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If you have sold or transferred all your shares in Starrise Media Holdings Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee or to the bank manager, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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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)

**(1) PROPOSED EXTENSION OF MATURITY DATE OF
CONVERTIBLE BONDS UNDER SPECIFIC MANDATE;**

AND

(2) NOTICE OF EXTRAORDINARY GENERAL MEETING

Capitalised terms used herein shall have the meanings set out in the section headed “Definitions” of this circular.

A notice convening the EGM (as defined herein) of Starrise Media Holdings Limited to be held at Building A10, 50 Anjialou, Chaoyang District, Beijing, the People’s Republic of China on Thursday, 9 April 2020 at 2:00 p.m. is set out on pages EGM-1 to EGM-2 of this Circular. Whether or not you are able to attend the meeting, please complete and return the accompanying form of proxy in accordance with the instructions printed thereon and return it to the branch share registrar and transfer office of Starrise Media Holdings Limited in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong, as soon as possible and in any event not less than 48 hours before the time fixed for the holding of the meeting (i.e. Tuesday, 7 April 2020 at 2:00 p.m.) or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjournment thereof (as the case may be) should you so wish.

24 March 2020

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DEFINITIONS

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

“1st Extended Period”	the period commenced on the second anniversary of the Issue Date and ending on the third anniversary of the Issue Date
“1st Extension”	the extension of the Maturity Date of the Outstanding Bonds by one additional year to 28 February 2020
“1st Extension Agreement”	the amendment agreement dated 28 February 2019 entered into between the Company and Dragon Capital in relation to the 1st Extension
“1st Extension Circular”	the circular of the Company dated 20 March 2019 in relation to, among other things, the 1st Extension of the maturity date of the Bonds under specific mandate
“2019 Share Charge”	charge over the Aim Right Shares dated 28 February 2019 executed by Aim Right as security for the due performance of the Company’s obligations under the conditions of the Outstanding Bonds during the 1st Extended Period
“2nd Extended Period”	the period commenced on the third anniversary of the Issue Date and ending on the fourth anniversary of the Issue Date
“2nd Extension”	the extension of the Maturity Date of the Outstanding Bonds by one additional year to 28 February 2021
“2nd Extension Agreement”	the amendment agreement dated 27 February 2020 entered into between the Company, Dragon Capital and Skyland Circle in relation to the 2nd Extension
“2nd Extension Announcement”	the announcement of the Company dated 27 February 2020 in relation to the 2nd Extension
“Affiliate(s)”	with respect to a person, any and all other person(s) that, directly or indirectly through one or more intermediaries, control, is controlled by, or is under common control with, such person

DEFINITIONS

“Aim Right”	Aim Right Ventures Limited, a company incorporated in the British Virgin Islands with limited liability and is wholly-owned by Mr. Liu as at the Latest Practicable Date
“Aim Right Shares”	all Shares registered in the name and/or otherwise held by Aim Right as at the date of the 2nd Extension Agreement, which amounted to 202,472,656 Shares and represented approximately 14.29% of the issued share capital of the Company as at the Latest Practicable Date
“Announcements”	collectively, the Initial Announcements, the Price Adjustment Announcements, the BeiTai Transfer Announcements, the Skyland Circle Transfer Announcements and the 2nd Extension Announcement
“Base Redemption Amount”	<p>in respect of any principal amount of the outstanding Bonds and to be redeemed by the Company (other than in an early redemption due to the occurrence of an event of default), an amount equal to the aggregate of:</p> <ol style="list-style-type: none">(1) 100% of the principal amount of the outstanding Bonds;(2) interest accrued and unpaid under the conditions of the Bonds (including any interest accruing on overdue but unpaid amounts);(3) the Premium;(4) any default interest accrued and outstanding to the Bondholder(s) pursuant to the conditions of the Bonds; and any other payment accrued and outstanding to the Bondholder(s) pursuant to the conditions of the Bonds

DEFINITIONS

“BeiTai Transfer Announcements”	two announcements of the Company dated 25 February 2019 and the announcement of the Company dated 28 February 2019, in relation to, among other things, the transfer of the Bonds in the aggregated principal amount of HK\$120,000,000 from Dragon Capital to BeiTai Investment LP and the conversion of the transferred Bonds, the extension of the maturity date of the remaining bonds in the aggregated principal amount of HK\$180,000,000 held by Dragon Capital and the creation of the 2019 Share Charge
“Board”	the board of Directors
“Bondholder(s)”	a person who is for the time being the registered holder(s) of a Bond
“Bonds”	the unlisted convertible bonds in an aggregate principal amount of HK\$300,000,000 issued by the Company on 28 February 2017 (or any part thereof)
“Business Day”	a day other than a Saturday or Sunday on which commercial banks are open for business in Hong Kong
“Circulars”	collectively, the Initial Circular and the 1st Extension Circular
“Company”	Starrise Media Holdings Limited, a limited liability company incorporated in the Cayman Islands, the shares of which are listed on the main board of the Stock Exchange
“Conditions Precedent”	the conditions precedent to the Extension, details of which are set out in the paragraph headed “Conditions Precedent to the 2nd Extension” of this circular
“Conversion Price”	the conversion price per Conversion Share after adjustment, which is currently HK\$0.74 per Conversion Share (subject to further adjustments)

DEFINITIONS

“Conversion Rights”	the right(s) of a Bondholder to convert whole or part of the principal amount of any Bond into Shares subject to and in accordance with the terms and conditions of the Bonds
“Conversion Shares”	the Share(s) to be issued and allotted upon conversion of the Bonds
“Current Market Price”	in respect of a Share on a particular date, the average of the closing price for the five consecutive trading days ending on the trading day immediately preceding such date
“Directors”	the directors of the Company
“Dragon Capital”	Dragon Capital Entertainment Fund One LP, an exempted limited partnership registered in the Cayman Islands
“Dragon Capital Bonds”	the Bonds in an aggregate principal amount of HK\$120,000,000 held by Dragon Capital as at the Latest Practicable Date
“Dragon Capital Guarantees”	the guarantee deeds executed by Aim Right and Mr. Liu, respectively, on the Issue Date in respect of the continuing guarantee over all sums due and payable to Dragon Capital under the Bonds held by Dragon Capital
“Deed of Amendment”	the deed of amendment to the 2019 Share Charge executed by Aim Right over all of the Aim Right Shares as security for the due performance of the Company’s obligations under the conditions of the Dragon Capital Bonds during the 2nd Extended Period
“EGM”	the extraordinary general meeting of the Company to be held for considering, and if thought fit, approving the New Specific Mandate
“Group”	the Company and its subsidiaries from time to time
“Guarantors”	Aim Right and Mr. Liu

DEFINITIONS

“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party(ies)”	a person independent of the Company and its connected person (as defined in the Listing Rules)
“Initial Announcements”	the announcements of the Company dated 22 December 2016, 30 December 2016 and 28 February 2017, in relation to, among other things, the issuance of the Bonds in the aggregate principal amount of HK\$300,000,000 to Dragon Capital and the Dragon Capital Guarantees executed by Aim Right and Mr. Liu in favour of Dragon Capital
“Initial Circular”	the circular of the Company dated 17 January 2017 in relation to the initial issuance of the Bonds to Dragon Capital
“Issue Date”	28 February 2017, being the date of issue of the Bonds
“Last Trading Day”	26 February 2020, being the last trading day preceding the date of signing of the 2nd Extension Agreement
“Latest Practicable Date”	19 March 2020, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mandatory Conversion Event Trigger”	<p>shall occur if:</p> <p>(a) during the third year after the Issue Date (if the Maturity Date has been extended pursuant to the conditions of the Bonds), the Closing Price of the Shares for 30 consecutive trading days ending on and including the trading day last preceding such date at any time is at or above HK\$3.30;</p>

DEFINITIONS

- (b) during the fourth year after the Issue Date (if the Maturity Date has been extended pursuant to the conditions of the Bonds), the Closing Price of the Shares for 30 consecutive trading days ending on and including the trading day last preceding such date at any time is at or above HK\$4.30; or
- (c) during the fifth year after the Issue Date (if the Maturity Date has been extended pursuant to the conditions of the Bonds), the Closing Price of the Shares for 30 consecutive trading days ending on and including the trading day last preceding such date at any time is at or above HK\$5.60

“Maturity Date”	being the maturity date of the Bonds, which was initially 28 February 2019 (being the second anniversary of the Issue Date), which was further extended to 28 February 2020 pursuant to the 1st Extension; or if the 2nd Extension becomes effective, extended to 28 February 2021 (being the fourth anniversary of the Issue Date)
“Mr. Liu”	Mr. Liu Zhihua (劉志華), a substantial shareholder of the Company
“New Arrangements”	the 2nd Extension and the transactions contemplated under the Outstanding Bonds after the 2nd Extension, which for the purposes of the Listing Rules would together be treated as new arrangements for the Company to issue the Outstanding Bonds to Dragon Capital and Skyland Circle
“New Specific Mandate”	the specific mandate to be sought from the Shareholders at the EGM for the allotment and issue of the Conversion Shares upon full conversion of the Outstanding Bonds at the Conversion Price of HK\$0.74 (subject to further adjustments) under the New Arrangements
“Obligors”	the Company, Aim Right and Mr. Liu

DEFINITIONS

“Outstanding Bonds”	Bonds in aggregate principal amount of HK\$180,000,000 which remain outstanding as at the Latest Practicable Date, or any part thereof
“Price Adjustment”	the adjustment to the Conversion Price of the Bonds from HK\$1.21 per Conversion Share to HK\$0.74 per Conversion Share which took effect from 5 February 2018, details of which are set out in the Price Adjustment Announcements
“Price Adjustment Announcements”	the announcements of the Company dated 17 January 2018 and 5 February 2018, respectively, in relation to, among other things, the Price Adjustment
“PRC”	The People’s Republic of China, which for the purpose of this circular excludes Hong Kong, Taiwan and the Macau Special Administrative Region
“Previous Specific Mandates”	the specific mandates previously granted by the Shareholders at the extraordinary general meetings of the Company held on (a) 6 February 2017 for the allotment and issue of the Conversion Shares upon full conversion of the Bonds at the initial Conversion Price of HK\$1.21 and (b) 8 April 2019 for the grant of new specific mandate regarding the 1st Extension
“Premium”	such additional amount which would make up a return of 12% per annum on the principal amount of any outstanding Bonds, calculated from the Issue Date to the date of redemption of the same, taking into account all interest of 5% per annum paid on the Bonds prior to or on the date of such redemption and the loan interest rates ranging from 8% to 13% per annum of loans of comparable companies (taking into consideration that the Premium would only be payable in aggregate at the date of redemption if the Bondholder(s) has not exercised any of the Conversion Rights before the Maturity Date which lessen the pressure on the Company’s cash flow during the Conversion Period)
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)

DEFINITIONS

“Share(s)”	ordinary share(s) of US\$0.01 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of the Shares
“Skyland Circle”	Skyland Circle Technology Limited, a company incorporated under the laws of Hong Kong with limited liability
“Skyland Circle Bonds”	the Bonds in an aggregate principal amount of HK\$60,000,000 held by Skyland Circle as at the Latest Practicable Date
“Skyland Circle Corporate Guarantee”	the guarantee deed to be executed by Aim Right in respect of the continuing guarantee over all sums due and payable to Skyland Circle under the Bonds held by Skyland Circle
“Skyland Circle Guarantees”	collectively, the Skyland Circle Corporate Guarantee and the Skyland Circle Personal Guarantee
“Skyland Circle Personal Guarantee”	the guarantee deed to be executed by Mr. Liu in respect of the continuing guarantee over all sums due and payable to Skyland Circle under the Bonds held by Skyland Circle
“Skyland Circle Transfer Announcements”	the announcements of the Company dated 30 October 2019 and 13 November 2019 in relation to the transfer of the Bonds in the aggregated principal amount of HK\$60,000,000 from Dragon Capital to Skyland Circle
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Terms of 1st Extension”	the additional terms and conditions which are applicable to the Outstanding Bonds during the 1st Extended Period as agreed between the Company and the Dragon Capital
“Terms of 2nd Extension”	the additional terms and conditions which are applicable to the Outstanding Bonds during the 2nd Extended Period as agreed between the Company, Dragon Capital and Skyland Circle
“%”	per cent

LETTER FROM THE BOARD



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)

Executive Directors:

Mr. LIU Dong (*Chairman*)

Mr. LIU Zongjun (*Chief Executive Officer*)

Ms. CHEN Chen

Mr. HE Han

Mr. TAN Bin

Registered office in the Cayman Islands:

P.O. Box 309

Ugland House

Grand Cayman KY1-1104

Cayman Islands

Independent Non-executive Directors:

Mr. LAM Kai Yeung

Ms. LIU Chen Hong

Mr. WANG Liangliang

Principal place of business in Hong Kong:

40/F, Sunlight Tower

248 Queen's Road East

Wanchai

Hong Kong

24 March 2020

To the Shareholders

Dear Sir or Madam,

**(1) PROPOSED EXTENSION OF MATURITY DATE OF
CONVERTIBLE BONDS UNDER SPECIFIC MANDATE;
AND**

(2) NOTICE OF EXTRAORDINARY GENERAL MEETING

INTRODUCTION

Reference is made to:

- (a) the Initial Announcements and the Initial Circular in relation to, among other things, the issuance of the Bonds in the aggregate principal amount of HK\$300,000,000 to Dragon Capital and the Dragon Capital Guarantees executed by Aim Right and Mr. Liu in favour of Dragon Capital;

LETTER FROM THE BOARD

- (b) the Price Adjustment Announcements in relation to, among other things, the adjustments in the conversion price of the Bonds to the adjusted Conversion Price of HK\$0.74 per Conversion Share;
- (c) the BeiTai Transfer Announcements in relation to, among other things, the transfer of the Bonds in the aggregated principal amount of HK\$120,000,000 from Dragon Capital to BeiTai Investment LP and the conversion of the transferred Bonds, the extension of the maturity date of the remaining bonds in the aggregated principal amount of HK\$180,000,000 held by Dragon Capital and the creation of the 2019 Share Charge;
- (d) the 1st Extension Circular in relation to, among other things, the 1st Extension of the Maturity Date of the Bonds under specific mandate;
- (e) the Skyland Circle Transfer Announcements in relation to, among other things, the transfer of the Bonds in the aggregated principal amount of HK\$60,000,000 from Dragon Capital to Skyland Circle; and
- (f) the 2nd Extension Announcement in relation to, among other things, the entering into of the 2nd Extension Agreement and the 2nd Extension to extend the Maturity Date of the Outstanding Bonds by one additional year to 28 February 2021.

As disclosed in the 2nd Extension Announcement, the Company has, after arm's length negotiations between the Company, Dragon Capital and Skyland Circle, entered into the 2nd Extension Agreement with Dragon Capital and Skyland Circle, pursuant to which the Company, Dragon Capital and Skyland Circle have agreed to extend the Maturity Date of the Outstanding Bonds by one additional year to 28 February 2021 subject to the conditions set out therein.

The purpose of this circular is to provide you with further details of the 2nd Extension, the Terms of 2nd Extension and the New Specific Mandate, the notice convening the EGM, and other information as required under the Listing Rules.

THE 2ND EXTENSION AGREEMENT

Date

27 February 2020

Parties

- (1) The Company (as the issuer);
- (2) Dragon Capital (as the holder of the Dragon Capital Bonds); and
- (3) Skyland Circle (as the holder of the Skyland Circle Bonds).

LETTER FROM THE BOARD

Pursuant to the terms of the 2nd Extension Agreement, the Company, Dragon Capital and Skyland Circle conditionally agreed to further extend the Maturity Date of the Outstanding Bonds to 28 February 2021 on the Terms of 2nd Extension as set out below:

- (a) at any time during the 2nd Extended Period, the Company may, at its sole and absolute discretion, redeem all or part of the Outstanding Bonds at the Base Redemption Amount together with any accrued and unpaid amounts owing to the Bondholder(s) in connection with the then outstanding Bonds by serving a notice to the Bondholder(s); and
- (b) at any time during the 2nd Extended Period, the Bondholder(s) may, by giving notice to the Company, require the Company to redeem all of the then outstanding Bonds at the Base Redemption Amount together with any accrued and unpaid amounts owing to the Bondholder(s) in connection with the outstanding Bonds.

Save for the 2nd Extension and the Terms of 2nd Extension, all other terms and conditions of the Outstanding Bonds as set out in the Circulars shall remain unchanged.

Conditions Precedent

The Extension will become effective subject to the fulfilment of, *inter alia*, the following conditions:

- (a) the Stock Exchange having approved the 2nd Extension in accordance with the Listing Rules;
- (b) Aim Right having executed the Deed of Amendment to the 2019 Share Charge, in form and substance satisfactory to Dragon Capital, in favour of Dragon Capital pursuant to which Aim Right shall continue to provide a charge over the Aim Right Shares as security for the due performance of the Company's obligations under the conditions of the Dragon Capital Bonds during the 2nd Extended Period;
- (c) Aim Right and Mr. Liu each having executed the Skyland Corporate Guarantee and the Skyland Circle Personal Guarantee respectively, in form and substance satisfactory to Skyland Circle, in favour of Skyland Circle pursuant to which the Guarantors unconditionally and irrevocably guarantees the due and punctual observance and performance by the Company's obligations under the conditions of the Skyland Circle Bonds during the 2nd Extended Period and the due and punctual payment of all and any sums which are or at any time may be payable by the Company under the conditions of the Skyland Circle Bonds during the 2nd Extended Period;
- (d) all necessary consents and approvals required to be obtained on the part of the Company in respect of the 2nd Extension having been obtained;

LETTER FROM THE BOARD

- (e) the Company having complied with all applicable requirements under the Listing Rules (including the obtaining of the approval of shareholders of the Company at a general meeting held in respect of the grant of the New Specific Mandate regarding the 2nd Extension), and/or having completed, obtained and fulfilled all necessary approvals, notices and clearances of any relevant regulatory authorities or other relevant third parties as required in respect of the 2nd Extension, if applicable; and
- (f) Dragon Capital having obtained a legal opinion addressed to Dragon Capital on the 2nd Extension, in such form and substance satisfactory to Dragon Capital.

Each of the conditions set out above is not waivable under any circumstances.

The 2019 Share Charge

On 28 February 2019, Aim Right, as a substantial shareholder of the Company, executed the 2019 Share Charge in favour of Dragon Capital pursuant to which Aim Right agreed to provide a charge over all of the Aim Right Shares as security for the due performance of the Company's obligations under the conditions of the Bonds held by Dragon Capital during the 1st Extended Period.

As a Condition Precedent to the 2nd Extension, Aim Right shall execute the Deed of Amendment to the 2019 Share Charge in favour of Dragon Capital pursuant to which Aim Right shall continue to provide a charge over all of the Aim Right Shares as security for the due performance of the Company's obligations under the conditions of the Dragon Capital Bonds during the 2nd Extended Period.

The Dragon Capital Guarantees and the Skyland Circle Guarantees

As disclosed in the Circulars, the Dragon Capital Guarantees were executed by Aim Right and Mr. Liu, respectively, on 28 February 2017, being the Issue Date of the Bonds. The Dragon Capital Guarantees shall remain effective and unchanged during the 2nd Extended Period notwithstanding the 2nd Extension.

As a Condition Precedent to the 2nd Extension, the Skyland Circle Corporate Guarantee shall be executed by Aim Right and the Skyland Circle Personal Guarantee shall be executed by Mr. Liu for due and punctual observance and performance by the Company's obligations under the conditions of the Skyland Circle Bonds during the 2nd Extended Period and the due and punctual payment of all and any sums which are or at any time may be payable by the Company under the conditions under the Skyland Circle Bonds during the 2nd Extended Period.

LETTER FROM THE BOARD

Set out below is a summary of the principal terms of the Guarantees:

Guarantors

Aim Right and Mr. Liu, respectively

Subject matter

Each of the Guarantors had, among other things:

- (a) agreed to guarantee to the relevant Bondholder the due and punctual observance and performance by each Obligor of all moneys, obligations and liabilities owing or payable or expressed to be owing or payable by the Obligors to the relevant Bondholder under or in connection with the transaction documents relating to the Bonds;
- (b) undertaken to pay the relevant Bondholder from time to time, upon demand by the relevant Bondholder, any and all sums of money which any Obligor is at any time liable, or expressed to be liable, to pay to the relevant Bondholder under or pursuant to any or all of the transaction documents relating to the Bonds and which have become, or are expressed to have become, due and payable but have not been paid at the time such demand is made as if it/he was the principal obligor in respect of that amount; and
- (c) agreed with the relevant Bondholder that if, for any reason, any amount claimed by the relevant Bondholder pursuant to the transaction documents relating to the Bonds is not recoverable from it/him on the basis of a guarantee, then it/he will be liable as principal debtor and primary obligor to indemnify the relevant Bondholder in respect of any loss it incurs as a result of any Obligor failing to pay any amount expressed to be payable by it under a transaction document relating to the Bonds on the date when the relevant Bondholder ought to have been paid.

Status

The Guarantees are and shall be each a continuing guarantee and indemnity, and shall each be extended to the ultimate balance of all sums payable by the Obligors under the transaction documents relating to the Bonds, regardless of any intermediate payment or discharge in part, until all moneys, obligations and liabilities owing or payable or expressed to be owing or payable by the Obligors to the relevant Bondholder under or in connection with the transaction documents relating to the Bonds have been irrevocably repaid and discharged in whole.

LETTER FROM THE BOARD

THE OUTSTANDING BONDS

As at the Latest Practicable Date, the Bonds in the principal amount of HK\$180,000,000, being the Outstanding Bonds, remain outstanding.

The Outstanding Bonds are convertible into 243,243,243 Conversion Shares at the adjusted Conversion Price of HK\$0.74 per Conversion Share, which represents approximately 17.17% of the issued share capital of the Company as at the Latest Practicable Date and approximately 14.65% of the issued share capital of the Company as enlarged by the issuance of such Conversion Shares.

As at the Latest Practicable Date, the Outstanding Bonds consists of:

- (a) the Dragon Capital Bonds in an aggregate principal amount of HK\$120.00 million which are convertible into 162,162,162 Conversion Shares at the adjusted Conversion Price of HK\$0.74 per Conversion Share, representing (i) approximately 11.45% of the issued share capital of the Company as at the Latest Practicable Date; (ii) approximately 10.27% of the issued share capital of the Company as enlarged by the issuance of such Conversion Shares upon the full conversion of the Dragon Capital Bonds; and (iii) approximately 9.77% of the issued share capital of the Company as enlarged by the issuance of such Conversion Shares upon the full conversion of the Dragon Capital Bonds and the Skyland Circle Bonds; and
- (b) the Skyland Circle Bonds in an aggregate principal amount of HK\$60.00 million which are convertible into 81,081,081 Conversion Shares at the adjusted Conversion Price of HK\$0.74 per Conversion Share, representing (i) approximately 5.72% of the issued share capital of the Company as at the Latest Practicable Date; (ii) approximately 5.41% of the issued share capital of the Company as enlarged by the issuance of such Conversion Shares upon the full conversion of the Skyland Circle Bonds; and (iii) approximately 4.88% of the issued share capital of the Company as enlarged by the issuance of such Conversion Shares upon the full conversion of the Dragon Capital Bonds and the Skyland Circle Bonds.

Principal terms of the Outstanding Bonds

The principal terms of the Outstanding Bonds (as amended by the Price Adjustment, the 1st Extension, the 2nd Extension, the Terms of 1st Extension and the Terms of 2nd Extension) are summarised below:

Aggregate principal amount : HK\$180.00 million

Maturity Date : 28 February 2021

LETTER FROM THE BOARD

- Conversion Price : HK\$0.74 per Conversion Share (subject to further adjustment(s), if any)
- Interests : 5% per annum payable in advance every three calendar months.
- Default interests : If an event of default occurs, interest shall accrue on the then outstanding principal amount of the Outstanding Bonds from and including the date of occurrence of such event of default at an interest rate of 25% per annum and shall be payable on demand.
- Conversion Period : The period from the date of issuance of the Outstanding Bonds up to the Maturity Date (both days inclusive).
- Conversion Rights : Subject to the terms and conditions of the Outstanding Bonds, a Bondholder shall have the right, exercisable during the Conversion Period, to convert the whole or any part (in integral multiples of HK\$5,000,000) of the outstanding principal amount of the Outstanding Bonds held by such bondholder into such number of Conversion Shares as will be determined by dividing the principal amount of the Outstanding Bonds to be converted by the Conversion Price in effect on the date of conversion.

If a Mandatory Conversion Event Trigger occurs, the Company shall issue a conversion notice to the Bondholder(s) to, subject to the terms and conditions of the Outstanding Bonds, require the Bondholder to convert all or part of the outstanding Bonds held by the Bondholder(s) at that time. The Bondholder(s) shall at all times have the discretion to determine the amount of Outstanding Bonds to be converted (provided that such amount is more than HK\$5,000,000 and is an integral multiple of HK\$5,000,000). Each conversion following a Mandatory Conversion Event Trigger may only occur once a year.

LETTER FROM THE BOARD

- Ranking : Shares converted upon exercise of the Conversion Rights shall rank *pari passu* in all respects with all other Shares in issue at the date of conversion and all Conversion Shares shall include rights to participate in all dividends and other distributions.
- Transferability : The Outstanding Bonds may be transferred to an Affiliate of the Bondholder(s) without consent from the Company and may be transferred to any other person after receiving prior written consent from the Company.
- Adjustment of the Conversion Price : The Conversion Price shall from time to time be adjusted upon:
- (i) consolidation or sub-division;
 - (ii) capitalisation of profits or reserves;
 - (iii) capital distributions;
 - (iv) rights issues of Shares or options over Shares;
 - (v) issuance of Shares or any options, warrants or other rights to subscribe for or purchase Shares wholly for cash at less than 90% of the Current Market Price; or
 - (vi) other issues of Shares at less than 90% of the Current Market Price.
- Listing : No application has been or will be made for the listing of the Outstanding Bonds on the Stock Exchange or any other stock exchange. Application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in the Conversion Shares under the New Arrangement.

LETTER FROM THE BOARD

Redemption : **Maturity:** Unless (i) the maturity of the Outstanding Bonds is accelerated upon the occurrence of an event of default, or (ii) the Outstanding Bonds are redeemed prior to the Maturity Date, the Company shall redeem all outstanding Bonds on the Maturity Date in the following manners:

- (1) if the Bondholder(s) has not exercised any of the Conversion Rights before the Maturity Date, the Bondholder shall redeem all of the outstanding Bonds at the Base Redemption Amount; or
- (2) if the Bondholder(s) has exercised all or a portion of the Conversion Rights before the Maturity Date, the Bondholder shall redeem all such outstanding Bonds at the Base Redemption Amount (but excluding the Premium).

No redemption: The Outstanding Bonds may not be redeemed by the Company at any time prior to the Maturity Date, save that:

- (a) at any time during the first six months of the 1st Extended Period, the Company may, at its sole and absolute discretion, redeem all or part of the Outstanding Bonds at the Base Redemption Amount together with any accrued and unpaid amounts owing to Dragon Capital in connection with the outstanding Bonds by serving a notice to Dragon Capital; and
- (b) at any time during the last six months of the 1st Extended Period, Dragon Capital may, by giving notice to the Company, require the Company to redeem all of the then outstanding Bonds at the Base Redemption Amount together with any accrued and unpaid amounts owing to Dragon Capital in connection with the outstanding Bonds.

LETTER FROM THE BOARD

- (c) at any time during the 2nd Extended Period, the Company may, at its sole and absolute discretion, redeem all or part of the Outstanding Bonds at the Base Redemption Amount together with any accrued and unpaid amounts owing to the Bondholder(s) in connection with the then outstanding Bonds by serving a notice to the Bondholder(s); and
- (d) at any time during the 2nd Extended Period, the Bondholder(s) may, by giving notice to the Company, require the Company to redeem all of the then outstanding Bonds at the Base Redemption Amount together with any accrued and unpaid amounts owing to the Bondholder(s) in connection with the outstanding Bonds.

Mandatory redemption: Notwithstanding the other provisions of the conditions of the Outstanding Bonds, if either of the Guarantors:

- (1) deceases or is incapacitated;
- (2) becomes of unsound mind, or is or becomes a patient for any purpose of any applicable laws relating to mental health; or
- (3) becomes insolvent or is unable to pay its debts as they mature or applies for or consents to the appointment of any administrator, liquidator or receiver of the whole or any material part of its undertaking, property, assets or revenues or enters into a general assignment or compromise with or for the benefit of its creditors,

the Company shall redeem all of the outstanding Bonds at the Base Redemption Amount after prior notice has been given by the Bondholder(s) not less than 20 Business Days prior to the intended date of redemption.

LETTER FROM THE BOARD

Event of default redemption: Upon the occurrence of any of the events of default, the Company shall have a period of one month starting from the date of receipt by the Bondholder(s) of the notice of event of default to remedy such event of default. If such event of default is not remedied within such period or if such event of default is incapable of remedy, the Bondholder(s) shall be entitled to require the Bonds registered in its name to be redeemed at the Base Redemption Amount.

- Event of default : If any of the following events (“**Event of Default**”) set out in the terms and conditions of the Outstanding Bonds occurs and (if such event of default is capable of remedy) the relevant period for the Company to remedy such event of default expires, the Bondholder(s) may give notice to the Company that the Outstanding Bonds together with any amount payable by the Company pursuant to the terms of the Bonds will become immediately due and repayable:
- (i) there is a failure by the Company to pay the principal, the Premium (if any), any interest due and payable on or any amount due and payable under any Bond(s) pursuant to the terms and conditions of the Bond(s);
 - (ii) there is a failure by the Company to deliver the Conversion Shares pursuant to the conditions of the Bond(s);
 - (iii) the net asset value of the Company is less than RMB1 billion (without taking into account any of the direct or indirect effects of the Bond(s));
 - (iv) an order is made or an effective resolution passed for winding-up or dissolution of the Company or any of its material subsidiaries, or the Company ceases or threatens to cease to carry on all or a material part of its business or operations, except for the purpose of and followed by a consolidation, amalgamation, merger or reorganisation;
 - (v) an encumbrancer takes possession or a receiver is appointed of the whole or a material part of the assets or undertaking of the Company;

LETTER FROM THE BOARD

- (vi) a distress, execution or seizure before judgement is levied or enforced upon or sued out against a material part of the assets or undertaking or property of the Company is not discharged within seven days thereof;
- (vii) the Shares are suspended by the Stock Exchange for 10 consecutive trading days or listing of the Shares on the Stock Exchange are being revoked or withdrawn;
- (viii) there occurs any event that triggers cross default by the Company, the Guarantors or a material subsidiary of the Company under any financial indebtedness;
- (ix) the Company, the Guarantors or any of their material subsidiaries (where applicable) becomes insolvent or is unable to pay its debts as they mature, or in respect of the whole or any material part of its undertaking, property, assets or revenues, applies for or consents to the appointment of any administrator, liquidator or receiver, or enters into a general assignment, or comprises with or for the benefit of its creditors;
- (x) any representation, warranty, certification or statement made by or on behalf of the Company or the Guarantors in relation to any deeds, agreements, instruments executed or entered into in connection with the Bond(s) is incorrect, false incomplete or misleading on the date which it is made;
- (xi) any case, proceeding or other action being commenced by or against any of the Company and the Guarantors seeking for bankruptcy, insolvency, reorganisation, arrangement, adjustment, winding-up, liquidation, dissolution, composition or other similar relief, or seeking to appoint a liquidator, administrator, administrative receiver, receiver, trustee, custodian, conservator or other similar officials for him or for all or any part of his assets unless such petition is frivolous or vexatious and is stayed or dismissed within 45 days of commencement;

LETTER FROM THE BOARD

- (xii) a distress, attachment, execution or other legal process is levied, enforced or sued out on or against any of the property, assets or revenues of the Company or other orders applied in excess of US\$20 million, which is not discharged, terminated or cancelled or stayed within 30 days of commencement;
 - (xiii) there occurred any one or more events or changes that can reasonable cause or constitute or likely to cause or constitute a material adverse effect on the Company or the Guarantors;
 - (xiv) the Company ceases or threatens to cease to carry on its business or any substantial part of its business as a whole;
 - (xv) Aim Right creates or permits to subsist or arise any encumbrance over the whole or any part of the Aim Right Shares; or
 - (xvi) the Company does not perform or comply with any one or more of its other obligations under the Bonds which default is incapable of remedy, or is not remedied within 5 Business Days of occurrence.
- Other undertakings : (a) the Company will notify the Bondholder(s) in writing immediately upon becoming aware of the occurrence of any event of default;
- (b) the Company shall at all times use its reasonable endeavours to ensure that the minimum public shareholding requirement of the Listing Rules is complied with;
 - (c) the Company shall at all times maintain its net asset value (by reference to the Company's latest interim or annual reports) at not less than RMB1,000,000,000;
 - (d) the Company shall at all times maintain its liability to asset ratio (by reference to the Company's latest interim or annual reports) at a level not higher than 50%; and

LETTER FROM THE BOARD

- (e) Aim Right shall not, without the prior consent of Dragon Capital, dispose any of the Aim Right Shares.

Conversion Price

Effective from 5 February 2018, the Conversion Price of the Bonds was adjusted from HK\$1.21 per Conversion Share to HK\$0.74 per Conversion Share pursuant to the terms and conditions of the Bonds following the issuance of 209,000,000 new Shares at HK\$0.74 per Share on such date.

The adjusted Conversion Price of HK\$0.74 per Conversion Share represents:

- (1) a discount of approximately 37.82% to the closing price of HK\$1.190 per Share as quoted at 4:00 p.m. on the Stock Exchange on the Last Trading Day;
- (2) a discount of approximately 38.02% to the average closing price of HK\$1.194 per Share as quoted on the Stock Exchange for the last five trading days immediately prior to and including the Last Trading Day; and
- (3) a discount of approximately 38.28% to the average closing price of HK\$1.199 per Share as quoted on the Stock Exchange for the last ten trading days immediately prior to and including the Last Trading Day.

The Conversion Price adjustment mechanism under the conditions of the Bonds (which were effective since the initial Issue Date of the Bonds and remain unchanged despite the 2nd Extension) was arrived at after arm's length negotiations between the Company and Dragon Capital (being the original Bondholder of the Bonds) with reference to prevailing market practice.

Terms of 2nd Extension

In addition, the Terms of 2nd Extension was also arrived at after arm's length negotiations between the Company, Dragon Capital and Skyland Circle having considered the factors set out below:

- (i) as at the date of the 2nd Extension Agreement, the Group was engaged in the production of various films and television dramas which required a sizeable amount of capital commitment, of which approximately RMB96 million (equivalent to approximately HK\$106.56 million) is expected to be made by the Group during the second quarter of 2020. Having considered that (a) the Group's total cash and cash equivalents in the amount of approximately HK\$191 million based on the management accounts of the Group as at 28 February 2020; (b) the expected amount recovered from the investments in the amount of approximately RMB145 million (equivalent to approximately HK\$160.95 million) during the second quarter of 2020; and (c) the

LETTER FROM THE BOARD

principal amount of HK\$180 million repayable on the Maturity Date, the Directors originally considered that the Company would have sufficient uncommitted resources to satisfy the working capital requirements of the Group's on-going film and television drama productions;

- (ii) however, due to the unfavourable market situation in particularly caused by an unexpected pneumonia outbreak (the “**COVID-19 Outbreak**”) associated with the novel coronavirus since January 2020, all the productions of the films and television dramas engaged by the Group that were originally scheduled to start during the first half of 2020 were delayed and hence would adversely affect the ability of the Group to recover its investments from these productions. Albeit some of the productions engaged by the Group were gradually resuming, if the Outstanding Bonds were to be redeemed on 28 February 2020 (being the Maturity Date as extended pursuant to the 1st Extension), there is no guarantee that the Group will have sufficient uncommitted resources to satisfy the working capital requirements of the Group's on-going film and television drama productions (which is subject to change from time to time) and the lack of such resources would adversely affect the production of the films and television dramas;
- (iii) having considered the expected working capital requirements for the Group's on-going film and television drama productions during the 2nd Extended Period, the gradual resumption of these productions in spite of the pneumonia outbreaks and the latest release schedule of substantially completed television dramas and films, it is currently expected that the Group will have sufficient uncommitted resources to redeem the Outstanding Bonds in full during the 2nd Extended Period. Accordingly, the Company had requested that the Maturity Date of the Outstanding Bonds be extended for one year to allow sufficient buffer time for the Group to arrange for financial resources or alternative facilities with more favourable terms to redeem the Outstanding Bonds; and
- (iv) as a pre-condition for the Bondholder(s) to grant the Company such additional buffer time, the Bondholder(s) had requested additional rights to be included for the 2nd Extended Period. After arms-length negotiations, the parties have agreed that the Bondholder(s) would be granted a right, exercisable at any time during the 2nd Extended Period at the Bondholders discretion, to require the Company to redeem all of the then outstanding Bonds. Given that (a) the total expected working capital requirements for the Group's on-going film and television drama productions for the year ended 31 December 2020 being approximately RMB336 million (equivalent to approximately HK\$372.96 million) and (b) the expected amount of approximately RMB556 million (equivalent to approximately HK\$617.16 million) recovered during the year ended 31 December 2020 from the consideration from the disposal of Power Fit Limited payable during the period of approximately RMB167 million, the expected investments recovered during the period from the Group's film and drama productions

LETTER FROM THE BOARD

of approximately RMB334 million and accounts receivables which are expected to be recovered during the period of approximately RMB55 million, the Company considered it to have sufficient financial resources to redeem the outstanding Bonds (but subject to the actual investment and production schedule of the Group's on-going film and television drama productions as affected by the COVID-19 Outbreak mentioned above) in the event that the Bondholders require the Company to redeem the outstanding Bonds during the 2nd Extended Period.

Accordingly, the Directors consider that the adjusted Conversion Price and the Terms of 2nd Extension are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

NEW SPECIFIC MANDATE TO ISSUE THE CONVERSION SHARES

The Conversion Shares to be allotted and issued upon full conversion of the Remaining Bonds at the Conversion Price of HK\$0.74 (subject to further adjustments) under the New Arrangements will be allotted and issued pursuant to the New Specific Mandate to be sought from the Shareholders at the EGM.

INFORMATION ABOUT THE GROUP

The principal business of the Company is investment holding. The Group is principally engaged in the business of film and television drama series production and distribution.

USE OF PROCEEDS FROM THE INITIAL ISSUANCE OF THE BONDS

As disclosed in the Circulars, the net proceeds from the initial issuance of the Bonds after deducting the professional fees and other costs involved were approximately HK\$295.35 million.

LETTER FROM THE BOARD

As disclosed in the Company's Interim Report 2019, the net proceeds of approximately HK\$295.35 million from the initial issuance of the Bonds were being used or spent for the Group's films and television dramas in the following manner:

Title	Theme	Status	Amount to be allocated <i>(approximate HK\$' million)</i>	Percentage of the net proceeds from the initial issuance of the Bonds <i>(approximate %)</i>	Actual amount used/spent as at 30 June 2019 <i>(approximate HK\$' million)</i>
The Alarm of Xibaipo (formerly known as The Echoes of Xibaipo) (西柏坡的警鐘(原《西柏坡的回聲》))	Epic television drama based on revolution history	Submitted for screening	38.00	12.87%	38.00
Detective He (神探鶴真人)	Internet drama	Broadcasted	0.70	0.24%	0.70
The Heavenly Emperor 1 and 2 (御天神帝1、2)	Mythical fantasy internet drama	Broadcasted	1.80	0.61%	1.80
The Heavenly Emperor 3 and 4 (御天神帝3、4)	Mythical fantasy internet drama	Broadcasted	2.35	0.80%	2.35
Us and Them (後來的我們)	Urban emotional film	Broadcasted	5.30	1.79%	5.30
Hello My Dog (監獄犬計劃)	Comedy film	Broadcasted	3.80	1.29%	3.80
Once upon a Time in the Northeast (東北往事)	Youth nostalgic film	Broadcast delayed	4.50	1.52%	4.50
Here Comes Dashan (大山來了)	Youth nostalgic film	Submitted for approval	0.70	0.24%	0.70
Scream (驚聲尖叫)(formerly known as Horror Blockbuster (恐不大片))	Horror film	Submitted for approval	2.35	0.80%	2.35
The Family in That City (那座城，這家人)	Realistic drama	Broadcasted	29.00	9.82%	29.00
Mystic Kitchen 1 (如意廚房1)	Internet movie	Broadcasted	0.40	0.14%	0.40
Mystic Kitchen 2 (如意廚房2)	Internet movie	Submitted for screening	0.60	0.20%	0.60
Oh, My Honey! (甜心軟糖)	Internet movie	Broadcasted	0.95	0.32%	0.95
Alien Monster: Survival in the Wild (異星怪獸之荒野求生)	Internet movie	Submitted for screening	3.00	1.02%	2.00
Lipstick Princess (唯美貌不可辜負)	Internet drama	Broadcasted	5.40	1.83%	5.40
Soulmate (七月與安生)	Internet drama	Broadcasted	14.00	4.74%	14.00
Legend of Taotie (饕餮記)	Internet drama	Under post-production	24.00	8.13%	24.00
Monster Hunters (鎮魂歌)	Internet movie	Under post-production	9.50	3.22%	9.00
In Broad Daylight (光天化日)	Theatrical film	Submitted for screening	6.00	2.03%	6.00
Legend of Businessman in Hongjiang (一代洪商)	Historical story drama	Under post-production	120.00	40.63%	105.00
Bulletproof Teacher (穿越火線)	Internet drama	Preparing script	22.99	7.79%	1.00
Total			295.35	100%	256.85

The proceeds not yet utilised as at 30 June 2019 in the amount of approximately HK\$38.5 million is expected to be utilised by the end of 2020.

LETTER FROM THE BOARD

REASONS FOR AND BENEFITS OF THE 2ND EXTENSION

Following the completion of the 1st Extension, the Outstanding Bonds will mature on 28 February 2020. The 2nd Extension would allow the Company to arrange for repayment of its debts under the Outstanding Bonds on essentially the same terms but on a much later date, and would therefore effectively provide the Group with flexibility in relation to the Group's deployment of its financial resources to fund its operation and development as well as the planning of its working capital requirements.

Without the 2nd Extension, the Company would have to apply substantial cash resources for the redemption of the Outstanding Bonds on maturity. Save for the 2nd Extension and the Terms of 2nd Extension, no other term or condition of the Bonds would be amended further to the 1st Extension, which was been approved by ordinary resolution(s) duly passed by the Shareholders at an extraordinary general meeting held on 8 April 2019. Accordingly, the Directors (including the independent non-executive Directors) consider that the 2nd Extension and the Terms of 2nd Extension are fair and reasonable, and is in the interests of the Company and its Shareholders as a whole.

INFORMATION ABOUT THE BONDHOLDERS

Dragon Capital

Dragon Capital Entertainment Fund One LP is an exempted limited partnership registered in the Cayman Islands. As at the Latest Practicable Date, it is part of an independent fund which focuses on investment opportunities in the technology, media and telecommunications sector.

Based on the information provided by Dragon Capital, Dragon Capital is a fund established by Dragon GP Partner Co. ("**Dragon GP**") as general partner of Dragon Capital and is owned as to 99% by China Huarong International Holdings Limited ("**China Huarong**") as the largest limited partner of Dragon Capital; China Huarong is owned as to 88.1% by Huarong Real Estate Co., Limited ("**Huarong Real Estate**"), which is wholly owned by China Huarong Asset Management Co., Ltd ("**China Huarong AM**"); and Dragon GP is wholly owned by Mr. Jun Zhai. China Huarong AM is a joint stock limited liability company incorporated in the PRC, H shares of which are listed on the Stock Exchange with stock code: 2799. Based on the publicly available information, China Huarong AM is owned (a) as to 63.36% H shares ("**H Shares**") and domestic shares ("**Domestic Shares**") of China Huarong AM by the Ministry of Finance of the PRC; (b) as to 5.27% H shares by Warburg Pincus Financial International Ltd; and (c) as to the remaining 31.37% H Shares and Domestic Shares by other shareholders each holding not more than 5% of the total issued shares of China Huarong AM.

LETTER FROM THE BOARD

Skyland Circle

Skyland Circle Technology Limited is a company incorporated and existing under the laws of Hong Kong with limited liability and is an investment holding company. As at the Latest Practicable Date, the entire issued share capital is wholly-owned by Bright Lake International Limited, which is in turn wholly-owned by Mr. Shen Guoliang.

CHANGES IN SHAREHOLDING STRUCTURE

As at the Latest Practicable Date, the Company has 1,416,911,818 Shares in issue. Set out below is a breakdown of the shareholding interests in the Company of the Shareholders as at (i) the Latest Practicable Date; (ii) immediately after the completion of the issue of the Conversion Shares assuming the Conversion Rights under the Dragon Capital Bonds are exercised in full at the adjusted Conversion Price of HK\$0.74 per Conversion Share; (iii) immediately after the completion of the issue of the Conversion Shares assuming the Conversion Rights under the Skyland Circle Bonds are exercised in full at the adjusted Conversion Price of HK\$0.74 per Conversion Share; and (iv) immediately after the completion of the issue of the Conversion Shares assuming the Conversion Rights under the Outstanding Bonds are exercised in full at the adjusted Conversion Price of HK\$0.74 per Conversion Share:

	As at the Latest Practicable Date		Immediately after the full conversion of the Dragon Capital Bonds at the adjusted Conversion Price of HK\$0.74 per Conversion Share		Immediately after the full conversion of the Skyland Circle Bonds at the adjusted Conversion Price of HK\$0.74 per Conversion Share		Immediately after the full conversion of the Outstanding Bonds at the adjusted Conversion Price of HK\$0.74 per Conversion Share	
	No. of Shares	Approximate %	No. of Shares	Approximate %	No. of Shares	Approximate %	No. of Shares	Approximate %
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 ^(Note 4)	13,998,000	0.99	13,998,000	0.89	13,998,000	0.93	13,998,000	0.84
Dragon Capital	–	–	162,162,162	10.27	–	–	162,162,162	9.77
Skyland Circle	–	–	–	–	81,081,081	5.41	81,081,081	4.88
Other public Shareholders	526,469,098	37.16	526,469,098	33.34	526,469,098	35.14	526,469,098	31.71
	<u>1,416,911,818</u>	<u>100.00</u>	<u>1,579,073,980</u>	<u>100.00</u>	<u>1,497,992,899</u>	<u>100.00</u>	<u>1,660,155,061</u>	<u>100.00</u>

Notes:

- 307,809,902 Shares are held in the name of Excel Orient Limited, a limited liability company incorporated in the BVI which is wholly owned by Mr. Liu Dong.
- 204,000,000 Shares are held in the name of Emerge Ventures Limited, a limited liability company incorporated in the BVI which is wholly owned by Mr. Jin Peng.
- 202,472,656 Shares are held in the name of Aim Right, a limited liability company incorporated in the BVI which is wholly owned by Mr. Liu.
- Mr. He Han is an executive Director of the Company.

LETTER FROM THE BOARD

FUND RAISING ACTIVITIES IN THE PAST TWELVE-MONTH PERIOD

The Company has not conducted any equity fund raising activities in the past twelve months immediately preceding the date of the Company's announcement dated 27 February 2020.

The Company currently does not have any plans for further equity fund raising in the near future. Having said that, the Company will continue to, from time to time, look for investment opportunities to maximise its profits and to bring value to its Shareholders. If any suitable opportunities arise and further external financing is needed, the Company may raise funds through equity financing. If the Company decides to conduct further equity financing activities, the Company shall use its best endeavours to comply with all applicable Listing Rules and all applicable laws and regulations in respect of such financing activities.

LISTING RULES IMPLICATIONS

The 2nd Extension

As stated in the Circulars, the Maturity Date may be extended three times, each time by one year if agreed between the Company and the holder(s) of the Bonds provided that, at the time of each extension, the Company has sufficient mandate, on the basis of the then effective general mandate granted by the Shareholders at the then most recent annual general meeting of the Company, to issue such number of new Shares to cover the exercise of all of the then outstanding Conversion Rights.

Pursuant to the general mandate (the “**General Mandate**”) granted to the Directors by the Shareholders at the annual general meeting of the Company held on 30 May 2019, the Company may allot, issue and deal with up to 283,382,363 new Shares at any time prior to the expiry of the General Mandate. The General Mandate remains effective and unutilised as at the date hereof and shall therefore be sufficient to cover all of the 243,243,243 Conversion Shares which may fall to be allotted and issued by the Company upon full conversion of the Outstanding Bonds at the Adjusted Conversion Price.

Pursuant to Rule 28.05 of the Listing Rules, any alteration in the terms of convertible debt securities after issue must be approved by the Stock Exchange, except where the alterations take effect automatically under the existing terms of such convertible debt securities. The Company has applied to the Stock Exchange for the approval of the 2nd Extension pursuant to Rule 28.05 of the Listing Rules.

LETTER FROM THE BOARD

However, as the 2nd Extension would require mutual agreement between the holder(s) of the Bonds and the Company, the 2nd Extension would not take place automatically despite the sufficiency of General Mandate. Accordingly, (a) as the 2nd Extension would be treated as New Arrangements for the Company to issue the Outstanding Bonds to the respective holder(s) of the Bonds and (b) as the Adjusted Conversion Price of HK\$0.74 per Conversion Share is lower than the benchmarked price (as defined under Rule 13.36(5) of the Listing Rules), the Company may not rely on the previous Specific Mandates (as defined in the Circulars) for the New Arrangements and would be required to obtain a New Specific Mandate from Shareholders for the New Arrangements pursuant to Rule 13.36(6) of the Listing Rules.

The EGM will be held for the purpose of, among other matters, considering, and if thought fit, approving the New Specific Mandate. The notice of the EGM of the Company is set out on pages EGM-1 to EGM-2 of this circular. If you do not intend to attend and vote at the EGM in person, you are requested to complete and return the enclosed form of proxy to the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, on Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the meeting (i.e. Tuesday, 7 April 2020 at 2:00 p.m.) or any adjournment thereof. The completion and delivery of a form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

The register of members of the Company will be closed from Monday, 6 April 2020 to Thursday, 9 April 2020, both days inclusive, during which period no share transfers can be registered. In order to be eligible for attending and voting at the EGM, all transfers 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 not later than 4:30 p.m. on Friday, 3 April 2020.

The voting in respect of the resolutions (as set out in the notice of the EGM) at the EGM will be conducted by way of a poll. To the best knowledge of the Company having made all reasonable enquiries, save as disclosed in this circular, none of the substantial Shareholders has entered, or contemplated to enter into any other arrangements, agreements or understanding (whether formal or informal and whether express or implied) with the Original Bondholder and their associates which will confer any of the substantial Shareholders a benefit (whether economic or otherwise) not available to the other Shareholders of the Company. As at the Latest Practicable Date, to the extent that the Company was aware having made all reasonable enquiries, no Shareholder has any material interests in the Bonds or the New Specific Mandate, and therefore no Shareholder is required to abstain from voting on the resolutions as set out in the notice of the EGM.

LETTER FROM THE BOARD

The Guarantees and the Share Charge

As at the Latest Practicable Date, Mr. Liu through his wholly-owned subsidiary, Aim Right, is interested in 202,472,656 Shares (i.e. the Aim Right Shares), representing approximately 14.29% of the total issued share capital of the Company as at the date hereof. As such, Mr. Liu and Aim Right are each a substantial shareholder of the Company and therefore a connected person of the Company.

Each of (a) the Dragon Capital Guarantees provided by Aim Right and Mr. Liu in favour of Dragon Capital; (b) the Skyland Capital Guarantees to be provided by Aim Right and Mr. Liu in favour of Skyland Circle; and (c) the 2019 Share Charge (as supplemented by the Deed of Amendment) provided by Aim Right in favour of Dragon Capital would each be a form of financial assistance to the Company, and accordingly, constitute a connected transaction of the Company under Chapter 14A of the Listing Rules. As the Directors (including the independent non-executive Directors) considered that each of the Dragon Capital Guarantees, the Skyland Circle Guarantees, the 2019 Share Charge and the Deed of Amendment was and would be provided for the benefit of the Company on normal commercial terms or better and no security over the assets of the Group is granted thereunder, the Dragon Capital Guarantees, the Skyland Circle Guarantees, the 2019 Share Charge and the Deed of Amendment would therefore be exempted from the reporting, announcement and independent Shareholders' approval requirements under the Listing Rules.

As none of the Directors has material interests in the Dragon Capital Guarantees, the Skyland Capital Guarantees and the 2019 Share Charge (as supplemented by the Deed of Amendment), none of the Directors were required to abstain from voting on the Board resolutions approving the financial assistance provided by Aim Right and Mr. Liu pursuant to the Dragon Capital Guarantees, the Skyland Capital Guarantees and the 2019 Share Charge (as supplemented by the Deed of Amendment)

VOTING BY POLL

The resolutions set out in the notice of the EGM would be decided by poll in accordance with the Listing Rules and the articles of association of the Company.

On a poll, every Shareholder present in person (or, in the case of a Shareholder being a corporation, by its duly authorised representative) or by proxy shall have one vote for every Share held. A Shareholder present in person (or, in the case of a Shareholder being a corporation, by its duly authorised representative) or by proxy who is entitled to more than one vote need not use all his/its votes or cast all his/its votes in the same way.

After the conclusion of the EGM, the poll results will be published on the website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk.

LETTER FROM THE BOARD

RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. 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 is not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

RECOMMENDATION

The Directors (including the independent non-executive Directors) are of the opinion that 2nd Extension the Terms of the 2nd Extension and the transactions contemplated under the 2nd Extension are on normal commercial terms, in the ordinary and usual course of business of the Company, and are fair and reasonable, and that the New Arrangements and the grant of the New Specific Mandate are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors (including the independent non-executive Directors) recommend that all Shareholders should vote in favour of the resolutions to be proposed at the EGM.

Yours faithfully,
By Order of the Board
Starrise Media Holdings Limited
LIU Dong
Chairman

NOTICE OF THE EGM



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)

NOTICE IS HEREBY GIVEN that a general meeting (the “**Meeting**”) of Starrise Media Holdings Limited (the “**Company**”) will be held at Building A10, 50 Anjialou, Chaoyang District, Beijing, the People’s Republic of China on Thursday, 9 April 2020 at 2:00 p.m. for the purpose of considering and, if thought fit, passing with or without amendments, the following ordinary resolution of the Company:

ORDINARY RESOLUTION

“THAT”:

- (a) the amendment agreement dated 27 February 2020 (the “**2nd Extension Agreement**”) entered into between the Company, Dragon Capital Entertainment Fund One LP and Skyland Circle Technology Limited (collectively the “**Bondholder(s)**”) in relation to the extension of the maturity date of the existing unlisted bonds in aggregate principal amount of HK\$180,000,000 (the “**Outstanding Bonds**”) previously issued on 28 February 2017 by the Company to the Bondholder(s) by one additional year, and the transactions contemplated under the 2nd Extension Agreement and the Outstanding Bonds as modified by the 2nd Extension Agreement (collectively, the “**New Arrangements**”), be and are hereby approved, ratified and confirmed;
- (b) the directors of the Company be and are hereby granted a specific mandate to exercise powers of the Company to issue and allot such number of shares of the Company as may be required to be issued and allotted upon exercise of the conversion rights attached to the Outstanding Bonds at the conversion price of the Outstanding Bonds (subject to adjustments in accordance with the terms of the Outstanding Bonds) (including, for the avoidance of doubt, such additional number of shares of the Company that may be required to be issued and allotted upon the exercise of the conversion rights attached to the Outstanding Bonds following adjustments to the conversion price of the Outstanding Bonds) under the New Arrangements; and

NOTICE OF THE EGM

- (c) any one or more directors of the Company be and are hereby authorised to sign, execute, perfect, deliver and do all such documents, deeds, acts, matters and things, as the case may be, as they may in their discretion consider necessary, desirable or expedient in connection with (i) the performance of the rights and/or obligations under the 2nd Extension Agreement and in accordance with the terms of the Outstanding Bonds under the New Arrangements, and (ii) the issue and allotment of the shares of the Company upon exercise of the conversion rights attached to the Outstanding Bonds at the conversion price of the Outstanding Bonds (subject to adjustments in accordance with the terms of the Outstanding Bonds) under the New Arrangements.”

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

Shangdong, the PRC, 24 March 2020

Notes:

1. Any member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and, on a poll, vote instead of him/her. A proxy need not be a member of the Company.
2. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his/her attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of any officer, attorney or other person duly authorised to sign the same.
3. In order 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 notarially certified copy of such power or authority, must be deposited with the branch share registrar and transfer office of the Company in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, not less than 48 hours before the time appointed for holding the meeting (i.e. Tuesday, 7 April 2020 at 2:00 p.m.) or any adjourned meeting thereof (as the case may be).
4. Completion and return of the form of proxy will not preclude members from attending and voting in person at the meeting or at any adjourned meeting thereof (as the case may be) should they so wish, and in such event, the form of proxy shall be deemed to be revoke.
5. Where there are joint registered 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/she was solely entitled thereto, but if more than one of such joint holders are present at the meeting, whether in person or by proxy, the joint registered holder present whose name stands first on the register of members of the Company in respect of the shares shall be accepted to the exclusion of the votes of the other registered holders.
6. The register of members of the Company will be closed from Monday, 6 April 2020 to Thursday, 9 April 2020, both days inclusive, during which period no share transfers can be registered. In order to be eligible for attending and voting at the EGM, all transfers 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 not later than 4:30 p.m. on Friday, 3 April 2020.

As at the date of this notice, 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; and Mr. LAM Kai Yeung, Ms. LIU Chen Hong and Mr. WANG Liangliang as independent non-executive Directors.