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Starrise Media Holdings Limited

星宏傳媒控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1616)

**ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2019**

SUMMARY

- Revenue from continuing operations for the Year was approximately RMB284.2 million, representing a decrease of approximately 19.3% as compared to the revenue of approximately RMB352.3 million recognised in the previous year.
- Gross profit from continuing operations for the Year was approximately RMB130.3 million, representing a decrease of approximately 0.08% as compared to the gross profit of approximately RMB130.4 million recognised in the previous year.
- Gross profit margin from continuing operations for the Year was approximately 45.9%, representing an increase of approximately 8.9 percentage points as compared to the gross profit margin of approximately 37.0% for the previous year.
- Profit attributable to the equity shareholders of the Company was approximately RMB30.2 million, representing an increase in profits of approximately RMB174.9 million as compared to the loss attributable to the equity shareholders of the Company of approximately RMB144.7 million for the previous year.

DIVIDEND

- The Board does not recommend the payment of any final dividend for the Year.

The board (the “**Board**”) of directors (the “**Directors**”) of Starrise Media Holdings Limited (the “**Company**”) is pleased to announce the consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 December 2019 (the “**Year**” or the “**Period under Review**”) together with the comparative figures in 2018 as set out below. The consolidated results have been reviewed by the audit committee (the “**Audit Committee**”) of the Company.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

(Expressed in Renminbi Yuan)

		2019	2018
	<i>Note</i>	RMB'000	(Note) RMB'000 (Restated*)
Continuing operations			
Revenue	3	284,183	352,326
Cost of sales and services		<u>(153,836)</u>	<u>(221,896)</u>
Gross profit		130,347	130,430
Other net income/(loss)	4	9,752	(178,309)
Distribution costs		(10,234)	(17,808)
Administrative expenses		<u>(32,782)</u>	<u>(28,592)</u>
Profit/(loss) from operations		97,083	(94,279)
Net finance costs	5(a)	<u>(48,260)</u>	<u>(48,951)</u>
Profit/(loss) before taxation from continuing operations	5	48,823	(143,230)
Income tax	6	<u>(17,913)</u>	<u>(8,833)</u>
Profit/(loss) for the year from continuing operations		30,910	(152,063)
Discontinued operation			
(Loss)/profit for the year from discontinued operation	7	<u>(859)</u>	<u>7,700</u>
Profit/(loss) and total comprehensive income for the year		<u>30,051</u>	<u>(144,363)</u>

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME (CONTINUED)**

For the year ended 31 December 2019

(Expressed in Renminbi Yuan)

		2019	2018
	<i>Note</i>	RMB'000	<i>(Note)</i> RMB'000 (Restated*)
Attributable to:			
Equity shareholders of the Company		30,183	(144,725)
Non-controlling interests		(132)	362
		<hr/>	<hr/>
Profit/(loss) and total comprehensive income for the year		30,051	(144,363)
		<hr/> <hr/>	<hr/> <hr/>
Basic and diluted earnings/(loss) per share (RMB cents)	<i>8</i>		
– Continuing and discontinued operations		2.17	(11.72)
		<hr/>	<hr/>
– Continuing operations		2.23	(11.72)
– Discontinued operation		(0.06)	–
		<hr/> <hr/>	<hr/> <hr/>

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated.

* See note 7, “discontinued operation”.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2019

(Expressed in Renminbi Yuan)

		2019	2018
			<i>(Note)</i>
	<i>Note</i>	RMB'000	RMB'000
Non-current assets			
Property, plant and equipment		23,723	431,054
Interests in leasehold land held for own use under operating leases		<u>–</u>	<u>61,648</u>
		23,723	492,702
Intangible assets		21	1,069
Goodwill		435,081	441,475
Interest in an associate		–	–
Investments in equity securities		1,900	–
Other receivables	<i>9</i>	145,209	10,799
Deferred tax assets		<u>1,928</u>	<u>1,786</u>
		607,862	947,831
Current assets			
Inventories		–	140,120
Drama series and films		358,666	224,958
Trade and other receivables	<i>9</i>	844,023	500,480
Pledged bank deposits		–	11,000
Cash and cash equivalents		<u>193,438</u>	<u>284,689</u>
		1,396,127	1,161,247
Current liabilities			
Trade and other payables	<i>10</i>	212,544	268,954
Contract liabilities		3,078	11,233
Bank loans	<i>11</i>	14,850	180,500
Other borrowings	<i>12</i>	281,962	434,480
Lease liabilities		5,025	12,201
Current taxation		<u>39,489</u>	<u>27,776</u>
		556,948	935,144

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)*At 31 December 2019**(Expressed in Renminbi Yuan)*

		2019	2018
	<i>Note</i>	RMB'000	<i>(Note)</i> RMB'000
Net current assets		839,179	226,103
Total assets less current liabilities		1,447,041	1,173,934
Non-current liabilities			
Other borrowings	12	218,051	206,345
Lease liabilities		17,425	11,973
Deferred tax liabilities		5,521	3,101
		240,997	221,419
Net assets		1,206,044	952,515
Capital and reserves			
Share capital		90,578	79,730
Reserves		1,092,466	873,192
Total equity attributable to equity shareholders of the Company		1,183,044	952,922
Non-controlling interests		23,000	(407)
Total equity		1,206,044	952,515

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated.

NOTES:

(Expressed in Renminbi Yuan unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable International Financial Reporting Standards (“**IFRSs**”), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards (“**IASs**”) and Interpretations issued by the International Accounting Standards Board (“**IASB**”) and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”). A summary of the significant accounting policies adopted by the Group is set out below.

The IASB has issued certain new and revised IFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 2 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2019 comprise the Company and its subsidiaries (together referred to as the “Group”).

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets and liabilities are stated at their fair value as explained in the accounting policies set out below:

- investments in equity securities
- derivative financial instruments

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

2 CHANGES IN ACCOUNTING POLICIES

The IASB has issued a new IFRS, IFRS 16, Leases, and a number of amendments to IFRSs that are first effective for the current accounting period of the Group.

Except for IFRS 16, Leases, none of the developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

The Group has initially applied IFRS 16 as from 1 January 2019. The Group has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2019. Comparative information has not been restated and continues to be reported under IAS 17.

3 REVENUE AND SEGMENT REPORT

(a) Revenue

For the year ended 31 December 2019, the principal activities of the Group are (i) manufacturing and sales of textile products and provision of related processing service (see note 7, "discontinued operation"), as well as (ii) production, distribution and licensing of drama series and films. Further details regarding the Group's principal activities are disclosed in note 3(b).

Disaggregation of revenue from contracts with customers by major products or service lines is as follow:

	Continuing operations		Discontinued operation		Total	
	2019	2018	2019	2018	2019	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		(Restated)		(Restated)		
Revenue from contracts with customers within the scope of IFRS 15						
Disaggregated by major products or service lines						
Sales of textile products	-	-	458,210	581,717	458,210	581,717
Licensing of drama series and films, transfer of license of drama series and films	216,096	247,924	-	-	216,096	247,924
Provision of textile products processing services	-	-	16,503	27,326	16,503	27,326
Provision of drama series and films production, distribution and related services	68,087	104,402	-	-	68,087	104,402
	<u>284,183</u>	<u>352,326</u>	<u>474,713</u>	<u>609,043</u>	<u>758,896</u>	<u>961,369</u>

Disaggregation of revenue from contracts with customers by the timing of revenue recognition is disclosed in note 3(b)(i).

The Group's customer base is diversified and includes only one customer (2018: one) with whom transactions have exceeded 10% of the Group's revenues for the year ended 31 December 2019. In 2019, revenues from sales of television drama series to the customer amounted to approximately RMB108,902,000. In 2018, revenues from sales of textile products to the customer amounted to approximately RMB152,004,000.

3 REVENUE AND SEGMENT REPORT (CONTINUED)

(b) Segment reporting

The Group manages its businesses by divisions, which are organised by business lines (products and services). In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented two reportable segments, included media and textile (see note 7, "discontinued operation"). No operating segments have been aggregated to form the following reportable segments.

Continuing operations

Media: produces, distributes, licenses and/or transfer of drama series and films and provides related services. Currently the Group's activities in this segment are carried out in the PRC.

(i) *Segment results, assets and liabilities*

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all tangible, intangible assets and current assets. Segment liabilities include trade creditors, accruals, bills payable and other payables attributable to the segments and borrowings managed directly by the segments.

Revenue and expenses are allocated to the reportable segments with reference to revenue generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

The measure used for reporting segment results is "adjusted profit/(loss) before taxes". To arrive at adjusted profit/(loss) before taxes, the Group's profit/(loss) are adjusted for items not specifically attributed to individual segments, such as net finance cost relating to the convertible bonds and fair value change of derivatives embedded in convertible bonds, and impairments resulting from isolated, non-recurring events, such as impairment of goodwill.

In addition to receiving segment information concerning adjusted profit/(loss) before taxes, management is provided with segment information concerning revenue, interest income and expense from cash balances and borrowings managed directly by the segments, depreciation and amortisation and additions to non-current segment assets used by the segments in their operations.

3 REVENUE AND SEGMENT REPORT (CONTINUED)

(b) Segment reporting (continued)

Continuing operations (continued)

(i) Segment results, assets and liabilities (continued)

Disaggregation of revenue from contracts with customers by the timing of revenue recognition, as well as information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2019 and 2018 is set out below.

	Continuing operations		Discontinued operation		Total	
	Media		Textile			
	2019	2018	2019	2018	2019	2018
	RMB'000	(Note) RMB'000 (Restated)	RMB'000	(Note) RMB'000 (Restated)	RMB'000	(Note) RMB'000
Disaggregated by timing of revenue recognition						
Point in time	238,203	278,119	458,210	581,717	696,413	859,836
Over time	45,980	74,207	16,503	27,326	62,483	101,533
Revenue from external customers	284,183	352,326	474,713	609,043	758,896	961,369
Inter-segment revenue	–	–	–	–	–	–
Reportable segment revenue	284,183	352,326	474,713	609,043	758,896	961,369
Reportable segment result (adjusted profit/(loss) before taxes)	111,044	83,084	(15,044)	11,323	96,000	94,407
Interest income on bank deposits	2,634	6,167	648	199	3,282	6,366
Interest on bank loans and other financial liabilities	4,918	4,486	8,165	8,371	13,083	12,857
Depreciation and amortisation for the year	4,465	1,230	48,407	43,610	52,872	44,840
Reportable segment assets	2,003,989	1,349,540	–	714,921	2,003,989	2,064,461
Additions to non-current segment assets during the year	13,538	69	–	92,690	13,538	92,759
Reportable segment liabilities	797,945	222,925	–	279,268	797,945	502,193

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated.

3 REVENUE AND SEGMENT REPORT (CONTINUED)

(b) Segment reporting (continued)

Continuing operations (continued)

(ii) Reconciliations of reportable segment revenues, profit or loss, assets and liabilities

	Continuing operations		Discontinued operation		Total	
	2019	2018	2019	2018	2019	2018
		(Note)		(Note)		(Note)
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		(Restated)		(Restated)		
Revenue						
Reportable segment revenue	284,183	352,326	474,713	609,043	758,896	961,369
Elimination of inter-segment revenue	—	—	—	—	—	—
Consolidated revenue (note 3(a))	<u>284,183</u>	<u>352,326</u>	<u>474,713</u>	<u>609,043</u>	<u>758,896</u>	<u>961,369</u>
Profit/(loss)						
Reportable segment profit/(loss)	111,044	83,084	(15,044)	11,323	96,000	94,407
Elimination of inter-segment profits	—	—	—	—	—	—
Reportable segment profit/(loss) derived from the Group's external customers	111,044	83,084	(15,044)	11,323	96,000	94,407
Interest on convertible bonds	(33,248)	(54,789)	—	—	(33,248)	(54,789)
Interest on bonds	(12,429)	(7,971)	—	—	(12,429)	(7,971)
Change in fair value of derivatives embedded in convertible bonds	(16,231)	(176,535)	—	—	(16,231)	(176,535)
Unallocated head office and corporate gain/(expenses) (net)	(313)	12,981	—	—	(313)	12,981
Consolidated profit/(loss) before taxation	<u>48,823</u>	<u>(143,230)</u>	<u>(15,044)</u>	<u>11,323</u>	<u>33,779</u>	<u>(131,907)</u>

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated.

3 REVENUE AND SEGMENT REPORT (CONTINUED)

(b) Segment reporting (continued)

Continuing operations (continued)

(ii) Reconciliations of reportable segment revenues, profit or loss, assets and liabilities (continued)

	2019 RMB'000	2018 RMB'000
Assets		
Reportable segment assets	2,003,989	2,064,461
Elimination of inter-segment receivables	—	(100)
	<u>2,003,989</u>	<u>2,064,361</u>
Unallocated head office and corporate assets	—	44,717
	<u>—</u>	<u>44,717</u>
Consolidated total assets	<u><u>2,003,989</u></u>	<u><u>2,109,078</u></u>
Liabilities		
Reportable segment liabilities	797,945	502,193
Elimination of inter-segment payables	—	(100)
	<u>797,945</u>	<u>502,093</u>
Unallocated head office and corporate liabilities	—	654,470
	<u>—</u>	<u>654,470</u>
Consolidated total liabilities	<u><u>797,945</u></u>	<u><u>1,156,563</u></u>

3 REVENUE AND SEGMENT REPORT (CONTINUED)

(b) Segment reporting (continued)

Continuing operations (continued)

(iii) Geographic information

The Group principally operates in the PRC and its major operating assets are located in the PRC. The following table sets out information about the geographical locations of the Group's revenue from external customers. The geographical locations of customers are based on the locations at which the services were provided or the goods were delivered.

	Continuing operations		Discontinued operation		Total	
	2019	2018	2019	2018	2019	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		(Restated)		(Restated)		
The PRC	284,183	335,226	433,334	566,383	717,517	901,609
Overseas	–	17,100	41,379	42,660	41,379	59,760
	<u>284,183</u>	<u>352,326</u>	<u>474,713</u>	<u>609,043</u>	<u>758,896</u>	<u>961,369</u>

4 OTHER NET INCOME/(LOSS)

	2019	2018
	RMB'000	RMB'000
		(Restated)
Change in fair value of derivatives embedded in convertible bonds	(29,710)	(176,535)
Change in carrying amount of convertible bonds as non-substantial modification of the terms	13,479	–
Gain on disposal of an associate	12,000	–
Net gain from investments in drama series and films*	10,270	807
Others	3,713	(2,581)
	<u>9,752</u>	<u>(178,309)</u>

* The amount represents net gain from investments in drama series and films with fixed income rate.

5 PROFIT/(LOSS) BEFORE TAXATION

Profit/(loss) before taxation is arrived at after charging/(crediting):

(a) Net finance costs

	2019	2018
	RMB'000	(Note) RMB'000 (Restated)
Interest on convertible bonds	33,248	54,789
Interest on bonds	12,429	7,971
Interest on bank loans and other financial liabilities	4,918	4,486
Interest on lease liabilities	1,368	–
Interest income	(2,634)	(6,167)
Net foreign exchange gain	(1,447)	(12,253)
Other finance charges	378	125
	<u>48,260</u>	<u>48,951</u>

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated.

(b) Staff costs

	2019	2018
	RMB'000	(Restated) RMB'000
Salaries, wages and other benefits	19,942	17,916
Contributions to defined contribution retirement plan	2,337	2,066
	<u>22,279</u>	<u>19,982</u>

Pursuant to the relevant labor rules and regulations in the PRC, the Group participates in defined contribution retirement schemes (the “**Schemes**”) organised by the relevant local authorities whereby the Group is required to make contributions to the Schemes at certain percentages of the eligible employees’ salaries for the years ended 31 December 2019 and 2018. The relevant local government authorities are responsible for the entire pension obligations payable to retired employees. The Group has no other material obligation for the payment of pension benefits associated with the Schemes beyond the annual contributions described above.

5 (PROFIT)/LOSS BEFORE TAXATION (CONTINUED)

(c) Other items

	2019 RMB'000	2018 RMB'000 (Restated)
Amortisation		
– intangible assets	7	7
Depreciation		
– owned property, plant and equipment	61	1,223
– right-of-use assets*	4,397	–
Total minimum lease payments for leases previously classified as operating leases under HKAS 17*	21	6,582
Impairments losses		
– Drama series and films	1,829	363
– Trade and other receivables	4,401	2,575
Reversal of impairment losses on trade and other receivables	–	(652)
Gain on disposal of an associate	12,000	–
Auditors' remuneration		
– Audit services	2,600	2,400
– Other services	700	220
Cost of drama series and films	150,379	210,324

* The Group has initially applied IFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under IAS 17. The depreciated carrying amount of the finance lease assets which were previously included in property, plant and equipment is also identified as a right-of-use asset. After initial recognition of right-of-use assets at 1 January 2019, the Group as a lessee is required to recognise the depreciation of right-of-use assets, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. Under this approach, the comparative information is not restated.

6 INCOME TAX

(a) Taxation in the consolidated statements of profit or loss and other comprehensive income represents:

	2019 RMB'000	2018 RMB'000 (Restated)
Current tax		
Provision for the year	16,213	6,932
Deferred tax		
Origination and reversal of temporary differences	1,700	1,901
	<u>17,913</u>	<u>8,833</u>

6 INCOME TAX (CONTINUED)

(a) Taxation in the consolidated statements of profit or loss and other comprehensive income represents (continued):

- (i) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in those jurisdictions.
- (ii) The Group's Hong Kong subsidiaries, being investment holding companies, do not derive income subject to Hong Kong Profits Tax. For the years ended 31 December 2019 and 2018, Hong Kong Profits Tax rate is 16.5%. The payments of dividends by the subsidiaries incorporated in Hong Kong are not subject to withholding tax.
- (iii) For the year ended 31 December 2019, the Group's PRC subsidiaries are subject to income tax rate of 25% (2018: 25%).
- (iv) Dividends receivable by non-PRC resident corporate investors from PRC-residents are subject to withholding tax at 10%, unless reduced by tax treaties or arrangements, for profit earned since 1 January 2008. YSL (HK) Ltd., Star Rise Investments Ltd. and Star Will Investments (HK) Ltd., Hong Kong subsidiaries of the Company, would be subject to PRC dividend withholding tax on dividends receivable from their PRC subsidiaries.
- (v) Pursuant to the PRC Enterprise Income Tax preferential policies in Horgos of Xinjiang province, Horgos Star Rise Culture Media Co., Ltd., Horgos Yingsheng Film and TV Culture Co., Ltd. and Khorgos Starrise Qicheng Media Co., Ltd., subsidiaries of the Company located in Horgos of Xinjiang province and are principally engaged in the production and distribution of drama series and films, are entitled to a tax holiday of 5-year full exemption on Enterprise Income Tax commencing from the first revenue-generating year. The first exemption year are 2016, 2016 and 2019, respectively.

(b) Reconciliation between income tax expense and accounting profit at applicable tax rates:

	2019 RMB'000	2018 RMB'000 (Restated)
Profit/(loss) before taxation	<u>48,823</u>	<u>(143,230)</u>
Notional tax on profit/(loss) before taxation, calculated at the rates applicable to the profits in the jurisdictions concerned	28,319	20,464
Tax effect of non-deductible expenses	3,514	1,367
Tax effect of unused tax losses not recognised	(223)	832
Statutory tax concession	(16,384)	(15,377)
PRC dividend withholding tax	2,687	1,765
Others	<u>–</u>	<u>(218)</u>
Income tax expense	<u>17,913</u>	<u>8,833</u>

7 DISCONTINUED OPERATION

On 20 December 2019 (date of disposal), the Company disposed of its entire equity interests in Power Fit Limited, which was a wholly owned subsidiary of the Company, together with its subsidiaries (collectively referred to as the “Disposal Group”). The total consideration for the disposal is RMB189,891,200 which will be settled within two years since the date of disposal.

The Disposal Group is principally engaged in manufacture and sale of dobby grey fabrics. The consolidated results of the Disposal Group for the period from 1 January 2019 to 20 December 2019 have been presented as discontinued operation in the consolidated financial statements in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations and the comparative figures of the consolidated statement of profit or loss and other comprehensive income and corresponding notes have been restated to show the discontinued operation separately from continuing operations.

(a) Results of discontinued operation:

	<i>Note</i>	2019 RMB'000	2018 RMB'000
Revenue	<i>3</i>	474,713	609,043
Cost of sales and services		(435,000)	(529,235)
Gross profit		39,713	79,808
Other net income	<i>4</i>	3,207	5,715
Distribution costs		(6,637)	(7,970)
Administrative expenses		(39,848)	(49,710)
(Loss)/profit from operation		(3,565)	27,843
Net finance costs	<i>5(a)</i>	(11,479)	(16,520)
(Loss)/profit before taxation		(15,044)	11,323
Income tax		8,416	(3,623)
(Loss)/profit for the period/year		(6,628)	7,700
Gain on sale of discontinued operation		10,098	–
Income tax on gain on sale of discontinued operation		(4,329)	–
(Loss)/profit from discontinued operation for the period		(859)	7,700

(b) Cash flows generated from discontinued operation:

	2019 RMB'000	2018 RMB'000
Net cash generated from operating activities	92,579	45,663
Net cash used in investing activities	(16,342)	(85,485)
Net cash (used in)/generated from financing activities	(26,062)	10,198
Net cash inflow/(outflow)	50,175	(29,624)

7 DISCONTINUED OPERATION (CONTINUED)

(c) Net assets disposed of as at the disposal date:

	As at the date of disposal RMB'000
Property, plant and equipment	(401,453)
Interests in leasehold land held for own use under operating leases	(60,282)
Intangible assets	(931)
Goodwill	(6,394)
Inventories	(118,546)
Trade and other receivables	(63,319)
Deferred tax assets	(1,010)
Pledged bank deposits	(8,813)
Cash and cash equivalents	(63,871)
Trade and other payables	337,543
Bank loans	145,000
Contract liabilities	45,714
Current taxation	4,165
Lease liabilities	11,973
Deferred tax liabilities	431
	<hr/>
Net asset and liabilities	(179,793)
Cash consideration	189,891
	<hr/>
Gain on disposal of subsidiaries	10,098
	<hr/> <hr/>
Cash flows	
Cash and cash equivalents disposed of	(63,871)
	<hr/>
Net cash outflow	(63,871)
	<hr/> <hr/>

8 EARNINGS/(LOSS) PER SHARE

The calculation of basic and diluted earnings/(loss) per share for the year ended 31 December 2019 is based on the following profit/(loss) attributable to ordinary equity shareholders of the Company and the weighted average number of ordinary shares, calculated as follows:

(a) Profit/(Loss) attributable to ordinary equity shareholders of the Company

	2019 RMB'000	2018 RMB'000
– From continuing operations	31,042	(152,425)
– From a discontinued operation (<i>note 7</i>)	(859)	7,700
	<hr/>	<hr/>
	30,183	(144,725)
	<hr/> <hr/>	<hr/> <hr/>

8 EARNINGS/(LOSS) PER SHARE (CONTINUED)

(b) Weighted average number of ordinary shares

	2019	2018
Issued ordinary shares at 1 January	1,254,749,656	1,045,749,656
Effect of shares issuance (<i>note 13</i>)	136,393,928	188,958,904
	<hr/>	<hr/>
Weighted average number of ordinary shares at 31 December	<u>1,391,143,584</u>	<u>1,234,708,560</u>

For the years ended 31 December 2019 and 2018, no adjustment is made in relation to the Company's outstanding convertible bonds as their assumed conversion would increase the basic earnings per share and decrease the basic loss per share.

9 TRADE AND OTHER RECEIVABLES

	31 December 2019 RMB'000	31 December 2018 RMB'000
Trade debtors and bills receivable, net of loss allowance (<i>note 9(a)</i>)	269,807	251,213
Deposits, prepayments and other receivables (<i>note 9(b)</i>)	719,425	236,105
Amount due from an associate	—	23,961
	<hr/>	<hr/>
	989,232	511,279
	<hr/>	<hr/>
Other receivables expected to be collected or recognised as expense after more than one year	(145,209)	(10,799)
	<hr/>	<hr/>
Trade and other receivables expected to be recovered or recognised as expense within one year	<u>844,023</u>	<u>500,480</u>

9 TRADE AND OTHER RECEIVABLES (CONTINUED)

(a) Ageing analysis

As at the end of the reporting period, the ageing analysis of trade debtors and bills receivable (which are included in trade and other receivables), based on the invoice date and net of loss allowance, is as follows:

	31 December 2019 RMB'000	31 December 2018 RMB'000
Current	239,001	241,982
Less than 3 months past due	1,914	4,603
3 to 6 months past due	23,852	1,742
6 to 12 months past due	4,600	2,011
More than one year past due	440	875
Amounts past due	30,806	9,231
	269,807	251,213

Trade debtors and bills receivable are due within 1 to 6 months from the date of billing.

(b) Deposits, prepayments and other receivables

	31 December 2019 RMB'000	31 December 2018 RMB'000
Prepayments and advances relating to		
drama series and films	199,620	90,261
Prepayments relating to purchases of raw materials	–	5,449
Other receivables relating to disposal of subsidiaries	189,891	–
Other receivables relating to disposal of an associate	12,000	–
Advances to third parties	300,623	127,287
Prepayment for investments	8,000	–
Deferred expenses	1,620	3,795
Value-added tax recoverable	–	672
Prepayments relating to purchases of property, plant and equipment	–	1,071
Others	7,671	7,570
	719,425	236,105

9 TRADE AND OTHER RECEIVABLES (CONTINUED)

(b) Deposits, prepayments and other receivables (continued)

Notes:

- (i) The balance represents prepayments and advances of investment for co-financing the production of drama series and films.
- (ii) The balance represent the consideration for the disposal of equity interest in the Disposal Group, see note 7.
- (iii) The balance represents the consideration receivable for the disposal of an associate during the year ended 31 December 2019.
- (iv) RMB126,383,000 of the balance represents the other receivables from Swift Power Limited, a third party. RMB147,726,000 of the balance represents the other receivables from the Disposal Group.
- (v) In July 2019, the Group entered into an investment agreement with Foreign Trade & Business College of Chongqing Normal University for investment with the total amount of RMB20,000,000 to setting up Film & Television Media School for the period of ten years. The balance represents the investment fund of RMB8,000,000, which is recorded as prepayment as this project is under start-up phase.

10 TRADE AND OTHER PAYABLES

	31 December 2019 RMB'000	31 December 2018 RMB'000
Trade creditors and bills payable (<i>note 10(a)</i>)	12,641	45,920
Receipts in advance	16,541	29,439
Other creditors and accrued charges (<i>note 10(b)</i>)	183,362	193,595
	<u>212,544</u>	<u>268,954</u>

All of the trade and other payables are expected to be settled or recognised as income within one year or are repayable on demand.

(a) Ageing analysis

As of the end of the reporting period, the aging of trade creditors and bills payable (which are included in trade and other payables), based on the invoice date, is as follows:

	31 December 2019 RMB'000	31 December 2018 RMB'000
Due within 3 months or on demand	12,641	33,860
Due after 3 months but within 6 months	–	8,275
Due after 6 months but within 12 months	–	3,785
	<u>12,641</u>	<u>45,920</u>

10 TRADE AND OTHER PAYABLES (CONTINUED)

(b) Other creditors and accrued charges

	<i>Note</i>	31 December 2019 RMB'000	31 December 2018 RMB'000
Advances from third parties	(i)	78,326	24,000
Payables relating to drama series and films		68,158	88,055
Tax payable other than income tax		24,656	36,085
Accrued charges		6,656	19,351
Payables relating to purchases of property, plant and equipment		–	8,287
Deferred income	(ii)	4,071	–
Other payables		1,495	17,817
		183,362	193,595

Note:

- (i) As at 31 December 2019, advances from third parties of RMB74,500,000 (2018: RMB22,000,000) are unsecured, interest bearing at 0%-15% per annum and repayable within one year. Other advances from third parties are unsecured, interest-free and had no fixed repayment terms or repayable within one year.
- (ii) The balance represents allocated tuition, which is recorded as deferred income as this project is under start-up phase.

11 BANK LOANS

As at 31 December 2019, the bank loans were repayable as follows:

	31 December 2019 RMB'000	31 December 2018 RMB'000
Within 1 year	14,850	180,500

As at 31 December 2019, the bank loans were secured as follows:

	<i>Note</i>	31 December 2019 RMB'000	31 December 2018 RMB'000
Bank loans			
– secured		–	90,000
– unsecured	(a)	14,850	90,500
		14,850	180,500

11 BANK LOANS (CONTINUED)

Amongst the unsecured bank loans as at 31 December 2019, RMB5,000,000 (2018: RMB3,000,000) of which are guaranteed by Beijing Yizhuang International Financing Guarantee Co., Ltd. and RMB5,000,000 (2018: RMB10,000,000) of which are guaranteed by Beijing Guohua Culture & Innovation Financing Guarantee Co., Ltd. Amongst the unsecured bank loans at 31 December 2018, RMB77,500,000 of which were guaranteed by Zibo Huiyin Textile Co., Ltd. and RMB20,000,000 of which were guaranteed by the Company.

12 OTHER BORROWINGS

(a) The analysis of the carrying amount of other borrowings is as follows:

	31 December 2019 RMB'000	31 December 2018 RMB'000
Convertible bonds (<i>note 12(b)(i)</i>)		
– host liability component	161,462	253,898
– derivative liability component	120,500	172,611
	<u>281,962</u>	<u>426,509</u>
Bonds (<i>note 12(b)(ii)</i>)	218,051	214,316
	<u>500,013</u>	<u>640,825</u>
Amounts expected to be settled within one year	(281,962)	(434,480)
	<u>218,051</u>	<u>206,345</u>

Except for the derivative liability component of convertible bonds, which is carried at fair value, all other borrowings are carried at amortised cost.

(b) Significant terms and repayment schedule of non-bank borrowings

(i) 2017 Convertible Bonds

On 28 February 2017, the Company issued convertible bonds with a face value of HKD300,000,000 and a maturity date on 28 February 2019, which is extendable to 28 February 2020, 28 February 2021 or 28 February 2022 if agreed by the Company and the bondholders. The convertible bonds bear a nominal interest rate at 5% per annum and are guaranteed by Liu Zhihua, a shareholder of the Company.

The rights of the bondholders to convert the bonds into ordinary shares are as follows:

- Conversion rights are exercisable, wholly or partially, at any time up to maturity, or extended maturity, at the bondholders' option.
- If a bondholder exercises its conversion rights, the Company is required to deliver ordinary shares at the conversion price of HKD1.21 per share, which was adjusted to HKD0.74 per share in February 2018 (subject to further adjustments).

12 OTHER BORROWINGS (CONTINUED)

(b) Significant terms and repayment schedule of non-bank borrowings (continued)

(i) *2017 Convertible Bonds (continued)*

For bonds in respect of which conversion rights have not been exercised, these bonds shall be redeemed at face value on 28 February 2019 or, if agreed to be extended by the Company and the bondholder, on 28 February 2020, 28 February 2021 or 28 February 2022.

The convertible bonds contain two components, i.e. host liability component and derivative liability component. The effective interest rate of the host liability component is 22% per annum. The derivatives liability component of the convertible bonds is measured at fair value with changes in fair value recognised in the profit or loss.

On 25 February 2019, Dragon Capital Entertainment Fund One LP (the “Original Bondholder”) transferred the convertible bonds with an aggregate face value of HKD120,000,000, which were convertible into 162,162,162 ordinary shares at the conversion price of HKD0.74 per share, to BeiTai Investment LP (“BeiTai”). On the same date, BeiTai exercised the conversion rights to convert the bonds with a face value of HKD120,000,000 at the conversion price of HKD 0.74 per share.

On 28 February 2019, the Company and the Original Bondholder conditionally agreed to extend the maturity date of the remaining convertible bonds with an aggregate face value of HKD 180,000,000 from 28 February 2019 to 28 February 2020, which is subject to, among other things, the approvals of the Company’s shareholders at the general meeting. The extension of maturity date of the bonds was approved by the Company’s shareholders at the extraordinary general meeting of the Company held on 8 April 2019. The effective interest rate of the host liability component is 12% per annum for the extended bonds.

On 30 October 2019, the Original Bondholder transferred the convertible bonds with an aggregate face value of HKD60,000,000 to Skyland Circle Technology Limited (“Skyland”).

On 27 February 2020, the Company, the Original Bondholder and Skyland conditionally agreed to further extend the maturity date of the remaining convertible bonds with an aggregate face value of HKD 180,000,000 from 28 February 2020 to 28 February 2021, which is subject to, among other things, the approvals of the Company’s shareholders at the general meeting. Details of the further extension of the maturity date of the bonds are referred to in the Company’s circular dated 24 March 2020.

(ii) *2018 Bonds*

On 10 May 2018, the Company issued bonds with an aggregate face value of HKD235,500,000 and a maturity date on 9 May 2020, which is extendable to 9 May 2021, 9 May 2022 or 9 May 2023 if agreed by the Company and Bison Global Investment SPC (the “Bondholder”). The bonds bear a nominal interest rate of 6% per annum.

On 1 August 2019, the Company and the Bondholder agreed to extend the maturity date of the bonds with an aggregate face value of HKD235,000,000 from 9 May 2020 to 9 March 2021.

13 SHARE CAPITAL

Authorised and issued share capital are as follows:

	2019		2018	
	Number of shares	RMB'000	Number of shares	RMB'000
Authorised:				
Ordinary shares of USD0.01 each	<u>10,000,000,000</u>	<u>632,110</u>	<u>10,000,000,000</u>	<u>632,110</u>
Ordinary shares, issued and fully paid:				
At 1 January	1,254,749,656	79,730	1,045,749,656	66,559
Shares issuance (note)	<u>162,162,162</u>	<u>10,848</u>	<u>209,000,000</u>	<u>13,171</u>
At 31 December	<u>1,416,911,818</u>	<u>90,578</u>	<u>1,254,749,656</u>	<u>79,730</u>

Note: The convertible bonds with an aggregate face value of HKD120,000,000 were convertible into 162,162,162 ordinary shares at the conversion price of HKD0.74 per share of par value of USD0.01 each at a price of HKD1.33 per ordinary share during the year. The net proceeds from the shares issuance were approximately HKD215,676,000 (equivalent to approximately RMB183,822,000), of which RMB10,848,000 and RMB172,975,000 are recognised in share capital and share premium respectively.

14 DIVIDENDS

(a) Dividends payable to equity shareholders of the Company attributable to the year:

	2019 RMB'000	2018 RMB'000
Interim dividend declared and paid of RMB Nil per ordinary share (2018: RMB Nil)	—	—
Final dividend proposed after the end of the reporting period of RMB Nil per ordinary share (2018: RMB Nil)	<u>—</u>	<u>—</u>
	<u>—</u>	<u>—</u>

(b) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year:

	2019 RMB'000	2018 RMB'000
Final dividends in respect of the previous financial year, approved and paid during the year	<u>—</u>	<u>—</u>

15 COMMITMENTS

- (a) Capital commitments outstanding at 31 December 2019 not provided for in the consolidated financial statements were as follows:

	2019 RMB'000	2018 RMB'000
Contracted for		
– Purchase of property, plant and equipment	–	2,930
– Acquiring services relating to production of drama series and films	43,277	19,947
	<u>43,277</u>	<u>22,877</u>

- (b) At 31 December 2018, the total future minimum lease payments under non-cancellable operating leases were payable as follows:

	2018 RMB'000
Within 1 year	1,328
After 1 year but within 5 years	4,800
After 5 years	15,000
	<u>21,128</u>

The Group is the lessee in respect of a number of properties and items of plant and machinery and office equipment held under leases which were previously classified as operating leases under HKAS 17. The Group has initially applied HKFRS 16 using the modified retrospective approach. Under this approach, the Group adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to these leases. From 1 January 2019 onwards, future lease payments are recognised as lease liabilities in the statement of financial position.

Apart from these leases, the Group is the lessee in respect of a number of properties held under operating leases. These leases typically run for an initial period of 3 to 20 years, with an option to renew the lease when all terms are renegotiated. None of the leases includes contingent rentals.

16 MATERIAL RELATED PARTY TRANSACTIONS

The Group has entered into the following material related parties transactions during the years ended 31 December 2019 and 2018.

An associate

Hubei Changjiang Huasheng Television Co., Ltd.
(associate of the Group prior to 9 December 2019)

An entity controlled by members of key management personnel

Power Fit Limited and its subsidiaries
(An entity controlled by members of key management personnel of the Group since 20 December 2019)

16 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the directors and certain of the highest paid employees, is as follows:

	2019 RMB'000	2018 RMB'000
Short-term employee benefits	5,401	4,306
Post-employment benefits	97	89
	<u>5,498</u>	<u>4,395</u>

(b) Financing arrangement

As at 31 December 2019 and 2018, the Group had the following balances with related parties:

	<i>Note</i>	2019 RMB'000	2018 RMB'000
Amount due from an associate	(i)(ii)	21,971	23,961
Amount due from an equity controlled by members of key management personnel	(iii)	<u>337,617</u>	<u>145,428</u>

- (i) Loss allowances of RMB4,453,000 (2018: RMB2,918,000) have been made in this respect of the amount due from an associate as at 31 December 2019.
- (ii) The amount due from an associate is unsecured, interest-free and has no fixed term of repayment. The amount is included in “trade and other receivables” (note 9).
- (iii) The amount due from an equity controlled by members of key management personnel is included in “trade and other receivables” (note 9).

(c) Material transactions with related parties

During the years of 2019 and 2018, the Group has entered into the following material transactions with related parties:

	<i>Note</i>	2019 RMB'000	2018 RMB'000
Drama series and films distribution income from an associate	(i)	<u>—</u>	<u>3,937</u>

- (i) The directors of the Group are of the opinion that these transactions were conducted on normal commercial terms and in the ordinary course of business of the Group.

17. NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

Due the occurrence of the COVID-19 Outbreak since early 2020, additional uncertainties has been brought about to the Group's operating environment and may impact the Group's operations and financial position.

The Group has been closely monitoring the impact on the Group's businesses and has put in place relevant contingency measures. These contingency measures include: reassessing changes to the customers' preferences on the types of drama series to be broadcasted, assessing the readiness of the production units and revisiting the progress of self-produced drama series, negotiating with customers on possible delay in delivery timetables, enhancing the monitoring of the business environment of the Group's customers, and improving the Group's cash management by expediting debtor settlements and negotiating with suppliers on payment extensions. The staff of the Group, whom returned to work on post-production of drama series since mid-February 2020, has been dealing with and actively respond to the consequences and impact due to the COVID-19 Outbreak. The Group will continue to review the effectiveness of these contingency measures as the situation evolves.

As far as the Group's businesses are concerned, the COVID-19 Outbreak may cause delays in production and delivery of self-produced drama series by the Group, but the directors of the Company consider that such impact could be reduced by expediting the production process upon the cessation of the COVID-19 Outbreak. In addition, the COVID-19 Outbreak may also impact the repayment abilities of the Group's debtors, which in turn may result in additional impairment losses on the Group's trade receivables. These potential impacts have not been reflected in the Financial Information as of 31 December 2019. The actual impacts of the Group may differ from these estimated potential impacts as situation continues to evolve and when further information becomes available.

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY AND BUSINESS OVERVIEW

According to the National Bureau of Statistics of the PRC, China's gross domestic product ("GDP") reached approximately RMB99,086.5 billion in 2019, representing a growth of approximately 6.1% as compared to last year and being 0.5 percentage points lower than that of the corresponding period last year. However, China's GDP growth rates for each of the four quarters of the Year being approximately 6.4%, 6.2%, 6.0% and 6.0% respectively, which is lower than the corresponding period of last year, indicating that the growth rate of China's overall economy is slowing down. In the meanwhile, Chinese economic structure was being optimized. In 2019, the value added contributed by the tertiary industry (which consists of the service sector) amounted to approximately RMB53,423.3 billion, which represents an increase of approximately 6.9% as compared to that of the previous year and accounts for approximately 53.9% of China's GDP for the Year, which was approximately 1.7 percentage points higher than that of the corresponding period last year and approximately 14.9 percentage points higher than the secondary industry in China. The final consumption expenditure in China contributed up to approximately 57.8% of China's GDP in 2019, and the growth rate in the tertiary industry in China for the Year is approximately 0.8 percentage point higher than the average GDP growth rate in China for the Year, indicating that the tertiary industry (which includes the culture industry and consumer service industry) was one of major factors that contributed to and drive the GDP growth in China.

Being one of the important pillars of China's culture industry, the film and television media industry in China continued to face the opportunities and challenges. With the year of 2019 being the 70th anniversary of the founding of the People's Republic of China, the National Radio and Television Administration organised and implemented various measures celebrating the 70th anniversary, including organising the "One-hundred-day" exhibition (the "**One-hundred-day Exhibition**") of outstanding television dramas. On the other hand, the National Radio and Television Administration also tightened its supervision over contents of film and television shows as well as internet dramas and movies, resulting in a sharp decrease in the commencement and application for record filing of film and television projects in China and many films and television dramas were being pulled from cinemas or delayed, not allowing internet dramas and movies to be broadcasted on online video platforms prior to acceptance of the relevant applications for record filing of program planning and broadcasting and restricting the broadcast of some of the costume dramas and idol dramas with strong entertaining features.

In respect of internet dramas, according to the announcement "Information on Internet Drama Shooting and Filing in 2019" issued by the National Radio and Television Administration, filing applications of 803 internet dramas were accepted from February to October 2019 since the implementation of the new dual filing restrictions. Although the overall amount of accepted applications of internet dramas was higher than that of television dramas for the Year, the number of internet dramas produced in China during the Year dropped as compared with the previous years. In respect of films, the total box office of Chinese films in 2019 reached a record-high level of approximately RMB64.27 billion with a year-on-year increase of approximately 5.4%; however, the total number of attendance was approximately 1.73 billion with only a year-on-year increase of approximately 0.64%. The reason for a lower growth rate in attendance than that in the box office is attributable to the fact that the increase in the box office of Chinese movies was mainly contributed by the increase in ticket prices, as well as the high box office of several movies screened during the Chinese spring holidays, summer holidays and National Day holidays.

Despite of the tight restrictions and policies in China, television dramas and films with mainstream themes continued to perform during 2019. Beijing Huasheng Taitong Media Investment Company Limited (“**Huasheng Media**”, a subsidiary of the Group) continued to maintain its competitive advantages by investing in and producing high quality television dramas with mainstream and positive themes. During the Period under Review, “That City, This Family” (那座城, 這家人), a television series invested or produced by Huasheng Media, was nominated for Best TV Series (China) of the 25th Shanghai TV Festival Magnolia Awards in May 2019 and won the 15th “Five-One Project” Award for the Construction of Spiritual Civilization issued by the Publicity Department of the Communist Party of China in August 2019. Among the films and television series invested or produced by Huasheng Media, during the Year, the sitcom “The New Big Head Son and The Little Head Father (Episodes 101-200)” (新大頭兒子小頭爸爸101-200集) was submitted for broadcasting; the large-scale television series “Legend of Businessman in Hongjiang” (一代洪商) obtained the distribution license and is currently at the distribution stage; the historical story drama “Blood Pledge for Thousands of Years” (血盟千年) finished shooting in January 2020, but the post-production of “Blood Pledge for Thousands of Years” (血盟千年) and animated film “Tempering of King Gelsall” (格薩爾王之磨煉) were both delayed due to the unexpected outbreak (the “**COVID-19 Outbreak**”) associated with a novel coronavirus (“**COVID-19**”); and the sitcom “The New Big Head Son and The Little Head Father (Episodes 201-300)” (新大頭兒子小頭爸爸101-200集), television drama “Wu Dang” (天下武當) and realistic drama “Yangtze River Bridge” (長江大橋) reached the stage of script preparation.

In addition, the Group is able to leverage on the diversified IP resources and the experiences and competitive advantage of Beijing Starrise Pictures Co., Ltd (“**Starrise Pictures**”) and Beijing Starwise Culture Media Co., Ltd. (“**Beijing Starwise**”), both of which are the subsidiaries of the Group, to develop a variety of the film and television drama produced by the Group and to expand the audience base of the Group’s films and television drama.

Among the films and television series invested or produced by Starrise Pictures, the theatrical films “The Last Wish” (小小的願望) and “Space Dogs: Adventure to the Moon” (太空狗之月球大冒險), and the internet films “Mystic Kitchen 1 & 2” (如意廚房1 & 2), “Triple Threat” (三重威脅), and “Awakening of Subdued Dragon” (降龍覺醒) were released in the cinema or online platforms in 2019; the internet film “Alien Monster: Survival in the Wild” (異星怪獸之荒野求生) was released in March 2020; the internet film “Breaking Gods” (破神錄) has been scheduled for screening in April 2020; the youth nostalgic film “Once Upon A Time In The Northeast” (東北往事) was submitted for screening; the internet films “The Box” (魔盒, formerly known as “Bosom Friend” (高山流水)) and “Scream” (驚聲尖笑) (formerly known as “Horror Blockbuster” (恐不大片)) and the youth nostalgic film “Here Comes Dashan” (大山來了) are all currently at the release stage; the internet film “Monster Hunters” (鎮魂歌) has not yet to be submitted for approval due to the COVID-19 Outbreak; the internet drama “Legend of Taotie” (饕餮記), the internet movies “Drift on! Zhi” (漂移吧! 小志) and “Sword Maker” (煉劍), the theatrical film “Twin Blades” (尖鋒姐妹, formerly known as “曆小龍與程序媛”) and the television drama “Kapok Blooms Everywhere” (木棉花開紅爛漫) finished shooting, but their post-production was being delayed due to the COVID-19 Outbreak; the film “Tianta Crisis” (天塔危機) is current at the stage of preparation for filming; the internet films “New Tong Pak Foo Dim Chau Heung” (唐伯虎點秋香後傳), “Manhunt” (極寒追惡), “Elderly Hero” (遲暮英雄) and “The First Undercover in the Southern Song Dynasty – The Case of Demon Cat” (南宋第一臥底之妖貓案) were postponed for shooting due to the COVID-19 Outbreak; the internet films “Mystery Case in Ying Dynasty” (大應奇案) and “Yang Jian: God of War” (少年楊戩) finished the stage of scripts writing; and the internet movies “Outlaws of the Marsh: Wu Song” (武松決戰十字坡) and “Emergency Rescuing” (心跳營救) are currently at the stage of script development and preparation.

Among the films and television series invested or produced by Beijing Starwise, the science fiction film “Wandering Earth” (流浪地球), the internet swordsman action film “The Grandmaster of Kungfu” (霍元甲之精武天下), the internet films “Snow Monster” (大雪怪) and “Deadly Sniper” (致命狙殺, formerly known as “Spy” (叛諜)), and the internet dramas “Soulmate” (七月與安生) and “Lipstick Princess” (唯美貌不可辜負) were released at the cinema or online platforms in 2019. In particular, “Wandering Earth” (流浪地球) has made remarkable achievements in both reputation and box office in China, with a total box office of approximately RMB4.654 billion and ranked the third highest grossing movie in respect of box office record in Chinese film history; whilst “Deadly Sniper” (致命狙殺), an unique internet film exploring the theme of the war and resistance, has exceed the public’s expectation of achieving box office results over RMB5 million in 3 days and over RMB10 million in 10 days, which is on par with movies of mainstream themes such as fantasy, monster hunting etc. Other movies invested by Beijing Starwise including, the animated film “GO! REX” (你好, 霸王龍) was approved for release, but with screening postponed due to the COVID-19 Outbreak; the television drama “Healer of Children” (了不起的兒科醫生), and the internet films “Rat Disaster” (大鼠災) and “The Shark” (陸行鯊) finished shooting, but their post-production were delayed due to the COVID-19 Outbreak. In particular, the “Healer of Children” (了不起的兒科醫生) was selected by the National Radio and Television Administration as one of those to be broadcasted during the One-hundred-day Exhibition period; the internet films “Blood Valley Of Wolves” (殺出血狼谷) and “Deadly Sniper 2” (致命狙殺2) has been delayed for shooting due to the COVID-19 Outbreak; the internet dramas “Platina Data” (白金數據), “Bulletproof Teacher” (穿越火線: 防彈教師), “Love Comes Like A Dream” (戀戀如夢令, formerly known as “Back to the dynasty” (午門囡事)), “Fiber” (纖維) and “Shiny Days” (雨過天晴雲開處), all of which are valuable IP projects of Beijing Starwise and are all currently at the stage of script development and early investment.

On 8 July 2019, Starrise Pictures entered into a cooperation agreement with Foreign Trade and Business College of Chongqing Normal University (“**Chongqing Normal University**”), pursuant to which Starrise Pictures and Chongqing Normal University would jointly establish a film and television media school under Chongqing Normal University (the “**Film and Television Media School**”) to cultivate vocational talents for the film and television industry by leveraging on the parties’ resources and brand influence. By the end of 2019, the number of students in the Film and Television Media School reached 1,333 and the tuition received for the Year was approximately RMB4.07 million. The Group believes that the Film and Television Media School will provide the Group with consistent and stable income, as well as a source of professional talents from various disciplines, further enhancing the competitiveness of the Company. Please refer to the announcement of the Company dated 8 July 2019 for further details.

During the Period Under Review, the Group is principally engaged in (i) the sales of textile products and the provision of textile products processing services (the “**Textile Business**”); and (ii) the licensing of drama series and films and the provision of drama series and films production, distribution and related services (the “**Media Business**”). Having considered the factors including overall textile industry in China has been experiencing a consistent, notable decline since 2016, the declining financial performance and limited growth potential of the Textile Business, and uncertainty of the cotton and textile market as a result of the Sino-US trade war, the Board considered that there was a clear strategic need for the Company to dispose of its Textile Business (the “**Disposal**”) and such Disposal represents a good opportunity for the Group to achieve a strategic transformation and allows the Group to reallocate its resources to its Media Business (which has higher return) and other investment opportunities as and when they arise.

On 13 August 2019, the Company and Excel Orient Limited (a company wholly-owned by Mr. Liu Dong, the chairman and executive director of the Company) entered into a sale and purchase agreement in relation to the Disposal. The Disposal was approved by the shareholders of the Company (“**Shareholders**”) at an extraordinary general meeting held on 26 November 2019, and the completion of the Disposal took place on 20 December 2019. Please refer to the Company’s announcements dated 13 August 2019 and 20 December 2019 and the Company’s circular dated 8 November 2019 for further details. During the Year, the Group’s Textile Business recorded the loss before taxation of approximately RMB15 million which is in line with the expectation and strategy of the Board in relation to the Disposal.

During the Period Under Review, the Group’s revenue from the continuing operations was approximately RMB284.2 million, which represented a decrease of approximately RMB68.1 million as compared to that of the previous year. Gross profit from the Group’s continuing operations for the Year was approximately RMB130.3 million, which remained relatively stable as compared that of approximately RMB130.4 million recognised in the previous year. The Group’s revenue from the continuing operations decreased as compared to that of the previous year, but the gross profit margin of the continuing operations increased as compared to that of the previous year.

Profit attributable to equity shareholders of the Company was approximately RMB30.2 million for the Year, which represented an increase in profits of approximately RMB174.9 million as compared to last year’s loss attributable to equity shareholders. Such increase in profits are mainly attributable to the sharp increase in other net profit and the decrease in distribution cost of the Group.

FINANCIAL REVIEW

Turnover, gross profit and gross profit margin from continuing operations

The table below is an analysis of the Group’s turnover, gross profit and gross profit margin from continuing operations for the years ended 31 December 2019 and 2018, respectively:

	For the year ended 31 December					
	2019			2018		
	Turnover RMB’000	Gross profit RMB’000	Gross profit margin %	Turnover RMB’000	Gross profit RMB’000	Gross profit margin %
Film and Television business	<u>284,183</u>	<u>130,347</u>	<u>45.9%</u>	<u>352,326</u>	<u>130,430</u>	<u>37.0%</u>

The gross profit margin of the Group from continuing operation increased by approximately 8.9 percentage points, from approximately 37.0% for the previous year to approximately 45.9% for the Year. The increase in the Group’s gross profit margin was mainly attributable to the increase in proportion of the Group’s film distribution revenue which had higher gross profit margin.

Other net profit/loss

Components of other net losses of the Group mainly comprised of change in fair value of derivatives embedded in convertible bonds, change in carrying amount of convertible bonds as non-substantial modification of the terms and gain on disposal of an associate. The total amount of other net profits for the Period Under Review was approximately RMB9.8 million, representing an increase in other net profits of approximately RMB188.1 million as compared to the other net losses of approximately RMB178.3 million of the previous year. This was mainly due to the losses of approximately RMB29.7 million arising from the change in fair value of derivatives embedded in convertible bonds decreased by approximately RMB146.8 million as compared to the same period of last year, the net investment income of approximately RMB12.0 million from the disposal of an associate and the change in carrying amount of convertible bonds as non-substantial modification of the terms of approximately RMB13.5 million during the year ended 31 December 2019.

Distribution costs

For the year ended 31 December 2019, total distribution costs of the Group decreased by approximately RMB7.6 million to approximately RMB10.2 million as compared to that of the previous year. Such decrease was mainly due to the decrease in the marketing expenses and promotion expenses of films and television dramas of the Group during the Year when compared to that of the previous year.

Administrative expenses

For the year ended 31 December 2019, the administrative expenses of the Group was approximately RMB32.8 million, representing an increase of approximately 14.7% when compared to the administrative expenses of approximately RMB28.6 million in the previous year. The increase was mainly due to the expenditures related to the expense for the Disposal of the Textile Business, the increase of staff cost for the Group's Media Business and the impairment of the Group's account receivables.

Net finance costs

During the year ended 31 December 2019, the net finance cost of the Group were approximately RMB48.3 million, representing a decrease of approximately RMB0.7 million as compared to the net finance cost of approximately RMB49.0 million in 2018. Such decrease was mainly due to the decrease in the interest payments of the convertible bonds issued by the Group subsequent to the conversion of some of the outstanding convertible bonds. For the year ended 31 December 2019, the finance cost of the Group was approximately RMB52.3 million, representing a decrease of approximately RMB15.1 million as compared to approximately RMB67.4 million in 2018.

The finance income for the Year was approximately RMB4.1 million, representing a decrease of approximately RMB14.3 million as compared to approximately RMB18.4 million in 2018. Such decrease was mainly due to the decrease in interest income from the Group's bank deposits and net exchange earnings in 2019.

Taxation

Taxation of the Group was increased by approximately 103.4% from approximately RMB8.8 million in 2018 to approximately RMB17.9 million during the Period under Review. This was mainly due to the increase of taxable income.

Profit attributable to the equity shareholders of the Company

For the year ended 31 December 2019, the profit attributable to the equity shareholders of the Company was approximately RMB30.2 million, representing an increase in profits of approximately RMB174.9 million as compared to the loss attributable to the equity shareholders of approximately RMB144.7 million in 2018. It was mainly due to the sharp increase in other net profit and the decrease in distribution cost of the Group during the Year.

Liquidity and financial resources

As at 31 December 2019, cash and cash equivalents of the Group were approximately RMB193.4 million, representing a decrease of approximately 32.1% from approximately RMB284.7 million as at 31 December 2018. This was mainly due to the decrease in bank deposits of the Company as a result of the increase in the investments of film and television programs during the Year.

For the year ended 31 December 2019, the average trade receivables (including bills receivable) turnover period for films and television dramas of the Group increased to approximately 315 days from approximately 150 days (being restated average trade receivables turnover period for films and television dramas) for the year ended 31 December 2018. Such increase was mainly due to the increase in the average balance of accounts receivables.

For the year ended 31 December 2019, drama series and films turnover period of the Group increased to 704 days from 363 days in the previous year. This was mainly because of the increase in the amount of drama series and films and the decrease in the cost of drama series and films.

As at 31 December 2019, the Group's bank borrowings and obligations under finance lease of approximately RMB37.3 million (2018: approximately RMB204.7 million) bore fixed interest rate at 4.8%-5.2% (2018: fixed interest rate at 4.4%-5.7%) per annum. As at 31 December 2019, the Group did not have bank borrowings. (2018: Nil) bore floating interest rate. The Group's debt associated with convertible bonds was approximately RMB161.5 million as at 31 December 2019 (2018: approximately RMB253.9 million), with annual effective interest rate of 22.0% (2018: 22.0%). As at 31 December 2019, the Group's bonds was approximately of RMB218.1 million (2018: approximately of RMB214.3 million) with annual effective interest rate of 6.0% (2018: annual effective interest rate of 6.0%).

Capital structure

The Group actively and regularly reviews and manages its capital structure to maintain a balance between achieving shareholders returns and prudent level of borrowings and to ensure a sound capital position, and shall from time to time make adjustments to the Group's capital structure in light of changes in economic conditions.

As at 31 December 2019, the debts of the Group were mainly bank borrowings, convertible bonds, bonds and obligations under finance leases with a total amount of approximately RMB537.3 million (2018: approximately RMB845.5 million). As at 31 December 2019, cash and cash equivalents was approximately RMB193.4 million (2018: approximately RMB284.7 million). As at 31 December 2019, the gearing ratio was approximately 28.5% (2018: approximately 58.8%), which was calculated by dividing total debt (i.e. bank borrowings, convertible bonds, bonds and obligations under finance lease, after deducting cash and cash equivalents) by total equity.

As at 31 December 2019, the debts of the Group that will become due within a year were approximately RMB301.8 million (2018: RMB627.2 million).

As at 31 December 2019, the Group's cash and cash equivalents was mainly held in Renminbi, US dollars and HK dollars, of which, approximately RMB27.2 million (2018: RMB96.0 million) or 14.1% (2018: 33.7%) of the cash and cash equivalents was held in Renminbi.

Furthermore, the Group did not have finance lease liabilities as at 31 December 2019 (2018: approximately RMB24.2 million bearing floating interest rates at 5.7%). The carrying amounts of bank loans were denominated in RMB. For the year ended 31 December 2019, no financial instruments were used for hedging purposes, nor were there any foreign currency net investments hedged by current borrowings and/or other hedging instruments.

Capital commitments

Save as disclosed in the note 15 to the financial information of this announcement, the Group did not have any other significant capital commitments as at 31 December 2019 (2018: Nil).

Employee and remuneration policy

As at 31 December 2019, the Group had a total of approximately 96 employees (2018: 1,704). The decrease in the number of staff as compared to that of the previous year was mainly due to the completion of Disposal of the Textile Business in 2019.

For the year ended 31 December 2019, labour costs of the Group from continuing operations (including Directors' remuneration in the form of salaries and other allowances) were approximately RMB22.3 million (2018: approximately RMB20.0 million). The increase of labour costs was mainly because of the increase in staff remuneration.

The Group continues to provide training to staff members to improve their skills. Meanwhile, the Group enhanced the work efficiency and average income of the staff through post-consolidation, process reorganization and improvement of working and living environment of the staff. The remuneration of the employees of the Group was subject to their work performances and experiences, as well as the relevant industry practices. The management of the Group will also periodically review the Group's remuneration policy and the details thereof.

Exposure to foreign exchange risk

The Group adopted a prudent policy in managing its exchange rate risks. The imports and exports of the Group were settled in US dollars. The Group did not experience any significant difficulties in its operations or liquidity as a result of fluctuations in the currency exchange rates during the Period under Review. The Board believes that the Group will have sufficient foreign currency reserves to meet its requirements.

The Group did not use any foreign currency derivatives to hedge against the exposure in foreign exchange during the Year.

Contingent liabilities

The Group did not have any contingent liability as at 31 December 2019 (2018: Nil).

Charges on assets

The Group did not have machinery and equipment pledged to banks as securities for the bank loans as at 31 December 2019 (2018: approximately RMB6.2 million).

Significant investments held

The Group did not hold any significant investment in equity interest in any company for the year ended 31 December 2019.

Future plans for material investments and investments in capital assets

The Group did not have any plans for material investments or investments in capital assets.

Acquisitions and disposals of subsidiaries and affiliated companies

For the year ended 31 December 2019, the Company disposed of Power Fit Limited and its subsidiaries, being the whole Textile Business of the Group. Please refer to the announcements of the Company dated 13 August 2019, 26 November 2019 and 20 December 2019, and the circular of the Company dated 8 November 2019 for further details.

EVENTS AFTER THE REPORTING PERIOD

As at the date of this report, the Group's non-adjusting events after the reporting period are as follow:

- On 27 February 2020, the Company, Dragon Capital Entertainment Fund One LP, and Skyland Circle Technology Limited conditionally agreed to extend the maturity date of the convertible bonds held by Dragon Capital Entertainment Fund One LP in an aggregate principal amount of HK\$120 million ("**Dragon Capital Bonds**") and held by Skyland Circle Technology Limited in an aggregate principal amount of HK\$60 million ("**Skyland Circle Bonds**") from 28 February 2020 to 28 February 2021, which is subject to, among other things, the approval of the Shareholders at the extraordinary general meeting of the Company to be held on 9 April 2020. Please refer to the announcements of the Company dated 27 February 2020 and 10 March 2020 and the circular of the Company dated 24 March 2020 for further details.

Set out below is a breakdown of the shareholding interests in the Company of the Shareholders (i) as at the date of this announcement; (ii) immediately after the full conversion of the Dragon Capital Bonds; (iii) immediately after the full conversion of the Skyland Circle Bonds; and (iv) immediately after the full conversion of all convertible bonds assuming the conversion rights under the convertible bonds are exercised in full at the conversion price of HK\$0.74 per conversion share:

	As at the date of this report		Immediately after the full conversion of the Dragon Capital Bonds		Immediately after the full conversion of the Skyland Circle Bonds		Immediately after the full conversion of the all convertible bonds	
	<i>Approximate</i>		<i>Approximate</i>		<i>Approximate</i>		<i>Approximate</i>	
	<i>No. of Shares</i>	<i>%</i>	<i>No. of Shares</i>	<i>%</i>	<i>No. of Shares</i>	<i>%</i>	<i>No. of Shares</i>	<i>%</i>
Excel Orient Limited ^(Note 1)	307,809,902	21.72	307,809,902	19.49	307,809,902	20.55	307,809,902	18.54
Emerge Ventures Limited ^(Note 2)	204,000,000	14.40	204,000,000	12.92	204,000,000	13.62	204,000,000	12.29
Aim Right Ventures Limited ^(Note 3)	202,472,656	14.29	202,472,656	12.82	202,472,656	13.52	202,472,656	12.20
BeiTai Investment LP	162,162,162	11.44	162,162,162	10.27	162,162,162	10.83	162,162,162	9.77
He Han	13,998,000	0.99	13,998,000	0.89	13,998,000	0.93	13,998,000	0.84
Other public Shareholders	526,469,098	37.16	526,469,098	33.34	526,469,098	35.14	526,469,098	31.71
Dragon Capital Entertainment Fund One LP	–	–	162,162,162	10.27	–	–	162,162,162	9.77
Skyland Circle Technology Limited	–	–	–	–	81,081,081	5.41	81,081,081	4.88
Total	<u>1,416,911,818</u>	<u>100</u>	<u>1,579,073,980</u>	<u>100</u>	<u>1,497,992,899</u>	<u>100</u>	<u>1,660,155,061</u>	<u>100</u>

Notes:

- 307,809,902 shares of the Company are held in the name of Excel Orient Limited, a limited liability company incorporated in the BVI wholly owned by Mr. Liu Dong.
- 204,000,000 shares of the Company are held in the name of Emerge Ventures Limited, a limited liability company incorporated in the BVI wholly owned by Mr. Jin Peng.
- 202,472,656 shares of the Company are held in the name of Aim Right Ventures Limited, a limited liability company incorporated in the BVI wholly owned by Mr. Liu Zhihua.

2. Due the occurrence of the COVID-19 Outbreak since early 2020, additional uncertainties has been brought about to the Group's operating environment and may impact the Group's operations and financial position.

The Group has been closely monitoring the impact on the Group's businesses and has put in place relevant contingency measures. These contingency measures include: reassessing changes to the customers' preferences on the types of drama series to be broadcasted, assessing the readiness of the production units and revisiting the progress of self-produced drama series, negotiating with customers on possible delay in delivery timetables, enhancing the monitoring of the business environment of the Group's customers, and improving the Group's cash management by expediting debtor settlements and negotiating with suppliers on payment extensions. The staff of the Group, whom returned to work on post-production of drama series since mid-February 2020, has been dealing with and actively respond to the consequences and impact due to the COVID-19 Outbreak. The Group will continue to review the effectiveness of these contingency measures as the situation evolves.

As far as the Group's businesses are concerned, the COVID-19 Outbreak may cause delays in production and delivery of self-produced drama series by the Group, but the directors of the Company consider that such impact could be reduced by expediting the production process upon the cessation of the COVID-19 Outbreak. In addition, the COVID-19 Outbreak may also impact the repayment abilities of the Group's debtors, which in turn may result in additional impairment losses on the Group's trade receivables. These potential impacts have not been reflected in the Financial Information as of 31 December 2019. The actual impacts of the Group may differ from these estimated potential impacts as situation continues to evolve and when further information becomes available.

OUTLOOK

2020 is the final year of the "13th Five-Year Plan". However, with the uncertainties caused by the unexpected COVID-19 Outbreak, various sectors of the consumer and service industries such as transportation, catering, tourism, and movies in China was seriously affected. The Company's film and television drama projects have also been affected by the COVID-19 Outbreak which include, the delay of distribution of two dramas, the impact on the post-production of ten dramas due to the inability of employees to return to their works, and the temporary postponement of the commencement date of six television dramas.

Despite the impact caused by the COVID-19 Outbreak during the first half of the Year, the Company is of the view that the impact of the COVID-19 would be temporary and hence is optimistic in regards to China's film and television media industry in a long term due to the following:

1. Based on the past experiences regarding the impact of the SARS on China's economy in 2003, the economic growth in China rapidly resumed after the end of the SARS outbreak, even though such growth was adversely affected during the first quarter of 2003. The Company is of the view that the cultural industry, especially the film and television media industry, will be part of the driving force driving the economic growth in China when the COVID-19 Outbreak is over.
2. Despite the adverse impact the COVID-19 Outbreak had on the film and television media industry due to the delay or postponement in production schedules, the demand for online entertainment increased with the quarantine measures imposed by the relevant PRC authorities encouraging PRC citizens to stay home. Moreover, once the quarantine restrictions are lifted, the Company expects an increase demand for films to be released in the re-opened cinemas which would bring in revenue for the film and television media industry in China.
3. In spite of the tightened control of the film and television media industry in China for the Year, the Chinese government adopted favourable policies in support the film and television media industry. For example, the CEPA Agreement on Trade in Services signed on 21 November 2019 includes policies such as no limitations on the number of TV dramas and television animations produced in Hong Kong to be introduced to the public in China, no restrictions on the identities of the main producers, the proportion of actors and the Chinese elements to be incorporated in films jointly-produced by Hong Kong and Mainland parties, and the removal of management fees for initiating and reporting of co-production projects by Hong Kong and Mainland parties.

Having considered above, although the financial performance of the Group's Media Business in 2020 may be adversely affected due to the COVID-19 Outbreak, the Group is optimistic as to the long-term development of the film and television media industry in China. The Group will continue to focus its resources in promoting and expanding of its Media Business by focusing on the development of high quality and innovative contents in films and television drama engaged by the Group as its core strategy, leveraging on the Group's IP resources and long-term cooperative relationships between the Group and various online video platforms to diversify its audience base, and cultivating professional talents with its own Film and Television Media School to provide stable income and steadily enhance the Group's visibility and competitiveness. The Group will continue to pay close attention to the film and television media industry and make good use of its existing resources with the view to diversify its revenue stream and customer base in respect of the Media Business and to promptly adjust its investment strategies regarding its film and television drama productions to counteract against unexpected circumstances, so as to bring more benefits to its shareholders and better facilitate and sustain the Group's development.

Currently, the Group's preparatory plans and filming works are undergoing smoothly, and the broadcasted films and television dramas for 2019 and broadcasting and production schedule of its films and television series for 2020 are as follows:

No.	Name	Genre	(Planned) Shooting commencement date	Status
1	Wandering Earth (流浪地球)	Science fiction film	In May 2017	Broadcasted in February 2019
2	The Grandmaster of Kongfu (霍元甲之精武天下)	Internet movie	In July 2018	Broadcasted in January 2019
3	Mystic Kitchen 1 (如意廚房1)	Internet movie	In June 2018	Broadcasted in February 2019
4	Triple Threat (三重威脅)	Internet movie	–	Broadcasted in March 2019
5	Mystic Kitchen 2 (如意廚房2)	Internet movie	In June 2018	Broadcasted in June 2019
6	Soulmate (七月與安生)	Internet dramas	In May 2018	Broadcasted in July 2019
7	Beauty is the Most Important (唯美貌不可辜負)	Internet dramas	In August 2018	Broadcasted in July 2019
8	The Last Wish (小小的願望, formerly known as “Great Wish” (偉大的願望))	Theatrical film	In November 2018	Broadcasted in September 2019
9	Snow Monster (大雪怪, formerly known as “Trance” (迷幻境地))	Internet movie	In November 2018	Broadcasted in September 2019
10	Awakening of Subdued Dragon (降龍覺醒)	Internet movie	–	Broadcasted in October 2019

No.	Name	Genre	(Planned) Shooting commencement date	Status
11	Deadly Sniper (致命狙殺, formerly known as “Spy”(叛諜))	Internet movie	In May 2019	Broadcasted in October 2019
12	Space Dogs: Adventure to the Moon (太空狗之 月球大冒險)	Theatrical film	—	Broadcasted in December 2019
13	Alien Monster: Survival in the Wild (異星怪獸之 荒野求生)	Internet movie	In August 2018	Broadcasted in March 2020
14	Breaking Gods (破神錄)	Internet movie	In June 2019	Will be broadcasted in April 2020
15	Once Upon A Time In The Northeast (東北往事)	Youth nostalgic film	In March 2017	Submitted for Screening
16	The 101-200 episodes of The New Big Head Son and The Little Head Father (新大頭兒子 小頭爸爸 101-200集)	Situation comedy	In February 2019	Submitted for Screening
17	GO! REX (你好,霸王龍)	Animated movie	In May 2017	Broadcast delayed
18	Scream (驚聲尖笑, formerly known as “Horror Blockbuster” (恐不大片))	Internet movie	In November 2017	At the release stage

No.	Name	Genre	(Planned) Shooting commencement date	Status
19	Here Comes Dashan (大山來了)	Youth nostalgic film	In December 2017	At the release stage
20	The Box (魔盒, formerly known as “Bosom Friend (高山流水))	Internet movie	In July 2018	At the release stage
21	Legend of Businessman in Hongjiang (一代洪商)	Historical story drama	In October 2018	At the release stage
22	Monster Hunters (鎮魂歌)	Internet movie	In December 2018	Submission for approval delayed
23	Kapok Blooms Everywhere (木棉花開紅爛漫)	Realistic dramas	In September 2018	Post-production delayed
24	The Tale of the Mythical Ferocious Animal (饕餮記)	Internet dramas	In October 2018	Post-production delayed
25	Healer of Children (了不起的 兒科醫生)	Workplace drama	In January 2019	Post-production delayed
26	The Shark (陸行鯊)	Internet movie	In April 2019	Post-production delayed
27	Rat Disasters (大鼠災)	Internet movie	In May 2019	Post-production delayed
28	Twin Blades (尖鋒姐妹, formerly known as (曆小龍與程序媛))	Theatrical film	In May 2019	Post-production delayed
29	Drift on! Zhi (漂移吧！小志)	Internet movie	In August 2019	Post-production delayed
30	Sword Maker (煉劍)	Internet movie	In August 2019	Post-production delayed
31	Blood Pledge for Thousands (血盟千年)	Historical story drama	In October 2019	Post-production delayed

No.	Name	Genre	(Planned) Shooting commencement date	Status
32	Tempering of King Gelsall (格薩爾王之磨煉)	Animation film	–	Post-production delayed
33	New Tong Pak Foo Dim Chau Heung (唐伯虎點秋香後傳)	Internet movie	Originally scheduled in March 2020*	Filming delayed
34	Blood Valley of Wolves (殺出血狼谷)	Internet movie	Originally scheduled in March 2020*	Filming delayed
35	Deadly Sniper 2 (致命狙殺2)	Internet movie	Originally scheduled in April 2020*	Filming delayed
36	Manhunt (極寒追惡)	Internet movie	Originally scheduled in February 2020*	Filming delayed
37	Elderly Hero (遲暮英雄)	Theatrical film	Originally scheduled in February 2020*	Filming delayed
38	The First Undercover in the Southern Song Dynasty – The Case of Demon Cat (南宋第一臥底之妖貓案)	Internet movie	Originally scheduled in May 2020*	Filming delayed
39	Tianta Crisis (天塔危機)	Theatrical film	In 2020	Preparing filming
40	Mystery Case in Ying Dynasty (大應奇案)	Internet movie	In 2020	Script finished
41	Yan Jian: God of War (少年楊戩)	Internet movie	In 2020	Script finished
42	The 201-300 episodes of The New Big Head Son and The Little Head Father 新大頭兒子 小頭爸爸201-300集	Situation comedy	In 2020	Preparing filming
43	Platinum Data (白金數據)	Internet dramas	In 2020	Preparing filming

No.	Name	Genre	(Planned) Shooting commencement date	Status
44	Bulletproof Teacher (穿越火線：防彈教師)	Internet dramas	In 2020	Preparing filming
45	Love Comes Like a Dream (戀戀如夢令, formerly known as “Back to the Dynasty (午門囡事))	Internet dramas	In 2020	Preparing filming
46	Yangtze River Bridge (長江大橋)	Realistic dramas	In 2020	Preparing filming
48	Outlaws of the Marsh: Wu Song (武松決戰十字坡)	Internet movie	In 2020	Preparing filming
49	Emergency Rescuing (心跳營救)	Internet movie	In 2020	Preparing filming
50	Fiber (纖維)	Internet dramas	In 2020	Preparing filming
51	Shiny Days (雨過天晴雲開處)	Internet dramas	In 2020	Preparing filming
52	Wu Dang (天下武當)	Television drama	In 2020	Preparing filming

* Shooting delayed because of COVID-19 Outbreak.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

For the year ended 31 December 2019, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s listed securities.

CORPORATE GOVERNANCE

Adapting and adhering to the recognised standards of corporate governance principles and practices has always been one of the top priorities of the Company. The Board believes that good corporate governance is one of the areas that lead to the success of the Company and in balancing the interests of shareholders, customers and employees, and the Board is devoted to ongoing enhancements of the efficiency and effectiveness of such principles and practices.

For the year ended to 31 December 2019, the Company had adopted and complied with the code provisions (the “**Code Provisions**”) set out in the Corporate Governance Code and Corporate Governance Report contained in Appendix 14 to The Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”).

MODEL CODE FOR SECURITIES TRANSACTION BY THE DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 of the Listing Rules as the code of conduct regarding securities transactions by Directors of the Company. The Company confirms that, having made specific enquiry of all Directors, all the Directors have complied with the required standards of dealing as set out in the Model Code during the Year.

AUDIT COMMITTEE

The Audit Committee established by the Board has reviewed the accounting principles and practices adopted by the Group and discussed internal control and financing reporting matters with the senior management. The Audit Committee was satisfied that the consolidated financial statements of the Group for the year ended 31 December 2019 were prepared in accordance with applicable accounting standards and presented fairly the financial position and results of the Group for the Year.

FINAL DIVIDEND

Having considered that the year of 2020 will be essential for the development of the Company and the Group’s Media Business, the Board does not recommend the payment of a final dividend for the year ended 31 December 2019. At this point, the Board is committed to the further development of the Company in the coming years, in order to get a better return for the Shareholders.

ANNUAL GENERAL MEETING

The annual general meeting of the Company (the “**AGM**”) will be held on Friday, 29 May 2020. Shareholders should refer to the details regarding the AGM in the circular of the Company to be dispatched on or around April 2020 and the notice of the AGM and form of proxy accompanying thereto.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 26 May 2020 to Friday, 29 May 2020, both days inclusive, during which period no share transfers can be registered. In order to be eligible for attending and voting at the AGM, all transfer instruments accompanied by the relevant share certificates must be lodged with the Company’s branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong no later than 4:30 p.m. on Monday, 25 May 2020.

SCOPE OF WORK OF THE AUDITORS

The financial figures in respect of Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2019 as set out in this announcement have been compared by the Group's auditor KPMG, Certified Public Accountants, against the amounts set out in the Group's draft consolidated financial statements for the year ended 31 December 2019 and the amounts were found to be in agreement. The work performed by KPMG in this respect did not constitute an audit, review or other assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the auditor.

PUBLICATION OF THIS ANNOUNCEMENT AND ANNUAL REPORT

This announcement is published on the websites of both the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.starrise.cn>) and the annual report of the Company for the Year will be dispatched to the Shareholders within the time specified under the Listing Rules.

By order of the Board
Starrise Media Holdings Limited
Liu Dong
Chairman

Beijing, the PRC
27 March 2020

As at the date of this announcement, the Board comprises eight Directors, namely Mr. LIU Dong, Mr. LIU Zongjun, Ms. CHEN Chen, Mr. HE Han and Mr. TAN Bin as executive Directors; Mr. WANG Liangliang, Mr. LAM Kai Yeung and Ms. LIU Chen Hong as independent non-executive Directors.

This announcement is prepared in both Chinese and English. In the event of inconsistency, the English text of this announcement shall prevail over the Chinese.