. Yang and Ms. Mou and (b) the Company will remain to be controlled by PRC investor(s) as defined under the Draft Foreign Investment Law thereafter; and
- (iv) the First Voting Agreement could only be terminated by Mr. Yang and Ms. Mou unilaterally and in their sole discretion.

As a result of entering into the arrangements under the First Voting Agreement, Mr. Li Lin, Ms. Yang Qi and Mr. Wang Yong do not hold any voting rights in Shares of the Company. As Mr. Li Lin, Ms. Yang Qi and Mr. Wang Yong have no control of the Company, none of them is a controlling shareholder of the Company.

By virtue of the First Voting Agreement, Youth Success controlled over 50% of the voting rights attached to the issued Shares of the Company upon the listing and could be regarded under the Draft Foreign Investment Law as having the control of the Company with not less than 50% voting rights, and hence capable of exerting decisive impact on the management decisions of the PRC Contractual Entities through the Contractual Arrangements, based on which, the then Company's PRC legal advisers advised that the arrangements under the First Voting Agreement would significantly reduce the uncertainty when carrying out the "control" test under the Draft Foreign Investment Law and Mr. Yang and Ms. Mou would likely to be deemed as "ultimate control persons" as defined under the Draft Foreign Investment Law.

For details of the First Voting Agreement, please refer to the section headed "Contractual Arrangements" in the Prospectus.

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## LETTER FROM THE BOARD

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### **Second Voting Agreement**

On 20 October 2021, (i) the Company, (ii) CCH Film Production Limited, (iii) the cooperation partners, namely Truth Pictures (Hong Kong) Limited and Yuanxin Pictures (Beijing) Limited\* (源欣影業北京有限公司) and (iv) Mr. Liang as guarantor entered into a cooperation agreement, pursuant to which (a) the Group and the cooperation partners agreed to carry out the cooperation in the distribution of six foreign imported films in the PRC; and (b) the consideration in the sum of RMB30,000,000 was settled by the Company by the allotment and issue of an aggregate of 36,000,000 consideration shares of the Company to the cooperation partners or their nominee(s) at the issue price of HK\$1 per consideration share.

In order to maintain Youth Success's control of over 50% of the voting rights attached to the issued Shares of the Company for compliance with the Control Undertakings, on 11 November 2021, the Second Voting Agreement was entered into by and among Mr. Yang, Ms. Mou, Youth Success and Mr. Liang, pursuant to which Youth Success shall be entitled to exercise voting rights attached to all of the Shares held by Mr. Liang (either indirectly through his respective holding company(ies) or directly held by himself) immediately upon the said allotment, and since then Youth Success has been deemed to be interested in the Shares held by Mr. Liang (either indirectly through his respective holding company(ies) or directly held by himself) by virtue of the SFO.

### **The Board's view on the Voting Agreements and Control Undertakings**

The Control Undertakings, the Company's undertaking with the Stock Exchange to enforce the Control Undertakings and the First Voting Agreement have remained effective and validly in force since the listing of the Company in 2015. The Company views it necessary to ensure ongoing compliance with the relevant undertakings.

The Control Undertakings and First Voting Agreement can only be terminated by Mr. Yang and Ms. Mou unilaterally and in their sole discretion. As at the Latest Practicable Date, the Company had not been informed of any intention of Mr. Yang and Ms. Mou to terminate the Control Undertakings and First Voting Agreement.

The Control Undertakings and Voting Agreements can consolidate the controlling shareholders' interest and maintain their control in the Company. The Company believes that a stable controlling shareholding structure demonstrates to the public a long-term commitment of the controlling Shareholders to the Company and its success. In the event that the Control Undertakings and First Voting Agreement are terminated, the Company will no longer have any controlling shareholder, which could have adverse impact on the trading price of the Shares of the Company and undermine the investors' confidence in the Company.

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## LETTER FROM THE BOARD

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Based on the above, the Board believes that the existing arrangements in respect of the Voting Agreements and Control Undertakings are in the best interest of the Company and Shareholders as a whole.

### 2. ISSUE OF CONVERTIBLE BONDS UNDER SPECIFIC MANDATE

References are made to (i) the announcement of the Company dated 22 May 2023 in relation to the CB Subscription Agreement and the issue of the Convertible Bonds; and (ii) the announcement of the Company dated 23 May 2023 in relation to, among others, the CB Subscription Agreement and issue of the Convertible Bonds under Specific Mandate.

On 22 May 2023 (after trading hours of the Stock Exchange), the Company and the CB Subscriber entered into the CB Subscription Agreement, pursuant to which the CB Subscriber has conditionally agreed to subscribe for, and the Company has conditionally agreed to issue the Convertible Bonds in the principal amount of RMB17,500,000 (equivalent to HK\$19,775,000).

#### **The CB Subscription Agreement**

Principal terms of the CB Subscription Agreement are summarised as follows:

**Date:** 22 May 2023 (after trading hours of the Stock Exchange)

**Parties:** (a) The Company as the issuer; and  
(b) Ms. Li Wen (李雯) as the subscriber, an Independent Third Party.

#### ***CB Conditions Precedent***

CB Completion is conditional upon the following conditions precedent (the “**CB Conditions Precedent**”) being fulfilled or waived by the CB Subscriber in writing (as the case may be):

- (1) the Stock Exchange having granted (either unconditionally or subject only to conditions reasonable acceptable to both the Company and the CB Subscriber) the listing of, and permission to deal in, the Conversion Shares, and such approval not having been revoked prior to CB Completion;
- (2) all Necessary Approvals under the GEM Listing Rules and other regulatory regime having been granted to and/or obtained by the Company, and the Necessary Approvals having remained valid and effective, and not being threatened with any revocation, withdrawal, cancellation or suspension at any time before CB Completion;

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## LETTER FROM THE BOARD

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- (3) the warranties made by the Company under the CB Subscription Agreement having remained true and accurate and not misleading in all material respects as at CB Completion; and
- (4) no CB Material Adverse Effect having been occurred.

Other than CB Conditions Precedent referred to in paragraph (1) above which cannot be waived, the CB Subscriber may at any time before CB Completion waive any of other CB Conditions Precedent above by prior written notice to the Company. As at the Latest Practicable Date, none of the CB Conditions Precedent have been fulfilled or waived.

In the event that any of the CB Conditions Precedent above are not fulfilled or waived on or before 31 July 2023 or such later date as the parties of the CB Subscription Agreement may agree in writing, the CB Subscription Agreement and everything contained thereof shall terminate and be null and void and of no further effect and neither of the parties thereto shall have any liability to any other party, save for any antecedent breach(es) of any obligation under the CB Subscription Agreement. Upon termination of the CB Subscription Agreement, the Company shall immediately procure its Designated Subsidiary to return the full amount of the CB Deposit (as defined below) to the CB Subscriber within three (3) Business Days following such termination.

### ***CB Completion***

Subject to the CB Subscriber's full payment of the CB Deposit and the fulfilment or waiver (as the case may be) of all CB Conditions Precedent, CB Completion shall take place on the CB Completion Date. The Company shall issue the Convertible Bonds in their respective principal amounts to the CB Subscriber (or her nominee(s)) as the Bondholder(s) on the CB Completion Date.

### **Principal Terms of the Convertible Bonds**

The principal terms of the Convertible Bonds are summarized below:

<b>Issuer:</b>	The Company
<b>CB Subscriber:</b>	Ms. Li Wen (李雯), an Independent Third Party
<b>Principal amount:</b>	RMB17,500,000 (equivalent to HK\$19,775,000)

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## LETTER FROM THE BOARD

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**Payment:**

The CB Subscriber agrees to pay a deposit of RMB17,500,000 (the “**CB Deposit**”) to the Designated Subsidiary by way of bank transfer to the bank account of the Designated Subsidiary within three (3) Business Days following the date of the CB Subscription Agreement, so as to guarantee the CB Subscriber’s obligation to pay to the Company an amount of HK\$19,775,000 equivalent to the Issue Price as the settlement of the Issue Price on or before 31 July 2024 (the “**CB Settlement**”). Subject to the compliance of the PRC law, the Company shall have the right to apply the full amount of the CB Deposit towards the payment of the Issue Price on or before 31 July 2024, by serving a prior written notice of not less than three (3) Business Days to the CB Subscriber, in which event the CB Subscriber is deemed having duly made the CB Settlement and discharged of her payment obligation thereunder.

Subject to the CB Subscriber’s full payment of the CB Deposit and satisfaction of the CB Conditions Precedent (or waiver, as the case may be), the Company shall issue certificates (the “**Certificates**”) in the name of the CB Subscriber (or her nominee(s)) as the Bondholder(s) representing the full amount of the Convertible Bonds, which shall be delivered to the escrow agent appointed by the Company (the “**CB Escrow Agent**”) within three (3) Business Days from the CB Completion Date and under the escrow of the CB Escrow Agent. The Certificates shall be released to the Bondholder(s) upon completion of the CB Settlement.

The above payment arrangement was merely a commercial decision on normal commercial terms mutually arrived at and agreed among the Company and the CB Subscriber after arm’s length negotiation. The primary purposes of the payment arrangement are to guarantee the payment obligations of the CB Subscriber to the Company, allow the CB Subscriber more time to prepare direct payments to the Company and serve as a security to the Company from the CB Subscriber on its payment obligations. The Board is therefore of the view that the payment arrangement is in favour to the Company as the Company can secure the transactions contemplated under the CB Subscription Agreement based on the CB Deposit paid by the CB Subscriber.



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## LETTER FROM THE BOARD

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**Interest rate:** 2% per annum, which shall accrue on a daily basis from the date of CB Settlement calculated on the basis of a 365-day year on the principal sum of the Convertible Bond for the time being outstanding and shall be paid on the Maturity Date.

**Conversion Price:** The Conversion Price of HK\$0.54 per Conversion Share represents:

- (i) a premium of approximately 125.00% over the closing price of HK\$0.2400 per Share as quoted on the Stock Exchange on the date of the CB Subscription Agreement;
- (ii) a premium of approximately 133.77% over the average closing price of HK\$0.2310 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 CB Subscription Agreement; and
- (iii) a premium of approximately 145.90% over the average closing price of HK\$0.2196 per Share as quoted on the Stock Exchange for the ten (10) consecutive trading days of the Shares immediately prior to the date of the CB Subscription Agreement.

The Conversion Price was determined after arm's length negotiations between the Company and the CB Subscriber, taking into account the business development and future prospect of the Group and the audited consolidated net asset value attributable to the Shareholders of approximately HK\$0.54 per Share as at 31 December 2022. The Directors (including the independent non-executive Directors) consider that the Conversion Price and the terms and conditions of the CB Subscription Agreement and the Convertible Bonds are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Conversion Price shall from time to time be subject to adjustment only upon occurrence of consolidation or sub-division of Shares (an "**Adjustment Event**") in accordance with the provisions of the Convertible Bonds.

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## LETTER FROM THE BOARD

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Following an Adjustment Event and before the effect of such event has been reflected in the trading price of Shares on the Stock Exchange, the Conversion Price shall be adjusted so that, after such adjustment and on conversion of the Convertible Bonds, the Bondholders shall be entitled to receive the same percentage of the issued share capital of the Company carrying the same proportion of votes exercisable at a general meeting of Shareholders and the same entitlement to participate in distributions of the Company, in each case as nearly as practicable, as would have been the case had no Adjustment Event occurred (and making such reduction or increase as is necessary to the premium arising on the issue and allotment of the Conversion Shares on conversion of the Convertible Bonds). The relevant adjustment shall be determined by the auditors of the Company for the time being. Every adjustment to the Conversion Price shall be certified in writing by the auditors (acting as an expert) unless otherwise agreed between the Company and the Majority Bondholder.

**Conversion  
Shares:**

Based on the Conversion Price of HK\$0.54 per Conversion Share, a total of 36,620,370 Conversion Shares will be allotted and issued upon exercise of the Conversion Rights attaching to the Convertible Bonds in full, which represent approximately 9.82% of the existing issued share capital of the Company and approximately 8.94% of the issued share capital of the Company as enlarged by the allotment and issue of all Conversion Shares, assuming that there will be no changes in the issued share capital of the Company between the Latest Practicable Date and the date of issue of the Conversion Shares upon full conversion of the Convertible Bonds. The aggregate nominal value of the 36,620,370 Conversion Shares is HK\$1,831,018.50.

**Maturity Date:**

The date falling on the second (2nd) anniversary of the Issue Date.

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## LETTER FROM THE BOARD

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**Conversion Rights:** Subject to and upon compliance with the Conditions, each Bondholder shall have the right, at the sole option of such Bondholder, at any time during the Conversion Period to convert (in whole or in part (in multiples of RMB1,750,000)) the outstanding principal amount of the Convertible Bonds held by such Bondholder into fully-paid Shares, calculated for each conversion to be the greatest number of Shares, disregarding fractions, obtainable by dividing the aggregate principal amount of the Convertible Bonds to be converted, by the applicable Conversion Price in effect on the relevant date of the conversion.

The Bondholder shall not have the right to convert (in whole or in part) the outstanding principal amount of the Convertible Bonds held by such Bondholder into fully-paid Shares if the issue of the Conversion Shares following the exercise by the Bondholder of the Conversion Rights would result in (i) the Company not meeting the requirement under the GEM Listing Rules that not less than 25% (or such other percentage as may from time to time be specified in the GEM Listing Rules) of the Shares shall be held by the public immediately after the conversion; or (ii) the Bondholder and parties acting in concert with it (within the meaning of the Takeovers Code), taken together, directly or indirectly controlling or being interested in 30% or more of the entire issued voting share capital of the Company (or such other percentage as may from time to time be specified in the Takeovers Code as being the level of triggering a mandatory general offer) as at the date of conversion and a mandatory general offer obligation will be triggered under the Takeovers Code.

**Voting rights:** Bondholders shall not have any right to attend or vote in any general meeting of the Company.

**Transferability:** Subject to and upon completion of the CB Settlement, the Convertible Bonds shall be freely transferable.

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## LETTER FROM THE BOARD

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**Events of  
default:**

Without prejudice to the other provisions of the CB Conditions, the occurrence of any of the following events (each, an “**Event of Default**”) and the giving of written notice by the Majority Bondholder, the principal moneys outstanding on any Convertible Bonds together with all interest accrued thereon up to and including the date of payment shall on the occurrence of any Event of Default (immediately upon such notice being given) become due and redeemable:

- (a) if the Company fails to make a payment (whether of principal, premium or otherwise) in accordance with the Conditions, and such default continues for a period of 20 (twenty) Business Days after the due date for such payment;
- (b) if there is a default in the performance or observance by the Company of any covenant, undertaking, condition, obligation or provision set out in the Bond Instrument and on its part to be performed or observed (other than a payment obligation referred to in paragraph (a) above) and (except where such failure is not capable of remedy) such default continues for 20 (twenty) Business Days after written notice of such default has been given to the Company by a Bondholder (or, if earlier, the Company becoming aware of the failure to comply);
- (c) any failure by the Company to deliver any Shares as and when the Shares are required to be delivered following conversion of the Convertible Bonds and such failure continues for more than twenty (20) Business Days, except such failure is not resulted from wilful default on the part of the Company or it is caused by temporary restriction imposed by the Stock Exchange;
- (d) the Convertible Bonds or any CB Condition cease for any reason to be in full force and effect or are terminated or become invalid or unenforceable, or if there is any dispute by the Company regarding the validity or enforceability of the same, or if there is any purported termination or repudiation by the Company of the same, or if it becomes impossible or unlawful for the Company to perform any of its obligations under the Bond Instrument or (so far as is within the control or influence of the Company) for any Bondholder to exercise all or any of its rights, power and remedies under the Bond Instrument; or

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## LETTER FROM THE BOARD

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- (e) if the listing of, and permission to deal in, the Conversion Shares is revoked for any reason, except such failure is not resulted from wilful default on the part of the Company or it is caused by temporary restriction imposed by the Stock Exchange.

**Application for listing:** No application will be made for the listing of the Convertible Bonds on the Stock Exchange or any other stock or securities exchange. Application will be made by the Company for the listing of, and permission to deal in, the Conversion Shares.

**Ranking:** The Conversion Shares upon issue shall rank pari passu with all other Shares.

### **Information of the Parties**

#### *The CB Subscriber*

The CB Subscriber is an individual investor who is a PRC resident. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the CB Subscriber is an Independent Third Party.

#### *The Company and the Group*

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 (i) serial program/film production and related services and film rights investment; (ii) concert and event organisation and related services; (iii) mobile application development and operation and related services; and (iv) artist management.

### **Reasons for the Issue of the Convertible Bonds and Use of Proceeds**

The aggregate gross proceeds from the issue of the Convertible Bonds will be HK\$19,775,000 and the aggregate net proceeds from the issue of the Convertible Bonds, having deducted the professional fees and other expenses in connection with the issue of the Convertible Bond, are estimated to be approximately HK\$17,630,260 (equivalent to RMB15,602,000). The net price per Conversion Share is estimated to be approximately HK\$0.481. The Company intends to apply the net proceeds from the issue of the Convertible Bonds in the following manner:

- (i) approximately 38.45% of the net proceeds, or approximately HK\$6,780,000 (equivalent to RMB6,000,000), will be used for serial program/film production and related services and film rights investment;

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## LETTER FROM THE BOARD

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- (ii) approximately 31.55% of the net proceeds, or approximately HK\$5,561,860 (equivalent to RMB4,922,000), will be used for mobile application development and operation; and
- (iii) approximately 30.00% of the net proceeds, or approximately HK\$5,288,400 (equivalent to RMB4,680,000), will be used for the general working capital of the Group.

The Directors consider that (i) the issuance of the Convertible Bonds provides an opportunity for the Company to raise additional funds for its operations and broaden the Company's capital base for business development, and (ii) the issue of the Convertible Bonds is an appropriate mean of raising additional capital of the Company since it will not have an immediate dilution effect on the shareholding of the existing Shareholders.

The Subscription Price and Conversion Price were determined after arm's length negotiations between the Company and each of the Share Subscriber and CB Subscriber. Since the Subscription Shares can be traded in the market immediately after the Subscription Completion, an investor generally only accepts subscription price which is close to the current trading price of the Shares. On the other hand, an investor for the Convertible Bonds is usually less sensitive to the current trading price of the Shares. Furthermore, the CB Subscriber will be entitled to receive interest amount of 2% interest per annum, and exercise its conversion rights during the Conversion Period up to the Maturity Date. Hence, the Company has been able to agree with the CB Subscriber to ascertain the Conversion Price at a higher price to reduce the dilution impact on the Shareholders as a whole. Although the current trading price-to-earnings ratio of the Company is relatively low which may not reflect the market value of the Company and the business development and future prospect of the Group, the Company was able to agree with the CB Subscriber to conclude the Conversion Price with reference to the Company's audited consolidated net asset value attributable to the Shareholders as at 31 December 2022. As such, the Board considers that the difference in the basis to ascertain the Subscription Price and Conversion Price is fair and reasonable, which serves to appeal to different kinds of investors and to promptly secure funding for the Group.

In light of the foregoing, the Board (including the independent non-executive Directors) is of the view that and the terms and conditions of the CB Subscription Agreement and the Convertible Bonds (including the Conversion Price) are on normal commercial terms, which are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## LETTER FROM THE BOARD

### 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) for illustration purpose only, immediately after the allotment and issue of the Conversion Shares in full upon exercise of the Conversion Rights under the Convertible Bonds (on the assumptions that the Conversion Price being HK\$0.54 and there is no further allotment of Shares from the Latest Practicable Date other than the Conversion Shares):

Name of shareholders	As at the Latest Practicable Date		Immediately upon full conversion of the Convertible Bonds	
	Number of Shares	Approximate percentage	Number of Shares	Approximate percentage
Non-public shareholders:				
Youth Success				
(Notes 1, 3 and 5)	81,378,000	21.82%	81,378,000	19.87%
Guang Rui (Note 1)	2,594,400	0.70%	2,594,400	0.63%
Goldbless (Notes 1 and 2)	76,500,000	20.51%	76,500,000	18.68%
Alpha Master (Note 1)	10,077,600	2.70%	10,077,600	2.46%
Qiao Tian (Note 1)	5,418,000	1.45%	5,418,000	1.32%
Mr. Liang (Note 3)	36,000,000	9.65%	36,000,000	8.79%
Bondholder (Note 4)	–	–	36,620,370	8.94%
Sub-total	211,968,000	56.83%	248,588,370	60.69%
Public Shareholders:				
Other public Shareholders	161,018,978	43.17%	161,018,978	39.31%
Sub-total	161,018,978	43.17%	161,018,978	39.31%
Total	372,986,978	100%	409,607,348	100%

*Notes:*

- As at the Latest Practicable Date, Youth Success and Guang Rui owned 81,378,000 Shares and 2,594,400 Shares respectively, representing 21.82% and 0.70% of the issued share capital of the Company. The issued share capital of Youth Success was 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. Mou. Ms. Mou 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 First 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. For details of the First Voting Agreement, please refer to the paragraph headed “First Voting Agreement” above.

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2. As at the Latest Practicable Date, the entire issued share capital of Goldbles was 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 Goldbles.
3. By virtue of the Second Voting Agreement, Mr. Liang irrevocably agrees to delegate and authorize Youth Success to exercise voting rights attached to all of the Shares held by him, and Youth Success is deemed to be interested in the Shares held by Mr. Liang in aggregate by virtue of the SFO. For details of the Second Voting Agreement, please refer to the paragraph headed “Second Voting Agreement” above.
4. Pursuant to the CB Subscription Agreement, each Bondholder shall, prior to the conversion of the Convertible Bonds, execute and deliver to the Company a Voting Agreement (for the purpose of ensuring compliance with the Control Undertakings), whereby Youth Success shall be entitled to exercise voting rights attached to all of the Shares held by the Bondholder (either indirectly through the Holdco or directly held by himself/ herself/itself). As such, Youth Success is deemed to be interested in the Shares held by the Holdco or the Bondholder by virtue of the SFO.
5. By virtue of the First Voting Agreement and Second Voting Agreement, Youth Success shall be entitled to exercise control over the voting rights attaching to an aggregate of 209,373,600 Shares, representing approximately 56.13% of the issued share capital of the Company as at the Latest Practicable Date.

### 3. SHAREHOLDING STRUCTURE OF THE COMPANY UPON SUBSCRIPTION COMPLETION AND FULL CONVERSION OF THE CONVERTIBLE BONDS

The following table illustrates the shareholding structure of the Company upon Subscription Completion and the allotment and issue of the Conversion Shares in full upon exercise of the Conversion Rights under the Convertible Bonds (on the assumptions that the Conversion Price being HK\$0.54 and there is no other allotment of Shares from the Latest Practicable Date other than the Subscription Shares and Conversion Shares):

<b>Name of shareholders</b>	<b>Upon Subscription Completion and full conversion of the Convertible Bonds</b>	
	<i>Number of Shares</i>	<i>Approximate percentage</i>
Non-public shareholders:		
Youth Success	81,378,000	18.50%
Guang Rui	2,594,400	0.59%
Goldbles	76,500,000	17.39%
Alpha Master	10,077,600	2.29%
Qiao Tian	5,418,000	1.23%
Mr. Liang	36,000,000	8.18%
Share Subscriber (or its nominee(s))	30,362,150	6.90%
Bondholder	36,620,370	8.32%
Sub-total	278,950,520	63.40%
Public Shareholders:		
Other public Shareholders	161,018,978	36.60%
Sub-total	161,018,978	36.60%
Total	439,969,498	100%



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## LETTER FROM THE BOARD

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### 4. EQUITY FUND-RAISING ACTIVITIES OF THE COMPANY DURING THE PAST TWELVE MONTHS

The Company has not conducted any other equity fund-raising activities during the twelve months immediately preceding the Latest Practicable Date.

### 5. SPECIFIC MANDATE

Subscription Shares and Conversion Shares will be allotted and issued pursuant to the Specific Mandate proposed to be sought from the Independent Shareholders at the EGM.

### 6. LISTING RULES IMPLICATIONS

Youth Success, Mr. Yang and Ms. Mou are the controlling shareholders of the Company and are therefore connected persons of the Company. As such, the entering into of the Transactions constitute connected transactions of the Company and are subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

Based on the following: (i) Mr. Philip Jian Yang, the executive Director and chairman of the Company, is the son of Mr. Yang and Ms. Mou, and is therefore considered to have an interest in the Transactions; (ii) by virtue of the First Voting Agreement entered into by, among others, Mr. Yang, Ms. Mou, Youth Success, Mr. Wang Yong and Goldbless, Mr. Wang Yong, the non-executive Director, is considered to have an interest in the Transactions; and (iii) as at the Latest Practicable Date, Mr. Yang Shiyuan, the non-executive Director, beneficially owned approximately 1.48% of the issued share capital of Youth Success and is therefore considered to have an interest in the Transactions, each of Mr. Philip Jian Yang, Mr. Wang Yong and Mr. Yang Shiyuan had abstained from voting on the Board resolutions approving the Transactions. Save as disclosed above, none of the Directors had any interest in the Transactions and abstained from voting on the Board resolutions approving the Transactions.

### 7. EGM

A notice convening the EGM to be held at 24/F, Admiralty Centre I, 18 Harcourt Road, Admiralty, Hong Kong on Tuesday, 18 July 2023 is set out on pages 72 to 74 of this circular. At the EGM, ordinary resolutions will be proposed to the Shareholders to consider and, if thought fit, approve the Transactions (including the grant of the Specific Mandate).

Whether or not you are able to attend the EGM in person, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon and deposit the same by 2:00 p.m. (Hong Kong time) on Sunday, 16 July 2023 or not later than 48 hours before the time appointed for any adjourned meeting of the EGM to the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any

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## LETTER FROM THE BOARD

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adjournment thereof should you so wish and in such event, the form of proxy previously submitted shall be deemed to be revoked. A form of proxy for use at the EGM is enclosed with this circular.

At the EGM, any Shareholder with a material interest in the Transactions (including the grant of the Specific Mandate) as set out in the ordinary resolutions is required to abstain from voting on the relevant resolutions at the EGM.

The Concert Group, being interested in the Transactions, shall abstain from voting on the resolution(s) of the Company approving the Transactions (including the grant of the Specific Mandate). To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, save as disclosed above, no other Shareholder has a material interest in the Transactions (including the grant of the Specific Mandate) and shall be required to abstain from voting at the EGM in respect of the resolutions to approve the Transactions (including the grant of the Specific Mandate). As at the Latest Practicable Date, the Concert Group was interested in an aggregate of 211,968,000 Shares, representing approximately 56.83% of the issued share capital of the Company.

### **8. INDEPENDENT BOARD COMMITTEE AND THE INDEPENDENT FINANCIAL ADVISER**

The Independent Board Committee comprising Ms. Fu Yuehong, Mr. Yau Yan Yuen and Mr. Tan Song Kwang, being all the independent non-executive Directors, has been formed to advise the Independent Shareholders as to the fairness and the reasonableness of the terms of the Subscription and as to how to vote at the EGM. Jun Hui International has been appointed as Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Subscription Agreement and the CB Subscription Agreement and the transactions contemplated thereunder. The Independent Board Committee, having taken into account the advice and recommendation of the Independent Financial Adviser, consider that the terms of the Transactions (including the grant of the Specific Mandate) are on normal commercial terms which are fair and reasonable so far as the Independent Shareholders are concerned. While the Transactions and the grant of the Specific Mandate are not in the ordinary and usual course of business of the Group but they are in the interests of the Company and the Shareholders as a whole, and accordingly recommends the Independent Shareholders to vote in favour of the relevant ordinary resolution(s) which will be proposed at the EGM for approving, inter alia, the Transactions (including the grant of the Specific Mandate). The text of the letter from the Independent Board Committee is set out on pages 33 to 34 of this circular while the text of the letter from Jun Hui International containing its advice is set out on pages 35 to 64 of this circular.

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## LETTER FROM THE BOARD

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### 9. CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 13 July 2023 to Tuesday, 18 July 2023, both dates inclusive, during which period no transfer of shares will be registered, for the purpose of ascertaining Shareholders' entitlement to attend and vote at the EGM. In order to be eligible to attend and vote at the EGM, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the office of the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on Wednesday, 12 July 2023.

### 10. RECOMMENDATION

You are advised to read carefully the letter from the Independent Board Committee of this circular. The Independent Board Committee, having taken into account the advice of the Independent Financial Adviser, the text of which is set out on pages 35 to 64 of this circular, consider that the terms of the Transactions are on normal commercial terms, fair and reasonable and, although the Transactions are not conducted in the ordinary and usual course of business of the Group but in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the relevant resolution to be proposed at the EGM to approve the Transactions (including the grant of the Specific Mandate).

The Board (including members of the Independent Board Committee) considers that the terms of the Transactions (including the grant of the Specific Mandate) are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole and recommends the Shareholders to vote in favour of the relevant resolution to be proposed at the EGM.

### 11. ADDITIONAL INFORMATION

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

### WARNING OF THE RISKS OF DEALING IN THE SHARES

**As the Transactions are subject to the fulfillment or waiver (as the case may be) of the certain conditions precedent under the Subscription Agreement and CB Subscription Agreement respectively, holders of securities of the Company and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.**

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

\* For identification purposes only

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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*The following is the text of the letter of recommendation from the Independent Board Committee to the Shareholders in relation to the Transactions 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)

27 June 2023

*To the Shareholders,*

Dear Sir or Madam,

**CONNECTED TRANSACTIONS IN RELATION TO  
(I) SUBSCRIPTION OF NEW SHARES UNDER SPECIFIC MANDATE;  
(II) ISSUE OF CONVERTIBLE BONDS UNDER SPECIFIC MANDATE; AND  
(III) NOTICE OF EXTRAORDINARY GENERAL MEETING**

We refer to the circular dated 27 June 2023 (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 have been appointed by the Board as members to form the Independent Board Committee and to advise the Independent Shareholders as to whether, in our opinion, the Transactions (including the grant of the Specific Mandate) are on normal commercial terms which are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.

Jun Hui International has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in these respects. Details of its advice, together with the principal factors and reasons taken into consideration in arriving at such advice, are set out on pages 35 to 64 of the Circular. Your attention is also drawn to the letter from the Board set out on pages 8 to 32 of the Circular and the additional information set out in Appendix to this Circular.

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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### RECOMMENDATION

Having considered the terms and conditions of the Transactions (including the grant of the Specific Mandate) and the principal factors and reasons considered by, and the advice and recommendation of the Independent Financial Adviser, we concur with its views and consider that the terms of the Transactions (including the grant of the Specific Mandate) are on normal commercial terms although it is not conducted in the ordinary and usual course of business of the Company, and that the Transactions (including the grant of the Specific Mandate) are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the relevant ordinary resolution(s) to be proposed at the EGM to approve the Transactions (including the grant of the Specific Mandate).

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*

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## LETTER FROM JUN HUI INTERNATIONAL

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*The following is the text of the letter of advice from Jun Hui International Finance Limited, the Independent Financial Adviser, to the Independent Board Committee and the Independent Shareholders in respect of the Subscription Agreement and the CB Subscription Agreement and the transactions contemplated thereunder, which has been prepared for the purpose of inclusion in this circular.*



Jun Hui International Finance Limited  
Unit 1406, Office Plus  
93–103 Wing Lok Street  
Sheung Wan, Hong Kong

27 June 2023

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

Dear Sir or Madam,

### **CONNECTED TRANSACTIONS IN RELATION TO (I) SUBSCRIPTION OF NEW SHARES UNDER SPECIFIC MANDATE; AND (II) ISSUE OF CONVERTIBLE BONDS UNDER SPECIFIC MANDATE**

#### **INTRODUCTION**

We refer to our engagement as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Subscription Agreement and the CB Subscription Agreement and the transactions contemplated thereunder, 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 27 June 2023 (the “**Circular**”) to the Shareholders, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

#### **Connected transaction in relation to subscription of new Shares under Specific Mandate**

References are made to the announcements of the Company dated 22 May 2023 and 23 May 2023 in relation to the Subscription. On 22 May 2023 (after trading hours of the Stock Exchange), the Company and the Share Subscriber entered into the Subscription Agreement, pursuant to which the Share Subscriber has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue, 30,362,150 Subscription Shares at a subscription price of HK\$0.214 per Subscription Share.

#### **Connected transaction in relation to issue of the Convertible Bonds under Specific Mandate**

References are made to the announcements of the Company dated 22 May 2023 and 23 May 2023 in relation to the issue of the Convertible Bonds. On 22 May 2023 (after trading hours of the Stock Exchange), the Company and the CB Subscriber entered into the CB

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## LETTER FROM JUN HUI INTERNATIONAL

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Subscription Agreement, pursuant to which the CB Subscriber has conditionally agreed to subscribe for, and the Company has conditionally agreed to issue the Convertible Bonds in the principal amount of RMB17,500,000 (equivalent to HK\$19,775,000).

Referring to the Letter from the Board, for the purpose of ensuring compliance with the Control Undertakings, (i) pursuant to the Subscription Agreement, the Share Subscriber shall, on the Subscription Completion Date, execute and deliver to the Company a Voting Agreement executed by Mr. Yang and Ms. Mou in favour of the Company, pursuant to which Mr. Yang and Ms. Mou shall remain holding/controlling not less than 50% voting rights in the issued share capital of the Company or otherwise maintain control during the subsistence of the Contractual Arrangements; and (ii) pursuant to the CB Subscription Agreement, each Bondholder shall, prior to the conversion of the Convertible Bonds, execute and deliver to the Company a Voting Agreement, whereby Youth Success shall be entitled to exercise voting rights attached to all of the Shares held by the Bondholder. Youth Success, Mr. Yang and Ms. Mou are the controlling shareholders of the Company and are therefore connected persons of the Company. As a matter of the Voting Agreements, the entering into of transactions including the Subscription Agreement and the CB Subscription Agreement and the transactions contemplated thereunder constitute connected transactions of the Company and are subject to the reporting, announcement and the Independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

As stated in the Letter from the Board, the Concert Group, being interested in the Subscription Agreement, the CB Subscription Agreement and the transactions contemplated thereunder, shall abstain from voting on the resolution(s) of the Company approving the said transactions (including the grant of the Specific Mandate). To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, save as disclosed above, no other Shareholder has a material interest in the said transactions (including the grant of the Specific Mandate) and shall be required to abstain from voting at the EGM in respect of the resolutions to approve the said transactions (including the grant of the Specific Mandate). As at the Latest Practicable Date, the Concert Group was interested in an aggregate of 211,968,000 Shares, representing approximately 56.83% of the issued share capital of the Company.

The Independent Board Committee comprising all independent non-executive Directors, namely Ms. Fu Yuehong, Mr. Yau Yan Yuen and Mr. Tan Song Kwang, has been formed to advise the Independent Shareholders as to (i) the fairness and reasonableness of the terms of the Subscription Agreement and the CB Subscription Agreement and the transactions contemplated thereunder; and (ii) how to vote at the EGM, after taking into account the factors and reasons considered by the Independent Financial Adviser and its conclusion and advice.

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## LETTER FROM JUN HUI INTERNATIONAL

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In this connection, we, Jun Hui International Finance Limited, have been appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the Subscription Agreement and the CB Subscription Agreement and the transactions contemplated thereunder. We do not, by this letter, warrant the merits of the Subscription Agreement and the CB Subscription Agreement and the transactions contemplated thereunder, other than to form an opinion, for the purpose of the GEM Listing Rules. Within the two years prior to the Latest Practicable Date, we were engaged as an independent financial adviser to the then independent board committee and independent shareholders of the Company with respect to connected transactions in relation to (I) subscription of new shares under specific mandate; and (II) issue of convertible bonds under specific mandate, details of which are set out in the announcement of the Company dated 19 June 2023. Other than that, we did not have any relationships with, or have any interests in the Company, the Share Subscriber, the CB Subscriber or any other parties that could reasonably be regarded as relevant to our independence. Apart from normal professional fees payable to us for the aforesaid appointment and this appointment, no arrangement exists whereby we will receive any fees or benefits from any party abovementioned. Accordingly, we consider that we are independent pursuant to Rule 17.96 of the GEM Listing Rules and are eligible to give independent advice in respect of the Subscription Agreement and the CB Subscription Agreement and the transactions contemplated thereunder.

### **BASIS OF OUR OPINION**

In formulating our opinion and recommendation to the Independent Board Committee and the Independent Shareholders, we have relied on the accuracy of the information, opinions and representations contained or referred to in the Circular (or otherwise provided to us by the Directors and the management of the Group (the “**Management**”)), and have assumed that all information, opinions and representations contained or referred to in the Circular (or otherwise provided to us by the Directors and the Management) were true, accurate and complete in all respects at the time when they were made and up to the date of this letter. We have also assumed that all statements of belief, opinions and intention made by the Directors in the Circular (or otherwise provided to us by the Directors and the Management) are reasonably made after due and careful enquiry. We have no reason to doubt that any relevant information has been withheld or omitted, nor are we aware of any fact or circumstance which would render the information, opinions and representations provided or made to us untrue, inaccurate or misleading.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained or referred to in the Circular (or otherwise provided to us by the Directors and the Management) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions and representations expressed in the Circular (or otherwise provided to us by the Directors and the Management) 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 received sufficient information to enable us to reach an informed view, and have performed all the necessary steps as required under Rule 17.92 of the GEM Listing Rules to justify our reliance on the



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## LETTER FROM JUN HUI INTERNATIONAL

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information, opinions and representations provided or made to us so as to form a reasonable basis for our opinion and recommendation, which include, among other things:

- (a) reviewed the announcements of the Company in relation to the Subscription and the issue of the Convertible Bonds, the Letter from the Board, the annual reports of the Company for the years ended 31 December 2021 and 2022 (“**Annual Report 2021**” and “**Annual Report 2022**” respectively) and its first quarterly report for the three months ended 31 March 2023 (“**First Quarterly Report 2023**”);
- (b) reviewed the information and documents in relation to the Subscription Agreement and the CB Subscription Agreement;
- (c) conducted comparable researches to analyse the major terms of the Subscription Agreement and the CB Subscription Agreement; and
- (d) discussed with the Directors and the Management regarding, among other things, the business and financial conditions of the Group, the reasons for entering into the Subscription Agreement and the CB Subscription Agreement, and the basis of the major terms of the Subscription Agreement and the CB Subscription Agreement.

We have not, however, for the purpose of this exercise, conducted any independent detailed verification or audit into the businesses, affairs, development plans or future prospects of the Group. Our opinion was necessarily based on the legal, financial, economic, market and other conditions in effect, and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

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## LETTER FROM JUN HUI INTERNATIONAL

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### PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation to the Independent Board Committee and the Independent Shareholders in respect of the Subscription Agreement and the CB Subscription Agreement and the transactions contemplated thereunder, we have considered the following principal factors and reasons:

#### I. Background and financial information of the Group

The Group is principally engaged in (i) serial program/film production and related services and film rights investment; (ii) concert and event organisation and related services; (iii) mobile application development and operation and related services; and (iv) artist management. The following table summarises the results of operation and financial positions of the Group for the years ended 31 December 2021 and 2022 and the three months ended 31 March 2023:

	<b>For the year ended</b>		<b>For the three months</b>	
	<b>31 December</b>		<b>ended 31 March</b>	
	<b>2021</b>	<b>2022</b>	<b>2022</b>	<b>2023</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(audited)	(audited)	(unaudited)	(unaudited)
Revenue	59,307	152,688	778	448
Finance costs	(138)	(458)	(27)	(207)
<b>Profit/(loss) for the year/period</b>	<b>23,496</b>	<b>48,997</b>	<b>(3,850)</b>	<b>(6,693)</b>
<b>Net cash used in operating activities</b>	<b>(9,429)</b>	<b>(18,538)</b>	N/A <sup>(Note)</sup>	N/A <sup>(Note)</sup>
			<b>As at 31 December</b>	
			<b>2021</b>	<b>2022</b>
			<i>RMB'000</i>	<i>RMB'000</i>
			(audited)	(audited)
Bank balances and cash			6,126	24,044
Total current assets			236,297	329,567
Bank borrowings			–	26,000
Total current liabilities			148,977	161,564
<b>Net current assets</b>			<b>87,320</b>	<b>168,003</b>
<b>Net assets</b>			<b>95,508</b>	<b>177,717</b>

*Source: Annual Report 2021, Annual Report 2022 and First Quarterly Report 2023 published by the Company on the website of the Stock Exchange*

*Note: Information not available in First Quarterly Report 2023.*

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## LETTER FROM JUN HUI INTERNATIONAL

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***(i) Financial results for the year ended 31 December 2022 compared with the year ended 31 December 2021***

For the year ended 31 December 2022, the Group recorded revenue of approximately RMB152.7 million, representing a year-on-year increase of approximately 157.5%. As disclosed in Annual Report 2022, the increase in revenue was mainly due to sales of script copyrights (including serial programs, movies and variety show), licensing of broadcasting rights of serial programs and film rights investment. During the same year, the Group's net profit amounted to approximately RMB49.0 million, comparing to that of approximately RMB23.5 million for the year ended 31 December 2021. For the years ended 31 December 2021 and 2022, the Group's finance costs were approximately RMB138,000 and RMB458,000, respectively. For the same years, the Group's net cash used in operating activities was approximately RMB9.4 million and RMB18.5 million, respectively.

The Group's total current assets (comprising mainly trade and other receivables, bank balances and cash and serial program rights) increased from approximately RMB236.3 million as at 31 December 2021 to approximately RMB329.6 million as at 31 December 2022. Its total current liabilities were approximately RMB161.6 million as at 31 December 2022 (comprising mainly other payables and accruals, amounts due to shareholders and bank borrowings), as compared to that of approximately RMB149.0 million as at 31 December 2021. As at 31 December 2022, the Group had net assets of approximately RMB177.7 million, among which, its bank balances and cash were approximately RMB24.0 million and its bank borrowings (which are repayable within one year) were RMB26.0 million as at the same date.

***(ii) Financial results for the three months ended 31 March 2023 compared with the three months ended 31 March 2022***

For the three months ended 31 March 2022 and 2023, the Group recorded revenue of approximately RMB0.8 million and RMB0.4 million, respectively. As disclosed in First Quarterly Report 2023, the decrease in revenue for the three months ended 31 March 2023 was mainly due to no revenue from serial program/film production and related services and film rights investment segment and the ongoing artist endorsement project has not yet recognised as revenue during the period. For the three months ended 31 March 2023, the Group's net loss amounted to approximately RMB6.7 million. For the three months ended 31 March 2022 and 2023, the Group's finance costs were approximately RMB27,000 and RMB207,000, respectively.

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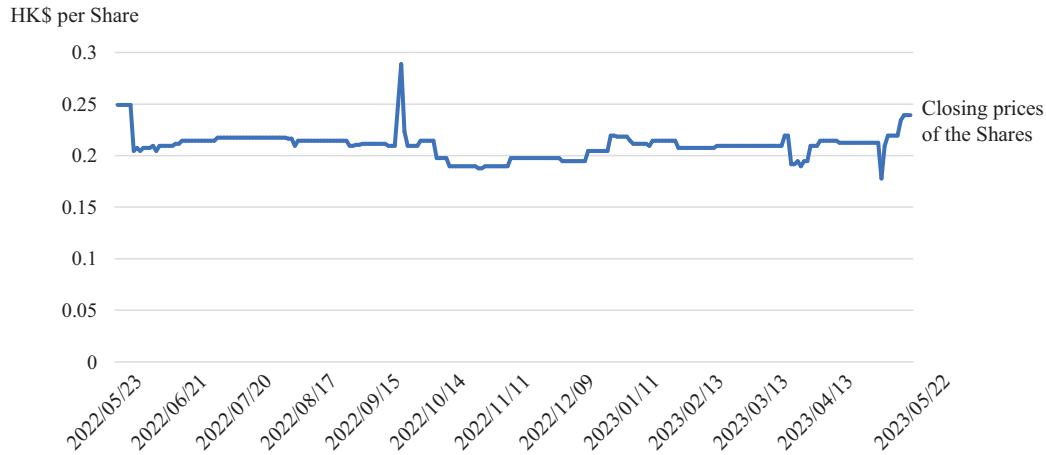
## LETTER FROM JUN HUI INTERNATIONAL

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### II. Historical price and trading performance of the Shares

#### (i) Share prices

The chart below shows the daily closing prices of the Shares as quoted on the Stock Exchange from 23 May 2022 to 22 May 2023 (the “**Review Period**”):



*Source: the website of the Stock Exchange*

During the Review Period, the closing prices of the Shares were between a low of HK\$0.178 per Share on 9 May 2023 and a high of HK\$0.290 per Share on 27 September 2022, with an average closing price of approximately HK\$0.210 per Share.

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## LETTER FROM JUN HUI INTERNATIONAL

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**(ii) Trading volumes**

Set out below is the average daily trading volume of the Shares per relevant month/period, and the respective percentage of the average daily trading volume of the Shares to the total number of issued Shares as at the end of relevant month/period, in the Review Period:

Year/Month	Total trading volume of the Shares	Number of trading days	Average daily trading volume of the Shares	Percentage of average daily trading volume of total issued Shares as at the end of relevant month/period
<b>2022</b>				
May (from 23 May 2022)	110,000	7	15,714	0.004%
June	129,200	21	6,152	0.002%
July	60,200	20	3,010	0.001%
August	24,000	23	1,043	0.000%
September	1,295,400	21	61,686	0.017%
October	100,200	20	5,010	0.001%
November	78,000	22	3,545	0.001%
December	153,800	20	7,690	0.002%
<b>2023</b>				
January	230,600	18	12,811	0.003%
February	733,000	20	36,650	0.010%
March	915,000	23	39,783	0.011%
April	431,000	17	25,353	0.007%
May (to 22 May 2023)	493,200	15	32,880	0.009%
<b>Maximum</b>	1,295,400	23	61,686	0.017%
<b>Minimum</b>	24,000	7	1,043	0.000%
<b>Mean</b>	365,662	19	19,333	0.005%

*Source: the website of the Stock Exchange*

It is noted that the average daily trading volume of the Shares per relevant month/period accounted for only a small portion of the total number of issued Shares as at the end of the relevant month/period, which ranges from approximately 0.000% to 0.017% during the Review Period.

### **III. The Subscription Agreement**

#### ***(i) Information of the Share Subscriber***

As stated in the Letter from the Board, the Share Subscriber is a company incorporated in the British Virgin Islands with limited liability and is principally engaged in investment holding. As at the Latest Practicable Date, the Share Subscriber was wholly-owned by Mr. Wang Xu (王旭先生), an individual investor who is a PRC resident. As confirmed by the Directors, the Share Subscriber and Mr. Wang Xu are Independent Third Parties.

#### ***(ii) Reasons for entering into of the Subscription Agreement***

The Group is principally engaged in (i) serial program/film production and related services and film rights investment; (ii) concert and event organisation and related services; (iii) mobile application development and operation and related services; and (iv) artist management. As set out in the Letter from the Board, the Company intends to apply the net proceeds of the Subscription of approximately HK\$5,681,640 (equivalent to RMB5,028,000) in the following manner: (i) approximately 70.17% of the net proceeds to mobile application development and operation and related services; and (ii) approximately 29.83% of the net proceeds will be used for the general working capital of the Group. The Board considered that the Subscription represents an opportunity to raise additional capital for the development of mobile application development and operation and related services, maintaining the Group's working capital and business operation and will also enlarge the shareholders and capital base of the Company and strengthen the financial position of the Group.

For the year ended 31 December 2022, the Group's revenue from mobile application development and operation and related services amounted to approximately RMB6.7 million. We note in Annual Report 2022 that the Group expects the mobile application will bring more peripheral revenue (including advertising, product endorsements, etc.) and also increase revenue derives from customised mobile applications and internet platform promotional planning revenue. As advised by the Directors, the business of mobile application development and operation and related services will continue to be one of the core businesses of the Group and the additional fund raised under the Subscription could further support the Group in the mobile application development and operation business, among others, the live streaming e-commerce. We consider that the proposed use of proceeds from the Subscription is in line with the principal business and strategy of the Group.

The Subscription could improve the Group's liquidity. As referred to the section headed "Financial effects of the Subscription Agreement" below in this letter, upon completion of the Subscription, it is expected that both the net assets and bank balances and cash of the Group will increase by approximately RMB5.0 million, being the estimated aggregate net proceeds of the Subscription.

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## LETTER FROM JUN HUI INTERNATIONAL

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In addition, we are given to understand from the Directors that they considered raising funds by way of allotment and issue of the Subscription Shares shall enable the Company to obtain funds at a lower cost, as compared to other alternative fund raising methods since (i) bank borrowings may involve higher time cost due to lengthy due diligence and negotiations with commercial banks; and (ii) rights issue or open offer will involve additional costs such as underwriting fees as compared to the equity financing by way of allotment and issue of new Shares. We agree with the Directors that the allotment and issue of new Shares shall be an appropriate mean of raising additional capital for the Company in view of the lower cost involved.

Having considered the aforesaid reasons, including (i) the proposed use of proceeds from the Subscription is in line with the principal business and strategy of the Group; (ii) the Subscription could improve the Group's liquidity; (iii) the Subscription could enlarge the shareholders and capital base of the Company as considered by the Directors; and (iv) the allotment and issue of new Shares is considered as an appropriate mean of raising additional capital for the Company in view of the lower cost involved, we agree with the Directors that the entering into of the Subscription Agreement and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole.

### *(iii) Principal terms of the Subscription Agreement*

As set out in the Letter from the Board, the principal terms of the Subscription Agreement are summarised as follows:

<b>Date:</b>	22 May 2023 (after trading hours of the Stock Exchange)
<b>Parties:</b>	The Company, as the issuer; and  the Share Subscriber, an Independent Third Party
<b>Subscription Shares:</b>	A total of 30,362,150 Shares, representing approximately 8.14% of the existing issued share capital of the Company as at the Latest Practicable Date and approximately 7.53% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares (assuming there are no other changes in the share capital of the Company between the Latest Practicable Date and the Subscription Completion Date). The aggregate nominal value of the 30,362,150 Subscription Shares is HK\$1,518,107.50.
<b>Total Subscription Price:</b>	RMB5,750,000 (equivalent to HK\$6,497,500)

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**Payment:** The Share Subscriber agrees to pay a deposit of RMB5,750,000 (the “**Subscription Deposit**”) to the Designated Subsidiary by way of bank transfer to the bank account of the Designated Subsidiary within three (3) Business Days following the date of the Subscription Agreement, so as to guarantee the Share Subscriber’s obligation to pay to the Company an amount of HK\$6,497,500 as the settlement of the Total Subscription Price on or before 31 July 2024. Subject to the compliance of the PRC law, the Company shall have the right to apply the full amount of the Subscription Deposit towards the payment of the Total Subscription Price on or before 31 July 2024, by serving a prior written notice of not less than three (3) Business Days to the Share Subscriber, in which event the Share Subscriber is deemed having duly made the Subscription Settlement and discharged of its payment obligation thereunder. Subject to the full payment of the Subscription Deposit and satisfaction (or waiver, as the case may be) of the Subscription Conditions Precedent, the Company shall, on the Subscription Completion Date, allot and issue the Subscription Shares to the Share Subscriber (or its nominee(s)) and shall deliver the share certificates in respect of the Subscription Shares to the escrow agent appointed by the Company.

**Subscription Price:** HK\$0.214 per Subscription Share, representing:

- (1) a discount of approximately 10.83% to the closing price of HK\$0.2400 per Share as quoted on the Stock Exchange on the date of the Subscription Agreement;
- (2) a discount of approximately 7.36% to the average closing price of approximately HK\$0.2310 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 Subscription Agreement; and
- (3) a discount of approximately 2.55% to the average closing price of approximately HK\$0.2196 per Share as quoted on the Stock Exchange for the ten (10) consecutive trading days of the Shares immediately prior to the date of the Subscription Agreement.



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As advised by the Directors, the Subscription Price was arrived at after arm's length negotiations between the Company and the Share Subscriber with reference to the recent trading price and trading volume of the Shares. The Directors consider that the terms and conditions of the Subscription Agreement (including the Subscription Price) are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

For further details and terms of the Subscription Agreement, please refer to the Letter from the Board.

### *Our analysis*

#### (a) Share prices

In order to assess the fairness and reasonableness of the Subscription Price, we reviewed the daily closing price of the Shares as quoted on the Stock Exchange for the Review Period. We consider that the Review Period which covers a full year prior to and including the date of the Subscription Agreement represents a reasonable and sufficient period to provide a general overview of the recent price performance of the Shares.

As illustrated in the chart under the section headed "Historical price and trading performance of the Shares – Share prices" above in this letter, the closing prices of the Shares were between a low of HK\$0.178 per Share on 9 May 2023 and a high of HK\$0.290 per Share on 27 September 2022, with an average closing price of approximately HK\$0.210 per Share during the Review Period. We note that the Subscription Price of HK\$0.214 per Subscription Share is within the range of the daily closing prices of the Shares during the Review Period. The Subscription Price is also at a level slightly higher than the average closing price of the Shares during the Review Period, which is fair to the Company.

#### (b) Trading volumes

As illustrated in the table under the section headed "Historical price and trading performance of the Shares – Trading volumes" above in this letter, it is noted that the average daily trading volume of the Shares per relevant month/period accounted for only a small portion of the total number of issued Shares as at the end of the relevant month/period, which ranges from approximately 0.000% to 0.017% during the Review Period. Given the relatively low liquidity of the Shares as illustrated above, it is considered justifiable to set the Subscription Price at a discount to the prevailing market price of the Shares as a discounted issue price shall be more attractive to investor(s).

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(c) Comparable analysis

To further assess the fairness and reasonableness of the Subscription Price, we have reviewed comparable transactions involving subscription of new shares by independent third party(ies) or connected person(s) under specific mandate, announced by companies listed on the Stock Exchange in the past 12 months immediately preceding the date of the Subscription Agreement but excluding issues of shares as part of consideration in acquisition or under loan or debt capitalisation or share award or restricted stock unit scheme (the “**Comparable Transactions**”). We have, to our best effort and so far as we are aware, identified 15 Comparable Transactions which we consider to be exhaustive. We consider the following list of the Comparable Transactions is fair, representative and comparable to the Subscription Agreement, taking into account that (i) they involve the same type of transaction as the entering into of the Subscription Agreement, i.e. the subscription of new shares under specific mandate by listed companies on the Stock Exchange, which could facilitate meaningful comparison purpose. The selection of the Comparable Transactions without considering the connected relationship of the subscriber(s) with the listed companies could instead provide a more balanced and comprehensive reference as terms given to connected person(s) shall be no more favourable than terms given to independent third party(ies) under the general regulatory framework; (ii) the 12-month period immediately prior to the date of the Subscription Agreement represents a reasonable and meaningful time period to capture the recent market practice for the said transaction; and (iii) a list of 15 Comparable Transactions identified in accordance with the aforesaid selection criteria shall be adequate to provide a general reference for comparison purpose. Independent Shareholders should note that the businesses, operations and prospects of the Group may not be the same as, or vary from, those of the listed companies conducting the Comparable Transactions, and the Comparable Transactions set out below are for the purpose

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of providing a general insight on the terms in respect of the subscription of new shares under specific mandate during the said 12 months' period. Details of the Comparable Transactions are set out below:

<b>Date of announcement</b>	<b>Name of company</b>	<b>Stock code</b>	<b>Connected transaction (Yes/No)</b>	<b>Premium/ (discount) of subscription price over/(to) closing price per share on the last trading day prior to or on the date of subscription agreement</b>	<b>Premium/ (discount) of subscription price over/(to) average closing price per share for the last five trading days prior to or including the date of subscription agreement</b>	<b>Premium/ (discount) of subscription price over/(to) average closing price per share for the last ten trading days prior to or including the date of subscription agreement</b>
28-Apr-23	Energy International Investments Holdings Limited	353.HK	Yes	(5.5)%	(8.4)%	(7.6)%
26-Apr-23	New Huo Technology Holdings Limited	1611.HK	Yes (Note)	(9.6)%	(11.8)%	(14.8)%
20-Apr-23	Glory Sun Financial Group Limited	1282.HK	No	65.3%	67.5%	63.6%
19-Mar-23	Suoxinda Holdings Limited	3680.HK	No	(5.0)%	(6.9)%	(7.8)%
19-Jan-23	New Concepts Holdings Limited	2221.HK	No	(13.6)%	(11.0)%	(12.4)%
12-Dec-22	In Technical Productions Holdings Limited	8446.HK	Yes	(16.9)%	(13.9)%	(7.2)%
7-Dec-22	Cornerstone Technologies Holdings Limited	8391.HK	Yes	(55.8)%	(34.3)%	(27.6)%
18-Oct-22	China Titans Energy Technology Group Co., Limited	2188.HK	No	3.0%	5.9%	4.6%
13-Sep-22	Link-Asia International MedTech Group Limited	1143.HK	No	78.4%	78.4%	78.4%

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Date of announcement	Name of company	Stock code	Connected transaction (Yes/No)	Premium/ (discount) of subscription price over/(to) closing price per share on the last trading day prior to or on the date of subscription agreement	Premium/ (discount) of subscription price over/(to) average closing price per share for the last five trading days prior to or including the date of subscription agreement	Premium/ (discount) of subscription price over/(to) average closing price per share for the last ten trading days prior to or including the date of subscription agreement
2-Sep-22	Cornerstone Technologies Holdings Limited	8391.HK	Yes	5.1%	(2.8)%	(5.1)%
1-Sep-22	Suoxinda Holdings Limited	3680.HK	Yes (Note)	(19.6)%	(6.0)%	(0.4)%
1-Sep-22	BOE Varitronix Limited	710.HK	Yes	(7.2)%	(11.8)%	(14.1)%
23-Aug-22	Standard Development Group Limited	1867.HK	Yes	(14.8)%	(16.1)%	(18.4)%
14-Jul-22	China Ruyi Holdings Limited	136.HK	Yes	(2.0)%	(10.1)%	(13.7)%
31-May-22	TOT BIOPHARM International Company Limited	1875.HK	Yes	0.0%	4.8%	0.7%
			<b>Maximum</b>	78.4%	78.4%	78.4%
			<b>Minimum</b>	(55.8)%	(34.3)%	(27.6)%
			<b>Average</b>	0.1%	1.6%	1.2%
<b>22-May-23</b>	<b>The Company</b>	8368.HK	Yes	(10.8)%	(7.4)%	(2.6)%

Source: the website of the Stock Exchange

Note: The company announced on the same date that it entered into relevant subscription agreements with both its connected person(s) and independent third party(ies) at the same subscription price. For illustrative purpose under this table, "Yes" is stated.

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As illustrated in the table above, the subscription price per share issued under the Comparable Transactions ranged from (i) a discount of approximately 55.8% to a premium of approximately 78.4% over their respective closing price per share on the last trading day prior to or on the date of subscription agreement, with an average premium of approximately 0.1%; (ii) a discount of approximately 34.3% to a premium of approximately 78.4% over their respective average closing price per share for the last five trading days prior to or including the date of subscription agreement, with an average premium of approximately 1.6%; and (iii) a discount of approximately 27.6% to a premium of 78.4% over their respective average closing price per share for the last ten trading days prior to or including the date of subscription agreement, with an average premium of approximately 1.2%.

We note that the discounts of the Subscription Price to the closing Share price on the date of the Subscription Agreement, the average for the last five trading days immediately prior to the date of the Subscription Agreement and the average for the last ten trading days immediately prior to the date of the Subscription Agreement, which were approximately 10.8%, 7.4% and 2.6% respectively, are within the respective range of the Comparable Transactions as described above. We therefore consider that the Subscription Price is fair and reasonable.

Having considered that (i) the Subscription Price is within the range of the daily closing prices of the Shares and is higher than the average closing price of the Shares during the Review Period, which is fair to the Company; (ii) the Shares had a relatively low liquidity during the Review Period and it is considered justifiable setting the Subscription Price at a discount to the prevailing market price of the Shares; (iii) the discounts of the Subscription Price are within the ranges of subscription prices of the Comparable Transactions as illustrated above; (iv) the Subscription Price was arrived at after arm's length negotiations between the Company and the Share Subscriber with reference to the recent trading price and trading volume of the Shares as advised by the Directors; and (v) the reasons for entering into of the Subscription Agreement as mentioned previously in this letter, we are of the view that the terms of the Subscription Agreement are fair and reasonable, and the entering into of the Subscription Agreement and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole.

***(iv) Financial effects of the Subscription Agreement***

Based on our discussion with and the representation from the Directors, we understand from the Directors that they have taken into account the following factors when they considered the potential impact of the Subscription Agreement on the financial positions of the Group.

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According to Annual Report 2022, the net assets and bank balances and cash of the Group amounted to approximately RMB177.7 million and RMB24.0 million as at 31 December 2022, respectively. Upon completion of the Subscription, it is expected that both the net assets and bank balances and cash of the Group will increase by the same amount of approximately RMB5.0 million, being the estimated aggregate net proceeds of the Subscription. The Subscription is expected to have a positive impact on the Group's financial positions.

It should be noted that the aforementioned analyses are for illustrative purpose only and do not purport to represent how the financial positions of the Group will be upon completion of the Subscription.

#### **IV. The CB Subscription Agreement**

##### ***(i) Information of the CB Subscriber***

As stated in the Letter from the Board, the CB Subscriber is an individual investor who is a PRC resident. As confirmed by the Directors, the CB Subscriber is an Independent Third Party.

##### ***(ii) Reasons for entering into of the CB Subscription Agreement***

The Group is principally engaged in (i) serial program/film production and related services and film rights investment; (ii) concert and event organisation and related services; (iii) mobile application development and operation and related services; and (iv) artist management. As set out in the Letter from the Board, the Company intends to apply the net proceeds from the issue of the Convertible Bonds of approximately HK\$17,630,260 (equivalent to RMB15,602,000) in the following manner: (i) approximately 38.45% of the net proceeds will be used for serial program/film production and related services and film rights investment; (ii) approximately 31.55% of the net proceeds will be used for mobile application development and operation; and (iii) approximately 30.00% of the net proceeds will be used for the general working capital of the Group. The Directors considered that the issuance of the Convertible Bonds provides an opportunity for the Company to raise additional funds for its operations and broaden the Company's capital base for business development.

For the year ended 31 December 2022, the Group's revenue from serial program/film production and related services and film rights investments amounted to approximately RMB143.9 million. We note in Annual Report 2022 that the Group will continue to leverage its own production experience and related resources to expand the program production segment to original script creation, adaptation, production, licensing, and related services, in order to create more self-developed film and serial program script copyrights. As advised by the Directors, the business of serial program/film production and related services and film rights investments will continue

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to be the major revenue stream of the Group. By applying part of the net proceeds to the segment, the Group could further strengthen its competitive edge and bring positive returns to the Shareholders in the future. Regarding the business of mobile application development and operation, as abovementioned in this letter, the Directors advised that such business will continue to be one of the core businesses of the Group and the additional fund could further support it in the mobile application development and operation business, among others, the live streaming e-commerce. Based on the above, we consider that the proposed use of proceeds from the issue of the Convertible Bonds is in line with the principal business and strategy of the Group.

The issue of the Convertible Bonds could improve the Group's liquidity. As referred to the section headed "Financial effects of the CB Subscription Agreement" below in this letter, upon CB Completion, the Group is expected to receive an aggregate net proceeds of approximately RMB15.6 million, being the estimated aggregate net proceeds from the issue of the Convertible Bonds.

As stated in the Letter from the Board, the Directors considered that the issue of the Convertible Bonds is an appropriate mean of raising additional capital of the Company since it will not have an immediate dilution effect on the shareholding of the existing Shareholders. We are also given to understand from the Directors that they had considered other financing alternatives to raise funds such as bank borrowings, rights issue and/or open offer. The Directors consider that bank borrowings may be subject to lengthy due diligence and negotiations with commercial banks, as well as it would incur higher interest expenses to the Group as compared to the issue of the Convertible Bonds. We note from Annual Report 2022 that, as at 31 December 2022, the carrying interest rate of the Group's bank borrowings range from 2.8% to 3.7% per annum, which is higher than that of the Convertible Bonds of 2%. In respect of rights issue and/or open offer, the Directors considered that such alternatives will involve additional costs such as underwriting fees to the Group. We agree with the Directors that issuance of the Convertible Bonds shall be an appropriate mean of raising additional capital of the Company from the cost perspective as described above.

Having considered the aforesaid reasons, including (i) the proposed use of proceeds from the issue of the Convertible Bonds is in line with the principal business and strategy of the Group; (ii) the issue of the Convertible Bonds could improve the Group's liquidity; and (iii) the issue of the Convertible Bonds is considered as an appropriate mean of raising additional capital for the Company from the cost perspective, we agree with the Directors that the entering into of the CB Subscription Agreement and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole.

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*(iii) Principal terms of the CB Subscription Agreement*

As set out in the Letter from the Board, the principal terms of the CB Subscription Agreement are summarised as follows:

- Date:** 22 May 2023 (after trading hours of the Stock Exchange)
- Parties:** The Company, as the issuer; and  
the CB Subscriber, an Independent Third Party
- Principal amount:** RMB17,500,000 (equivalent to HK\$19,775,000)
- Payment:** The CB Subscriber agrees to pay a deposit of RMB17,500,000 (the “**CB Deposit**”) to the Designated Subsidiary by way of bank transfer to the bank account of the Designated Subsidiary within three (3) Business Days following the date of the CB Subscription Agreement, so as to guarantee the CB Subscriber’s obligation to pay to the Company an amount of HK\$19,775,000 equivalent to the Issue Price as the settlement of the Issue Price on or before 31 July 2024 (the “**CB Settlement**”). Subject to the compliance of the PRC law, the Company shall have the right to apply the full amount of the CB Deposit towards the payment of the Issue Price on or before 31 July 2024, by serving a prior written notice of not less than three (3) Business Days to the CB Subscriber, in which event the CB Subscriber is deemed having duly made the CB Settlement and discharged of her payment obligation thereunder.

Subject to the CB Subscriber’s full payment of the CB Deposit and satisfaction of the CB Conditions Precedent (or waiver, as the case may be), the Company shall issue certificates in the name of the CB Subscriber (or her nominee(s)) as the Bondholder(s) representing the full amount of the Convertible Bonds, which shall be delivered to the escrow agent appointed by the Company (the “**CB Escrow Agent**”) within three (3) Business Days from the CB Completion Date and under the escrow of the CB Escrow Agent. The certificates shall be released to the Bondholder(s) upon completion of the CB Settlement.



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**Interest rate:** 2% per annum, which shall accrue on a daily basis from the date of the CB Settlement calculated on the basis of a 365-day year on the principal sum of the Convertible Bonds for the time being outstanding and shall be paid on the Maturity Date.

**Conversion Price:** The Conversion Price of HK\$0.54 per Conversion Share represents:

- (1) a premium of approximately 125.00% over the closing price of HK\$0.2400 per Share as quoted on the Stock Exchange on the date of the CB Subscription Agreement;
- (2) a premium of approximately 133.77% over the average closing price of HK\$0.2310 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 CB Subscription Agreement; and
- (3) a premium of approximately 145.90% over the average closing price of HK\$0.2196 per Share as quoted on the Stock Exchange for the ten (10) consecutive trading days of the Shares immediately prior to the date of the CB Subscription Agreement.

As advised by the Directors, the Conversion Price was determined after arm's length negotiations between the Company and the CB Subscriber, taking into account the business development and future prospect of the Group and the audited consolidated net asset value attributable to the Shareholders of approximately HK\$0.54 per Share as at 31 December 2022. The Directors (including the independent non-executive Directors) consider that the Conversion Price and the terms and conditions of the CB Subscription Agreement and the Convertible Bonds are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Conversion Price shall from time to time be subject to adjustment only upon occurrence of consolidation or sub-division of Shares in accordance with the provisions of the Convertible Bonds.

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- Conversion Shares:** Based on the Conversion Price of HK\$0.54 per Conversion Share, a total of 36,620,370 Conversion Shares will be allotted and issued upon exercise of the Conversion Rights attaching to the Convertible Bonds in full, which represent approximately 9.82% of the existing issued share capital of the Company and approximately 8.94% of the issued share capital of the Company as enlarged by the allotment and issue of all Conversion Shares, assuming that there will be no changes in the issued share capital of the Company between the Latest Practicable Date and the date of issue of the Conversion Shares upon full conversion of the Convertible Bonds. The aggregate nominal value of the 36,620,370 Conversion Shares is HK\$1,831,018.50.
- Maturity Date:** The date falling on the second (2nd) anniversary of the Issue Date.

For further details and terms of the CB Subscription Agreement, please refer to the Letter from the Board.

### *Our analysis*

#### (a) Share prices

In order to assess the fairness and reasonableness of the Conversion Price, we reviewed the daily closing price of the Shares as quoted on the Stock Exchange for the Review Period. We consider that the Review Period which covers a full year prior to and including the date of the CB Subscription Agreement represents a reasonable and sufficient period to provide a general overview of the recent price performance of the Shares.

As illustrated in the chart under the section headed “Historical price and trading performance of the Shares – Share prices” above in this letter, the closing prices of the Shares were between a low of HK\$0.178 per Share on 9 May 2023 and a high of HK\$0.290 per Share on 27 September 2022, with an average closing price of approximately HK\$0.210 per Share during the Review Period. We note that the Conversion Price of HK\$0.54 per Conversion Share is above the highest and the average closing price of the Shares during the Review Period, which is favourable to the Company.

#### (b) Trading volumes

As illustrated in the table under the section headed “Historical price and trading performance of the Shares – Trading volumes” above in this letter, it is noted that the average daily trading volume of the Shares per relevant

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month/period accounted for only a small portion of the total number of issued Shares as at the end of the relevant month/period, which ranges from approximately 0.000% to 0.017% during the Review Period. The relatively low trading volume of the Shares may suggest that it would be difficult for the Company to pursue financing alternatives in the stock market without offering considerable discount as an incentive, and the Conversion Shares with a premium conversion price is considered favourable to the Company.

(c) Comparable analysis

To further assess the fairness and reasonableness of the terms of the CB Subscription Agreement, we have reviewed comparable transactions involving issue of convertible bonds or notes or securities to independent third party(ies) or connected person(s) under specific mandate, announced by companies listed on the Stock Exchange in the past 12 months immediately preceding the date of the CB Subscription Agreement but excluding issues of convertible bonds or notes or securities as part of consideration in acquisition (the “**CB Comparable Transaction(s)**”). We have, to our best effort and so far as we are aware, identified eight CB Comparable Transactions which we consider to be exhaustive. We consider the following list of the CB Comparable Transactions is fair, representative and comparable to the CB Subscription Agreement, taking into account that (i) they involve the same type of transaction as the entering into of the CB Subscription Agreement, i.e. the issue of convertible bonds or notes or securities under specific mandate by listed companies on the Stock Exchange, which could facilitate meaningful comparison purpose. The selection of the CB Comparable Transactions without considering the connected relationship of the subscriber(s) with the listed companies could instead provide a more balanced and comprehensive reference as terms given to connected person(s) shall be no more favourable than terms given to independent third party(ies) under the general regulatory framework; (ii) the 12-month period immediately prior to the date of the CB Subscription Agreement represents a reasonable and meaningful time period to capture the recent market practice for the said transaction; and (iii) an exhaustive list of the CB Comparable Transactions with each fulfilled the abovementioned selection criteria is more representative to provide a comprehensive reference for comparison purpose and the determination of any outlier involves subjective judgment which may bias the final result. Independent Shareholders should note that the businesses, operations and prospects of the Group may not be the same as, or vary from, those of the listed companies conducting the CB Comparable Transactions, and the CB Comparable Transactions set out below are for the purpose of providing a general insight on

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the terms in respect of the issue of convertible bonds or notes or securities under specific mandate during the said 12 months' period. Details of the CB Comparable Transactions are set out below:

Date of announcement	Name of company	Stock code	Connected transaction (Yes/No)	Maturity (Year)	Interest rate (per annum)	Premium/ (discount) of conversion price over/(to) closing price per share on the last trading day prior to or on the date of convertible bonds or note or securities subscription agreement	Premium/ (discount) of conversion price over/(to) average closing price per share for the last five trading days prior to or including the date of convertible bonds or note or securities subscription agreement	Premium/ (discount) of conversion price over/(to) the latest published consolidated net asset value attributable to the owners of the company per share prior to the convertible bonds or note or securities subscription agreement
12-May-23	Hong Kong Aerospace Technology Group Limited	1725.HK	No	0.6	0.5%	(8.9)%	(8.3)%	956.6% <sup>(Note 1)</sup>
29-Mar-23	Kerry Logistics Network Limited	636.HK	Yes	Perpetual	3.3%	44.2%	46.6%	84.4%
29-Mar-23	China Baoli Technologies Holdings Limited	164.HK	No	3.0	2.0%	181.3%	186.3%	N/A <sup>(Note 2)</sup>
22-Dec-22	Wai Chun Bio-Technology Limited	660.HK	Yes	3.0	0.0%	25.0%	32.0%	N/A <sup>(Note 2)</sup>
16-Nov-22	CCT Fortis Holdings Limited	138.HK	Yes	3.1	4.5%	10.4%	5.8%	(91.3)%
14-Nov-22	Merdeka Financial Group Limited	8163.HK	Yes	1.7	0.0%	14.8%	14.8%	N/A <sup>(Note 2)</sup>

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Date of announcement	Name of company	Stock code	Connected transaction (Yes/No)	Maturity (Year)	Interest rate (per annum)	Premium/ (discount) of conversion price over/(to) closing price per share on the last trading day prior to or on the date of convertible bonds or note or securities subscription agreement	Premium/ (discount) of conversion price over/(to) average closing price per share for the last five trading days prior to or including the date of convertible bonds or note or securities subscription agreement	Premium/ (discount) of conversion price over/(to) the latest published consolidated net asset value attributable to the owners of the company per share prior to the convertible bonds or note or securities subscription agreement
19-Sep-22	Huscoke Holdings Limited	704.HK	Yes	2	8.0%	(30.5)%	(31.4)%	N/A <sup>(Note 2)</sup>
14-Jun-22	Ev Dynamics (Holdings) Limited	476.HK	No	3	2.0%	88.3%	90.2%	(54.2)%
			<b>Maximum</b>	Perpetual	8.0%	181.3%	186.3%	956.6%
			<b>Minimum</b>	0.6	0.0%	(30.5)%	(31.4)%	(91.3)%
			<b>Average</b>	2.4 <sup>(Note 3)</sup>	2.5%	40.6%	42.0%	223.9%
22-May-23	The Company	8368.HK	Yes	2	2.0%	125.0%	133.8%	0.0%

Source: the website of the Stock Exchange

Notes:

- (1) The company is considered as one of the CB Comparable Transactions despite the relatively high premium rate as an exhaustive list of the CB Comparable Transactions with each fulfilled the abovementioned selection criteria is more representative to provide a comprehensive reference for comparison purpose and the determination of any outlier involves subjective judgment which may bias the final result.
- (2) The company recorded net liabilities attributable to the owners of the company.
- (3) The CB Comparable Transaction(s) with perpetual maturity is excluded for illustrative purpose.

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## LETTER FROM JUN HUI INTERNATIONAL

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As illustrated in the table above, the conversion price per share issued under the CB Comparable Transactions ranged from (i) a discount of approximately 30.5% to a premium of approximately 181.3% over their respective closing price per share on the last trading day prior to or on the date of convertible bonds or note or securities subscription agreement, with an average premium of approximately 40.6%; (ii) a discount of approximately 31.4% to a premium of approximately 186.3% over their respective average closing price per share for the last five trading days prior to or including the date of convertible bonds or note or securities subscription agreement, with an average premium of approximately 42.0%; and (iii) a discount of approximately 91.3% to a premium of approximately 956.6% over the latest published consolidated net asset value attributable to the owners of the company per share prior to the convertible bonds or note or securities subscription agreement, with an average premium of approximately 223.9%. We note that (i) the premiums of the Conversion Price over the closing Share price on the date of the CB Subscription Agreement and for the last five trading days immediately before the date of the CB Subscription Agreement, which were approximately 125.0% and 133.8% respectively, are within the respective range and above the respective average of the CB Comparable Transactions as described above; and (ii) the Conversion Price per Conversion Share is close to the Group's audited consolidated net asset value attributable to the Shareholders of approximately HK\$0.54 per Share as at 31 December 2022, and is also within the range of the CB Comparable Transactions. We therefore consider that the Conversion Price is fair and reasonable.

The interest rate of the CB Comparable Transactions ranged from nil to 8.0% per annum with an average interest rate of approximately 2.5% per annum. We note that the interest rate of the Convertible Bonds of 2.0% per annum is within the range and below the average of the CB Comparable Transactions, where the lower interest rate represents the more favourable terms to the Group. We therefore consider that the interest rate of the Convertible Bonds is fair and reasonable.

The maturity of the CB Comparable Transactions ranged from approximately 0.6 year to perpetual, with an average of approximately 2.4 years. We note that the maturity of the CB Subscription Agreement of 2 years falls within the range and close to the average maturity of the CB Comparable Transactions. We therefore consider that the maturity of the Convertible Bonds is fair and reasonable.

Having considered that (i) the Conversion Price is above the highest and the average closing price of the Shares during the Review Period, which is favourable to the Company; (ii) the Conversion Shares with a premium conversion price is considered favourable to the Company whose Shares are of relatively low liquidity; (iii) the Conversion Price and the interest rate and maturity of the Convertible Bonds are considered fair and reasonable as illustrated above; (iv) the Conversion Price was

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## LETTER FROM JUN HUI INTERNATIONAL

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determined after arm's length negotiations between the Company and the CB Subscriber taking into account the business development, future prospect and financial positions of the Group as advised by the Directors; and (v) the reasons for entering into of the CB Subscription Agreement as mentioned previously in this letter, we are of the view that the terms of the CB Subscription Agreement are fair and reasonable, and the entering into of the CB Subscription Agreement and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole.

As further referred to the Letter from the Board, the Subscription Price and the Conversion Price were determined after arm's length negotiations between the Company and each of the Share Subscriber and the CB Subscriber. Since the Subscription Shares can be traded in the market immediately after the Subscription Completion, an investor generally only accepts subscription price which is close to the current trading price of the Shares. On the other hand, an investor for the Convertible Bonds is usually less sensitive to the current trading price of the Shares. Furthermore, the CB Subscriber will be entitled to receive interest amount of 2% interest per annum, and exercise the Conversion Rights during the Conversion Period up to the Maturity Date. Hence, the Company has been able to agree with the CB Subscriber to ascertain the Conversion Price at a higher price to reduce the dilution impact on the Shareholders as a whole and to conclude the Conversion Price with reference to the Company's audited consolidated net asset value attributable to the Shareholders as at 31 December 2022. As stated in the Letter from the Board, the Board considers that the difference in the basis to ascertain the Subscription Price and the Conversion Price serves to appeal to different kinds of investors and to promptly secure funding for the Group. Having considered that: (i) the different nature of the Subscription Shares and the Convertible Bonds attached with different entitlements/rights (such as interest entitlement and conversion rights), their investors shall have different risk appetite/preference and it is reasonable that their price determination basis may not be the same; and (ii) the Company negotiated the terms of the Subscription Agreement and the CB Subscription Agreement (including the Subscription Price and the Conversion Price respectively) with each of the Share Subscriber and the CB Subscriber on an individual basis, who are two separate parties, and such terms are arrived at after arm's length negotiations with each of them as confirmed by the Directors, we agree with the Board's view that the different basis for determining the Subscription Price and the Conversion Price is fair and reasonable.

***(iv) Financial effects of the CB Subscription Agreement***

Based on our discussion with and the representation from the Directors, we understand from the Directors that they have taken into account the following factors when they considered the potential impact of the CB Subscription Agreement on the financial positions of the Group.

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## LETTER FROM JUN HUI INTERNATIONAL

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*(a) Earnings*

The Convertible Bonds are interest-bearing, and the related finance costs are expected to be recognised in the consolidated statement of profit or loss of the Group prior to full conversion of the Convertible Bonds. As advised by the Directors, it is expected that the issue of the Convertible Bonds will not have a material impact on the earnings of the Group.

*(b) Net asset value*

According to Annual Report 2022, the net assets of the Group amounted to approximately RMB177.7 million as at 31 December 2022. The net proceeds from the issue of the Convertible Bonds are expected to be approximately RMB15.6 million. Upon CB Completion, the issue of the Convertible Bonds would lead to an increase in bank balances and cash of the Group by the same amount. As advised by the Directors, the Convertible Bonds will be consisted of an equity portion and a liability portion. The exact figures of respective fair value of the liability and equity components of the Convertible Bonds and their financial impacts to the Group will be subject to the review by the auditors of the Company and the assessment and valuation from an independent valuer at the time of CB Completion.

*(c) Liquidity*

According to Annual Report 2022, the bank balances and cash of the Group amounted to approximately RMB24.0 million as at 31 December 2022. Immediately upon the subscription of the Convertible Bonds under the CB Subscription Agreement, the Group is expected to receive an aggregate net proceeds of approximately RMB15.6 million and have a positive impact on its liquidity as advised by the Directors.

*(d) Gearing*

According to Annual Report 2022, the gearing ratio of the Group, which is calculated by dividing the Group's net debt by total equity, was approximately 23.9% as at 31 December 2022. As advised by the Directors, it is expected that the issue of the Convertible Bonds will not have a material impact on the gearing ratio of the Group upon the subscription of the Convertible Bonds. As further advised by the Directors, in the event that the CB Subscriber exercises the Conversion Rights attaching to the Convertible Bonds, assuming there are no other factors affecting the financial positions of the Group, the gearing position of the Group would improve and the conversion of the Convertible Bonds into the Conversion Shares would enlarge the capital base and increase the net assets of the Group. On the other hand, if the Conversion Rights attaching to the Convertible Bonds are not exercised prior to the Maturity Date, the gearing ratio



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## LETTER FROM JUN HUI INTERNATIONAL

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of the Group may increase due to redemption of the outstanding principal amount of the Convertible Bonds on the Maturity Date.

It should be noted that the aforementioned analyses are for illustrative purpose only and do not purport to represent how the financial positions of the Group will be upon the issue or the conversion of the Convertible Bonds.

### **V. Potential dilution of the shareholding of the Company**

As illustrated in the Letter from the Board, the shareholding of the existing public Shareholders as at the Latest Practicable Date was approximately 43.17%.

#### *(i) Under the Subscription Agreement*

The Subscription Shares represent approximately 8.14% of the existing issued share capital of the Company as at the Latest Practicable Date and approximately 7.53% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares (assuming there are no other changes in the share capital of the Company between the Latest Practicable Date and the Subscription Completion Date). On such basis, the shareholding of existing public Shareholders will be diluted from approximately 43.17% to approximately 39.92% upon Subscription Completion.

Taking into account (i) the reasons for entering into of the Subscription Agreement as previously mentioned in this letter; (ii) the terms of the Subscription Agreement are considered to be fair and reasonable and the entering into of the Subscription Agreement and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole; (iii) the Subscription is expected to have a positive impact on the Group's financial positions; and (iv) the dilution effect to the existing public Shareholders is relatively mild (i.e. around 3.25 percentage points), we consider that the dilution to the existing public Shareholders as a result of the Subscription to be acceptable.

#### *(ii) Under the CB Subscription Agreement*

Based on the Conversion Price of HK\$0.54 per Conversion Share, a total of 36,620,370 Conversion Shares will be allotted and issued upon exercise of the Conversion Rights attaching to the Convertible Bonds in full, which represent approximately 9.82% of the existing issued share capital of the Company and approximately 8.94% of the issued share capital of the Company as enlarged by the allotment and issue of all Conversion Shares, assuming that there will be no changes in the issued share capital of the Company between the Latest Practicable Date and the date of issue of the Conversion Shares upon full conversion of the Convertible Bonds. On such basis, the shareholding of existing public Shareholders will be diluted

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## LETTER FROM JUN HUI INTERNATIONAL

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from approximately 43.17% to approximately 39.31% upon exercise of the Conversion Rights attaching to the Convertible Bonds in full.

Taking into account (i) the reasons for entering into of the CB Subscription Agreement as previously mentioned in this letter; (ii) the terms of the CB Subscription Agreement are considered to be fair and reasonable and the entering into of the CB Subscription Agreement and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole; (iii) the expected positive impact to the Group's liquidity upon the subscription of the Convertible Bonds; and (iv) the dilution effect to the existing public Shareholders is relatively mild (i.e. around 3.86 percentage points), we consider that the dilution to the existing public Shareholders as a result of the issue of the Convertible Bonds to be acceptable.

*(iii) Aggregate dilution effect*

Together, Subscription Completion and exercise of the Conversion Rights attaching to the Convertible Bonds in full (based on the Conversion Price of HK\$0.54 per Conversion Share) would result in an aggregate of 66,982,520 new Shares to be allotted and issued, which represent approximately 17.96% of the existing issued share capital of the Company and approximately 15.22% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares and all Conversion Shares, assuming that there will be no changes in the issued share capital of the Company between the Latest Practicable Date and the date(s) of issue of the Subscription Shares and the Conversion Shares. On such basis, the shareholding of existing public Shareholders would be diluted from approximately 43.17% to approximately 36.60% upon occurrence of such events. However, it should be noted that the aforementioned analyses are for illustrative purpose only and do not purport, in particular, whether and when the Conversion Rights attaching to the Convertible Bonds will be exercised, in part or in full, by the CB Subscriber.

It is noted that the aggregate maximum dilution effect to the existing public Shareholders arisen from the Subscription Agreement and the CB Subscription Agreement would be around 6.57 percentage points. However, this figure only implies a possible maximum dilution reference as the Conversion Rights attaching to the Convertible Bonds may or may not be exercised in part or in full by the CB Subscriber during the Conversion Period, and the nature of convertible bonds would not generally result in an immediate dilution effect to existing shareholders. Even though, in balance of consideration that (i) the reasons for entering into of the Subscription Agreement and the CB Subscription Agreement which could generally benefit the Group from the business and financial perspectives as previously discussed in this letter (under sub-sections (ii) and (iv) relating to each the Subscription Agreement and the CB Subscription Agreement), and the entering into of which are in the interests of the Company and the Shareholders as a whole; (ii) the terms of each the Subscription Agreement and the CB Subscription Agreement are fair and reasonable, which are also arrived at after arm's length negotiations between relevant parties as confirmed by the Directors, we are of the view that the aggregate maximum dilution effect to the existing public Shareholders is acceptable.

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## LETTER FROM JUN HUI INTERNATIONAL

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### OPINION AND RECOMMENDATION

Having considered the abovementioned principal factors and reasons, although the entering into of the Subscription Agreement and the CB Subscription Agreement is not in the ordinary and usual course of business of the Group, we are of the view that the terms of the Subscription Agreement and the CB Subscription Agreement are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and the entering into of the Subscription Agreement and the CB Subscription Agreement is in the interests of the Company and the Shareholders as a whole. We therefore advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the entering into of the Subscription Agreement and the CB Subscription Agreement and the transactions contemplated thereunder.

Yours faithfully,

For and on behalf of

**Jun Hui International Finance Limited**

**Tina Tian**

*Managing Director*

**Karol Hui**

*Executive Director*

*Note: Ms. Tina Tian and Ms. Karol Hui are licensed persons registered with the SFC to carry out Type 6 (advising on corporate finance) regulated activity under the SFO and have over 14 years and 11 years of experience in corporate finance industry respectively.*

## 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 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 SFO), which had 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 the Shares*

<b>Name of Shareholder</b>	<b>Capacity and nature of interest</b>	<b>Number of Shares</b>	<b>Percentage of the Company's issued share capital</b>
Goldbless	Beneficial owner ( <i>note</i> )	76,500,000	20.51%
Mr. Wang Yong	Interest of controlled corporation ( <i>note</i> )	76,500,000	20.51%

*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*

Name of Director	Number of Shares	Percentage of shareholding
Mr. Philip Jian Yang ( <i>note 1</i> )	1,273	12.73%
Mr. Yang Shiyuan ( <i>note 2</i> )	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. Mr. Yang Shiyuan holds the shares of Youth Success 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 the Shares*

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 ( <i>note 1</i> )	209,373,600	56.13%
Guang Rui	Beneficial owner; interest in controlled corporation; deemed interest under shareholders voting agreement ( <i>note 1</i> )	211,968,000	56.83%
Mr. Yang	Interest in controlled corporation ( <i>note 1</i> ); interest of spouse ( <i>note 2</i> ); deemed interest under shareholders voting agreement ( <i>note 1</i> )	211,968,000	56.83%
Ms. Mou	Interest in controlled corporation ( <i>note 1</i> ); interest of spouse ( <i>note 2</i> ); deemed interest under shareholders voting agreement ( <i>note 1</i> )	211,968,000	56.83%
Mr. Liang	Beneficial owner	36,000,000	9.65%
Mr. Wu Jian	Beneficial owner	31,612,903	8.48%

*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. Mou. By virtue of the First Voting Agreement entered into by Mr. Yang, Ms. Mou, 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. Ms. Mou is the spouse of Mr. Yang and she is therefore deemed to be interested in all the Shares in which Mr. Yang is deemed to be interested, and vice versa, by virtue of the SFO.

Save as disclosed above, as at the Latest Practicable Date, the Company had 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 were not aware of any business or interest of the Directors nor the controlling shareholder of the Company nor any of their respective associates 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, the executive director of the Company, has entered into the service contract with the Company for an initial fixed term of three (3) years commencing from 18 November 2015 renewable automatically until terminated by not less than three (3) months' prior written notice served by either party on the other expiring at the end of the initial term or any time thereafter.

All 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 of the association of the Company. The rotation clause sets up a mechanism to ensure that all Directors of the Company shall retire at least once every three (3) 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 respective letter of appointment and shall continue thereafter subject to a maximum of three (3) years unless terminated by either party giving at least one (1) month's prior written notice.

As at the Latest Practicable Date, save as disclosed above, none of the Directors had any existing or proposed service contracts or letter of appointment 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 2022, the date to which the latest published audited consolidated financial statements of the Group were made up.

On 15 March 2022, a tenancy agreement (the “**Tenancy Agreement**”) was entered into between Mr. Philip Jian Yang and Beijing Emphasis Media Company Limited\* (北京無限印象傳媒有限公司) (“**Emphasis Media**”) for the lease period commencing from 16 March 2022 to 15 March 2024. The right-of-use asset was recognised at approximately RMB1,983,000, representing 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, 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 pending or threatened against any member of the Group.

## 7. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2022, the date to which the latest published audited accounts of the Company have been made up.

## 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:

<b>Name</b>	<b>Qualification</b>
Jun Hui International Finance Limited	a licensed corporation permitted to carry out Type 6 (advising on corporate finance) regulated activity under the SFO

As at the Latest Practicable Date, Jun Hui International:

- (a) did not have any shareholding directly or indirectly in any member of the Group or any right, whether legally enforceable or not, to subscribe for or to nominate 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, since 31 December 2022, the date of the latest published audited accounts of the Group, 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; and
- (c) had given and had not withdrawn its written consent to the issue of this circular with the inclusion of its statements, letter, report and opinion (as the case maybe) as set out in this circular and references to its name in the form and context in which they are included.

## 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 (2) 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 six (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 equity transfer agreement dated 1 December 2021 entered into among Beijing Chuangju Shi Dai Cultural Communication Limited\* (北京創聚時代文化傳播有限公司) and Emphasis Media for the sale and purchase of 10% equity interests of Beijing Yiju Creative Technology Limited\* (北京易聚創意科技有限公司) at the consideration of RM2,112,900.
- (c) the Subscription Agreement; and
- (d) the CB Subscription Agreement.

## 10. GENERAL

- (a) The company secretary of the Company is Ms. Cheung Hoi Fun, who is an associate member of each of The Hong Kong Chartered Governance Institute and The Chartered Governance Institute.
- (b) The registered office of the Company is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.
- (c) The principal place of business of the Company in Hong Kong is on 23/F, Yue Thai Commercial Building, 128 Connaught Road Central, Sheung Wan, Hong Kong.

- (d) The branch share registrar and transfer office of the Company in Hong Kong is Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Admiralty, Hong Kong.
- (e) The English texts of this circular shall prevail over the Chinese texts.

## **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 Subscription Agreement;
- (ii) the CB Subscription Agreement;
- (iii) the letter from the Board;
- (iv) the letter from the Independent Board Committee;
- (v) the letter from Jun Hui International;
- (vi) the written consent of the expert as referred to in the section headed “Expert and Consent” of this Appendix; and
- (vii) this circular.

\* *For identification purposes only*

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## NOTICE OF EGM

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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)**

### NOTICE OF EXTRAORDINARY GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the Extraordinary General Meeting (“EGM”) of Creative China Holdings Limited (the “**Company**”) will be held at 24/F, Admiralty Centre I, 18 Harcourt Road, Admiralty, Hong Kong on 18 July 2023 (Tuesday), at 2:00 p.m. for the following purpose. Unless otherwise indicated, capitalized terms used herein shall have the same meanings as those defined in the circular of the Company dated 27 June 2023 (the “**Circular**”).

#### ORDINARY RESOLUTIONS

To consider and, if thought fit, pass with or without amendments the following resolutions as ordinary resolutions:

**“THAT:**

- (1) the Subscription Agreement dated 22 May 2023 entered into between the Company and ALPINE NOVA LIMITED (高星有限公司) (the “**Share Subscriber**”) (a copy of the Subscription Agreement has been produced to the meeting and marked “A” and initialed by the chairman of the EGM for identification purpose) in relation to the allotment and issue of a total of 30,362,150 Subscription Shares by the Share Subscriber at the Subscription Price of HK\$0.214 per Subscription Share and the transaction contemplated thereunder be and are hereby approved, confirmed and ratified; and
- (2) the CB Subscription Agreement dated 22 May 2023 entered into between the Company and Ms. Li Wen (李雯) (the “**CB Subscriber**”) (a copy of the CB Subscription Agreement has been produced to the meeting and marked “B” and initialed by the chairman of the EGM for identification purpose) in relation to the issue of the Convertible Bonds in the principal amount of RMB17,500,000 and the transaction contemplated thereunder (including but not limited to the issue of the Convertible Bonds and the allotment and issue of the Conversion Shares upon exercise of conversion rights attaching to the Convertible Bonds) be and are hereby approved, confirmed and ratified;

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## NOTICE OF EGM

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- (3) conditional upon the Stock Exchange having approved the listing of and dealing in the Subscription Shares and the Conversion Shares, the Directors be and are hereby granted the Specific Mandate to allot and issue the Subscription Shares and the Conversion Shares in accordance with the terms of the Subscription Agreement and CB Subscription Agreement respectively, provided that the Specific Mandate shall be in addition to, and shall not prejudice nor revoke any existing or such other general or specific mandates which may from time to time be granted to the Directors prior to the passing of this resolution; and
- (4) any one of the Directors be and is hereby authorised to take any action and execute such other documents as he/she considers necessary, desirable or expedient to carry out or give effect to or otherwise in connection with the Subscription Agreement and CB Subscription Agreement and the transactions contemplated thereunder, including, without limitation, the allotment and issue of the Subscription Shares and Conversion Shares under the Specific Mandate.”

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

Hong Kong, 27 June 2023

*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 17/F, Far East Finance Centre, 16 Harcourt Road, Admiralty, 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) The register of members of the Company will be closed from Thursday, 13 July 2023 to Tuesday, 18 July 2023, both dates inclusive, during which period no transfer of shares will be registered, for the purpose of ascertaining Shareholders’ entitlement to attend and vote at the EGM. In order to be eligible to attend and vote at the EGM, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the office of the Company’s branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on Wednesday, 12 July 2023.
- (6) According to Rule 17.47(4) of the GEM Listing Rules, the voting at the EGM will be taken by poll.

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## NOTICE OF EGM

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- (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.
- (8) No corporate gifts or refreshments will be provided at the Extraordinary General Meeting to reduce close contact between attendees.

*As at the date of this notice, the Board of Directors of the Company comprises Mr. Philip Jian Yang as executive Director; 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.*