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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)

UNAUDITED INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2021

SUMMARY

- Revenue was approximately RMB74.4 million for the Period Under Review, representing an increase of approximately 143.9% as compared to approximately RMB30.5 million recorded for the corresponding period of last year.
- Gross profit was approximately RMB6.1 million for the Period Under Review, representing an increase of approximately RMB5.3 million, or approximately 662.5% as compared to that of the corresponding period of last year.
- Gross profit margin was approximately 8.2%, representing an increase of approximately 5.5 percentage points as compared to approximately 2.7% recorded for the corresponding period of last year.
- Loss attributable to the equity shareholders of the Company was approximately RMB15.8 million, representing a decrease of approximately RMB1.8 million as compared to the loss attributable to the equity shareholders of the Company of approximately RMB17.6 million for the corresponding period of last year.

The board (the “**Board**”) of directors (the “**Directors**”) of Starrise Media Holdings Limited (the “**Company**”) announces the unaudited consolidated interim financial results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2021 (the “**Period Under Review**”) together with the comparative figures for the corresponding period in 2020 and the relevant explanatory notes as set out below. The consolidated interim results are unaudited, but 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 six months ended 30 June 2021 – unaudited

(Expressed in Renminbi)

		Six months ended 30 June	
	<i>Note</i>	2021	2020
		<i>RMB'000</i>	<i>RMB'000</i>
Revenue	3	74,418	30,513
Cost of sales and services		(68,313)	(29,684)
Gross profit		6,105	829
Other net income	4	11,578	110,785
Distribution costs		(3,506)	(4,746)
Administrative expenses	5(b)	(9,673)	(11,775)
Impairment losses	5(b)	(10,754)	(89,634)
(Loss)/profit from operation		(6,250)	5,459
Net finance costs	5(a)	(7,202)	(24,831)
Loss before taxation	5	(13,452)	(19,372)
Income tax	6	(2,972)	1,751
Loss and total comprehensive income for the period		(16,424)	(17,621)
Attributable to:			
Equity shareholders of the Company		(15,818)	(17,564)
Non-controlling interests		(606)	(57)
Loss and total comprehensive income for the period		(16,424)	(17,621)
Basic loss per share (RMB cents)	7(a)	(0.80)	(1.24)
Diluted loss per share (RMB cents)	7(b)	(0.80)	(6.27)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2021 – unaudited

(Expressed in Renminbi)

		At 30 June 2021 <i>RMB'000</i>	At 31 December 2020 <i>RMB'000</i>
	<i>Note</i>		
Non-current assets			
Property, plant and equipment		15,166	17,788
Intangible assets	<i>8</i>	16,011	17,014
Goodwill	<i>9</i>	148,357	148,357
Other receivables	<i>10</i>	6,063	6,063
Deferred tax assets		9,316	11,600
Investments in equity securities		1,870	1,870
		196,783	202,692
Current assets			
Drama series and films		281,485	310,860
Trade and other receivables	<i>10</i>	611,977	783,384
Cash and cash equivalents	<i>11</i>	164,683	11,639
		1,058,145	1,105,883
Current liabilities			
Trade and other payables	<i>12</i>	142,060	139,300
Contract liabilities		–	3,078
Bank loans		33,000	35,500
Other borrowings	<i>13</i>	38,078	144,429
Lease liabilities		2,531	5,277
Current taxation		40,112	39,487
		255,781	367,071
Net current assets		802,364	738,812
Total assets less current liabilities		999,147	941,504

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)*At 30 June 2021 – unaudited**(Expressed in Renminbi)*

		At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
	<i>Note</i>		
Non-current liabilities			
Lease liabilities		12,362	12,148
Deferred tax liabilities		5,524	5,524
		<u>17,886</u>	<u>17,672</u>
Net assets		<u>981,261</u>	<u>923,832</u>
Capital and reserves			
Share capital	<i>14(b)</i>	126,021	90,578
Reserves		833,800	811,208
Total equity attributable to equity shareholders of the Company		959,821	901,786
Non-controlling interests		21,440	22,046
Total equity		<u>981,261</u>	<u>923,832</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2021 – unaudited

(Expressed in Renminbi)

Note	Attributable to equity shareholders of the Company						Non-controlling interests	Total equity
	Share capital	Share premiums	Statutory surplus reserve	Other reserve	Retained earnings	Total		
	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000
Balance at 1 January 2020	90,578	807,404	87,989	98,501	98,572	1,183,044	23,000	1,206,044
Change in equity for the six months ended 30 June 2020:								
Loss and total comprehensive income for the period	–	–	–	–	(17,564)	(17,564)	(57)	(17,621)
Appropriations to statutory reserve	–	–	47	–	(47)	–	–	–
Balance at 30 June 2020 and 1 July 2020	90,578	807,404	88,036	98,501	80,961	1,165,480	22,943	1,188,423
Change in equity for the six months ended 31 December 2020:								
Loss and total comprehensive income for the period	–	–	–	–	(263,694)	(263,694)	(897)	(264,591)
Appropriations to statutory reserve	–	–	(16)	–	16	–	–	–
Balance at 31 December 2020 and 1 January 2021	90,578	807,404	88,020	98,501	(182,717)	901,786	22,046	923,832
Change in equity for the six months ended 30 June 2021:								
Loss and total comprehensive income for the period	–	–	–	–	(15,818)	(15,818)	(606)	(16,424)
Appropriations to statutory reserve	–	–	386	–	(386)	–	–	–
Shares issuance	14(b) 35,443	38,410	–	–	–	73,853	–	73,853
Balance at 30 June 2021	126,021	845,814	88,406	98,501	(198,921)	959,821	21,440	981,261

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2021 – unaudited

(Expressed in Renminbi)

	Note	Six months ended 30 June	
		2021 RMB'000	2020 RMB'000
Operating activities			
Cash generated from operation		62,900	20,852
Tax paid		(63)	(90)
Net cash generated from operating activities		62,837	20,762
Investing activities			
Proceeds from repayments of disposal subsidiaries		116,119	–
Proceeds from repayments of disposal associate		4,000	8,000
Other cash flows arising from investing activities		310	3,136
Net cash generated from investing activities		120,429	11,136
Financing activities			
Proceeds from shares issuance		12,945	–
Redemption of convertible bonds		(41,980)	–
Capital element of lease rentals paid		(2,094)	(2,055)
Interest element of lease rentals paid		(438)	(564)
Proceeds from bank loans		13,000	13,500
Repayment of bank loans		(15,500)	(7,000)
Other cash flows arising from financing activities		4,847	(60,068)
Net cash used in financing activities		(29,220)	(56,187)
Net increase/(decrease) in cash and cash equivalents		154,046	(24,289)
Cash and cash equivalents at 1 January	11	11,639	193,438
Effect of foreign exchange rate change		(1,002)	2,516
Cash and cash equivalents at 30 June	11	164,683	171,665

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi unless otherwise indicated)

1 BASIS OF PREPARATION

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard (“IAS”) 34, Interim financial reporting, issued by the International Accounting Standards Board (“IASB”). It was authorised for issue on 26 August 2021.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2020 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2021 annual financial statements. Details of any changes in accounting policies are set out in Note 2.

The preparation of an interim financial report in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2020 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with International Financial Reporting Standards (“IFRSs”).

The interim financial report is unaudited, but has been reviewed by the Audit Committee of the Company.

2 CHANGES IN ACCOUNTING POLICIES

The Group has applied the following amendments to IFRSs issued by the IASB to this interim financial report for the current accounting period:

- Amendment to IFRS 16, Covid-19-related rent concessions beyond 30 June 2021
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, Interest rate benchmark reform – phase 2

None of these amendments 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 in this interim financial report.

3 REVENUE

Disaggregation of revenue

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

	Six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue from contracts with customers within the scope of IFRS 15		
Disaggregated by major products or service lines		
– Licensing of drama series and films, transfer of license of drama series and films	15,052	18,418
– Provision of drama series and films production, distribution and related services	59,366	12,095
	74,418	30,513

The Group's revenue is substantially in the PRC and the Group's operating assets are substantially situated in the PRC. Accordingly, no analysis based on geographical locations of the customers and assets is provided.

Disaggregation of revenue from contracts with customers by the timing of revenue recognition is disclosed as follows:

	Six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Disaggregated by timing of revenue recognition		
– Point in time	15,052	18,418
– Over time	59,366	12,095
	74,418	30,513

4 OTHER NET INCOME

		Six months ended 30 June	
	Note	2021 RMB'000	2020 RMB'000
Interest exemption of convertible bonds		6,639	–
Change in carrying amount of convertible bonds as non-substantial modification of the terms		–	14,333
Net gain from investments in drama series and films	(i)	2,670	3,295
Change in fair value of derivatives embedded in convertible bonds	(ii)	44	89,799
Others		2,225	3,358
		<u>11,578</u>	<u>110,785</u>

Notes:

- (i) The amount represents net gain from investments in drama series and films with fixed-income rate.
- (ii) The derivatives liability component of the convertible bonds (see note 13) is measured at fair value with changes in fair value recognized in the profit or loss. On 30 June 2021, the outstanding convertible bonds were converted and settled.

5 PROFIT BEFORE TAXATION

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

(a) Net finance costs

	Six months ended 30 June	
	2021 RMB'000	2020 RMB'000
Interest on convertible bonds	3,410	15,145
Interest on bank loans and other borrowings	1,653	2,532
Interest on bonds	1,441	6,379
Net foreign exchange gains	197	211
Interest on lease liabilities	501	564
	<u>7,202</u>	<u>24,831</u>

5 PROFIT BEFORE TAXATION (CONTINUED)

(b) Other items

	<i>Note</i>	Six months ended 30 June	
		2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Amortisation on intangible assets		1,003	2,003
Depreciation			
– owned property, plant and equipment		52	146
– right-of-use assets		2,627	2,627
Impairment losses			
– goodwill	9	–	80,629
– trade and other receivables		1,322	6,527
– drama series and films		9,432	2,478

6 INCOME TAX

	Six months ended 30 June	
	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Current tax	689	761
Deferred tax	2,283	(2,512)
	<u>2,972</u>	<u>(1,751)</u>

- (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 six months ended 30 June 2021 and 2020, 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) The Group's PRC subsidiaries are subject to income tax rate of 25% (2020: 25%), except for Hainan Yingsheng Media Co., Ltd. which operates in Hainan province and engages in the production and distribution of drama series and films, it is subject to a preferential tax rate of 15% from 2021 to 2024.
- (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. 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 Khorgos of Xinjiang province, Khorgos Starrise Qicheng Media Co., Ltd., Khorgos Starrise Han Media Co., Ltd. and Khorgos Starwise Culture Media Co., Ltd., subsidiaries of the Company located in Khorgos 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 of Khorgos Starrise Qicheng Media Co., Ltd., Khorgos Starrise Han Media Co., Ltd. and Khorgos Starwise Culture Media Co., Ltd. is 2020.

7 LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to ordinary equity shareholders of the parent of RMB15,818,000 (six months ended 30 June 2020: loss of RMB17,564,000) and the weighted average of 1,966,766,900 ordinary shares (2020: 1,416,911,818 shares) in issue during the interim period.

(b) Diluted loss per share

The calculation of diluted loss per share is based on the loss attributable to ordinary equity shareholders of the parent of RMB15,818,000 (six months ended 30 June 2020: loss of RMB104,123,000) and the weighted average of 1,966,766,900 ordinary shares (2020: 1,660,155,061 shares) in issue during the interim period.

8 INTANGIBLE ASSETS

	Contractual right (Note) RMB'000	Computer software RMB'000	Total RMB'000
Cost:			
At 1 January 2020	–	35	35
Additions	20,000	–	20,000
	<hr/>	<hr/>	<hr/>
At 31 December 2020	20,000	35	20,035
	<hr/>	<hr/>	<hr/>
At 1 January 2021	20,000	35	20,035
Additions	–	–	–
	<hr/>	<hr/>	<hr/>
At 30 June 2021	20,000	35	20,035
	<hr/>	<hr/>	<hr/>
Accumulated amortisation:			
At 1 January 2020	–	(14)	(14)
Charge for the year	(3,000)	(7)	(3,007)
	<hr/>	<hr/>	<hr/>
At 31 December 2020	(3,000)	(21)	(3,021)
	<hr/>	<hr/>	<hr/>
At 1 January 2021	(3,000)	(21)	(3,021)
Charge for the period	(1,000)	(3)	(1,003)
	<hr/>	<hr/>	<hr/>
At 30 June 2021	(4,000)	(24)	(4,024)
	<hr/>	<hr/>	<hr/>
Net book value:			
At 30 June 2021	16,000	11	16,011
	<hr/>	<hr/>	<hr/>
At 31 December 2020	17,000	14	17,014
	<hr/>	<hr/>	<hr/>

Note: The Group acquired a contractual right with an amount of RMB20,000,000 under an arrangement for provision of training service relating to films production, which would be amortized over the contractual period.

9 GOODWILL

Impairment test for cash-generating unit containing goodwill

Goodwill is allocated to the Group's cash-generating units (CGUs) as follows:

	At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
Cost:		
Solid Will Ltd. and its subsidiaries ("Solid Will")	430,896	430,896
Star Will Investments Ltd. and its subsidiaries ("Star Will")	62,181	62,181
Beijing Starwise Culture Media Co., Ltd. ("Beijing Starwise")	18,448	18,448
	<u>511,525</u>	<u>511,525</u>
Accumulated impairment loss (Note):	<u>(363,168)</u>	<u>(363,168)</u>
Carrying amount:		
Solid Will	148,357	148,357
Star Will	—	—
Beijing Starwise	—	—
	<u>148,357</u>	<u>148,357</u>
	<u>148,357</u>	<u>148,357</u>

Note: Management has carried out an assessment of the Group's cash flow projections on the CGU. In light of the gradual improvement of the domestic epidemic situation, the financial performance of drama series and films business recovered for the six months ended 30 June 2021 and the Group is confident in its future performance. As such, the Group reassessed the cash flow projections and key assumptions having taken into account these circumstances in the value-in-use calculations to determine the recoverable amounts of the CGUs. As the recoverable amounts was estimated to be higher than the carrying amounts of the CGUs, there was no further impairment loss recognized for the six months period ended 30 June 2021 (for the six months period ended 30 June 2020: RMB80,629,000).

The recoverable amounts of the CGUs are determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a three years period. Cash flows beyond the period are extrapolated using a long-term growth rate estimated by management. The growth rates used do not exceed the long-term average growth rates for the businesses in which the CGUs operate.

The values assigned to the key assumptions represent management's assessment of future trends in the relevant businesses and have been based on historical data from both external and internal sources.

The key assumptions used in the estimation of value in use are as below.

9 GOODWILL (CONTINUED)

Impairment test for cash-generating unit containing goodwill (continued)

Discount rate: discount rates used are pre-tax and reflect specific risks relating to the relevant businesses, as follows:

	At 30 June 2021	At 31 December 2020
Pre-tax discount rates	28%	28%

Budgeted gross margin: budgeted gross margins represent the average gross margin over the forecast period, and are based on past performance and management's expectations for the future, as follows:

	At 30 June 2021	At 31 December 2020
Budgeted gross margins	38%	38%

Long-term growth rate: long-term growth rates are determined as the lower of the long-term weighted average growth rate estimated by management and the long-term average growth rates for the businesses in which the CGUs operate, as follows:

	At 30 June 2021	At 31 December 2020
Long-term growth rates	3%	3%

10 TRADE AND OTHER RECEIVABLES

As of 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:

	At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
Current	55,691	99,655
Less than 3 months past due	14,613	72,741
3 to 6 months past due	696	1,912
6 to 12 months past due	40,936	29,736
Over 1 year past due	5,007	2,738
Trade debtors and bills receivable, net of loss allowance	116,943	206,782
Amounts due from third parties (<i>Note</i>)	137,653	138,764
Other receivables relating to disposal of subsidiaries	133,099	249,218
Prepayments and advance relating to drama series and films	223,442	186,498
Other receivables relating to disposal of an associate	–	4,000
Deferred expense	181	170
Others	6,722	4,015
Other receivables expected to be collected or recognized as expense after more than one year	(6,063)	(6,063)
Trade and other receivables expected to be recovered or recognized as expense within one year	611,977	783,384

10 TRADE AND OTHER RECEIVABLES (CONTINUED)

Note: These amounts due from third parties are consist of (i) other receivables of RMB121,044,000 from Swift Power Limited, which was previously a subsidiary of the Company prior to its disposal in 2017; (ii) other receivables of RMB4,788,000 from Chengdu Dacheng Media Culture Co., Ltd.; and (iii) other receivables of RMB11,821,000 from Hubei Changjiang Huasheng Television Co., Ltd., which was previously an associate of the Company prior to the disposal of its equity interests held by the Group in 2019.

11 CASH AND CASH EQUIVALENTS

	At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
Bank deposits	164,665	11,621
Cash in hand	18	18
	<u>164,683</u>	<u>11,639</u>

12 TRADE AND OTHER PAYABLES

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

	At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
Due within 3 months or on demand	6,313	12,261
Advance from third parties (<i>Note</i>)	31,077	24,996
Payables relating to drama series and films	60,358	63,797
Taxes payable other than income tax	18,543	18,410
Accrued charges	3,743	4,275
Other payables	10,643	7,797
	<u>124,364</u>	119,275
Receipts in advance	11,383	7,764
	<u>142,060</u>	139,300

Note: Included in the advanced from third parties are advance of RMB11,500,000 (31 December 2020: RMB18,000,000) from third parties which are unsecured, interest bearing at 10% (2020:13%) 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.

13 OTHER BORROWINGS

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

	At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
Convertible bonds (<i>Note 13(b)(i)</i>)		
– host liability component	674	104,759
– derivative liability component	–	3,296
	674	108,055
Bonds (<i>Note 13(b)(ii)</i>)	37,404	36,374
	38,078	144,429
Amount expected to be settled within one year	(38,078)	(144,429)

Except for the derivative component of convertible bonds, which is carried at fair value, all of the other non-current borrowings are carried at amortized cost.

(b) Significant terms and repayment schedule

(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 HKD0.156 per share in January 2021 (subject to further adjustments).

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 recognized in the profit or loss.

13 OTHER BORROWINGS (CONTINUED)

(b) Significant terms and repayment schedule (Continued)

(i) 2017 Convertible Bonds (Continued)

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 HKD0.74 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 extraordinary 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 extraordinary 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 9 April 2020.

On 24 April 2020, the Original Bondholder transferred part of the convertible bonds with an aggregate face value of HKD20,000,000 to BeiTai.

On 14 December 2020, the Company, pursuant to the terms and conditions of the convertible bonds and as agreed between the Company and Skyland, early redeemed the convertible bonds at the face value of HKD60,000,000 in full.

On 26 February 2021, convertible bonds with a face value of HKD20,000,000 held by BeiTai were converted into the Company’s shares at the conversion price of HKD0.156 per share.

On 12 April 2021, the Company redeemed the convertible bonds in the aggregate principal amount of HKD50,000,000 held by the Original Bondholder. After completion of the partial redemption, the convertible bonds in aggregate principal amount of HKD50,000,000 remain outstanding, all of which are held by the Original Bondholder.

On 7 May 2021, the Company and the Original Bondholder entered into the 3rd extension agreement, pursuant to which the Company and the Original Bondholder conditionally agreed that the maturity date of the outstanding bonds shall be further extended to 30 June 2021. On 7 May 2021, the Company, the Original Bondholder and Aim Right Ventures Limited (“Aim Right”) entered into the transfer agreement, pursuant to which the Original Bondholder conditionally agreed to sell and Aim Right conditionally agree to purchase the outstanding bonds for the consideration of HKD50,000,000 subject to the consent of the Company. The completion of the 3rd extension agreement and the transfer agreement were subject to, among other things, the respective approvals of the Company’s shareholders at the extraordinary general meeting. The extension of maturity date of the outstanding bonds and the transfer were approved by the Company’s shareholders at the extraordinary general meeting of the Company held on 16 June 2021.

On 30 June 2021, all conditions precedent set out in the 3rd extension agreement and the transfer agreement have been fulfilled. On the same date, the convertible bonds with a face value of HKD50,000,000 held by Aim Right were converted into the Company’s shares at the conversion price of HKD0.156 per share.

13 OTHER BORROWINGS (CONTINUED)

(b) Significant terms and repayment schedule (Continued)

(ii) 2020 Bonds

On 11 December 2020, the Company issued bonds with an aggregate face value of HKD43,000,000 and a maturity date on 11 December 2021, which is extendable to 11 December 2022 if agreed by the Company and BeiTai. The bonds bear a nominal interest rate of 8% per annum. Interest is payable in arrears on 30 June 2021 and the maturity date.

On 23 March 2021, the Company and BeiTai agreed to extend the maturity date of the bonds in the aggregate principal amount of HKD43,000,000 to 15 February 2022.

14 CAPITAL AND DIVIDENDS

(a) Dividends

The Group has no dividend payable to equity shareholders attributable to the interim period (2020: Nil) and no dividend payable to equity shareholders attributable to the previous financial year, approved and paid during the interim period (2020: Nil).

(b) Share capital

	At 30 June 2021		At 31 December 2020	
	<i>No. of shares</i>	<i>RMB'000</i>	<i>No. of shares</i>	<i>RMB'000</i>
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	<u>1,416,911,818</u>	<u>90,578</u>	<u>1,416,911,818</u>	<u>90,578</u>
Share issuance (<i>Note</i>)	<u>549,855,082</u>	<u>35,443</u>	<u>–</u>	<u>–</u>
At 30 June and 31 December	<u><u>1,966,766,900</u></u>	<u><u>126,021</u></u>	<u><u>1,416,911,818</u></u>	<u><u>90,578</u></u>

Notes:

- (i) The convertible bonds with an aggregate face value of HKD20,000,000 and HKD50,000,000 were converted into 128,205,128 and 320,512,820 ordinary shares of par value of USD0.01 each at the conversion price of HKD0.156 per share and the closing price on the date of conversion was HKD0.158 and HKD0.165 per ordinary share respectively for the six months ended 30 June 2021. The net proceeds from the shares issuance were approximately HKD73,141,000 (equivalent to approximately RMB60,908,000), of which RMB29,002,000 and RMB31,906,000 were recognized in share capital and share premiums respectively.
- (ii) On 19 January 2021, Jinbi Market (Hong Kong) Limited has subscribed for an aggregate of 101,137,134 new shares at the subscription price of HKD0.156 per subscription share. The net proceeds of the subscription are approximately HKD15,777,000 (equivalent to approximately RMB12,945,000, of which RMB6,441,000 and RMB6,504,000 were recognized in share capital and share premiums respectively.

15 COMMITMENTS

Capital commitments outstanding at 30 June 2021 and 31 December 2020 not provided for in the interim financial report were as follows:

	At 30 June 2021 <i>RMB'000</i>	At 31 December 2020 <i>RMB'000</i>
Contracted for		
– Acquiring services relating to production of drama series and films	<u>34,649</u>	<u>76,476</u>

16 MATERIAL RELATED PARTY TRANSACTIONS

(a) Key management personnel remuneration

	Six months ended 30 June 2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Short-term employee benefits	1,189	2,441
Post-employment benefits	<u>54</u>	<u>42</u>
	<u>1,243</u>	<u>2,483</u>

(b) Transactions with related parties

The Group has no transactions with related parties for the six months period ended 30 June 2021 and 30 June 2020.

(c) Balances with related parties

As at 30 June 2021 and 31 December 2020, the Group had the following balances with related parties:

		At 30 June 2021 <i>RMB'000</i>	At 31 December 2020 <i>RMB'000</i>
Amount due from a shareholder of the Company	(i)	133,099	249,218
Amount due to a shareholder of the Company	(ii)	<u>37,404</u>	<u>36,374</u>

(i) The amount due from a shareholder of the Company is included in “trade and other receivables” (Note 10).

(ii) The amount due to a shareholder of the Company is included in “other borrowings” (Note 13).

MANAGEMENT DISCUSSION AND ANALYSIS INDUSTRY OVERVIEW

INDUSTRY OVERVIEW

In the first half of 2021, in view of the availability of the novel coronavirus (the “**COVID-19**”) vaccination programme and the control measures in place to avoid further spreading of the sudden pneumonia related to the COVID-19 (the “**Epidemic**”), China’s economy is gradually recovering, with gradually-raising market expectations on the economic recovery. According to the National Bureau of Statistics, China’s gross domestic product (“**GDP**”) reached approximately RMB53,216.7 billion in the first half of 2021, representing a year-on-year growth of 12.7% on a comparable basis; whilst China’s GDP experienced an average growth of 5.3% in the first half of 2020 and 2021. In addition, China’s GDP grew by 18.3% in the first quarter of 2021 when compared to the corresponding period of last year, and by 5.0% during these two years; while China’s GDP grew by 7.9% in the second quarter of 2021 when compared to the corresponding period of last year, and by 5.5% during these two years. In the meanwhile, the local film and television media industry is gradually recovering along with the economic recovery in China. In the first half of 2021, the total box office of Chinese movies was approximately RMB27.57 billion. Although the total box office in first half of 2021 was lower than the pre-epidemic level of the same period in 2019, the Chinese movie market has shown signs of gradual recovery but still subject to the limitations due to the attendance limit of movie theaters and other control measures to prevent further spreading of the Epidemic. In addition, the number of registrations of films and television media industry related enterprises in China increased by approximately 157,000 in the first five months of 2021 according to publicly available data, exceeding the number of new registrations in the previous five years.

With regards to the television (“**TV**”) drama and internet drama industry in China, according to the National Radio and Television Administration, the number of filings of TV drama in the first half of 2021 decreased by 122 dramas year-on-year or approximately 34%, but the number of filings of internet drama from January to May 2021 increased by 164 dramas year-on-year or approximately 50%, indicating that the overall drama industry in China is also recovering gradually. In addition, under the impact of the policy of the National Radio and Television Administration on “limiting the production of TV dramas and internet dramas to not exceeding 40 episodes and encouraging the dramas with 30 episodes or less”, the average number of filings of episodes of a single TV drama and internet drama has dropped significantly. At the same time, various video platforms are utilising strategies such as theater scheduling to promote the development of diversified and differentiated media content in high quality. With the control of the Epidemic, people’s lives have gradually returned to normal, causing the traffic previously drove by at-home viewings during the Epidemic to slowly diminish, calming the overall drama market in China and lowering the broadcast of top dramas in the first half of 2021. However, the increase in the number of dramas of the similar genres and the increasing demands from audiences for high-quality dramas have resulted in the lack of blockbuster dramas in the first half of 2021. The competition in the TV and internet drama industry in China remains fierce.

BUSINESS REVIEW

During the Period Under Review, the Group recorded loss before taxation of approximately RMB13.5 million, representing a decrease of approximately RMB5.9 million as compared with the loss before taxation of approximately RMB19.4 million of the corresponding period last year. The main reason is that as the recovery of the film and TV media industry in the first half of 2021 as compared to the same period of last year when it was affected by the Epidemic, the Group's film and TV business experienced a significant increase in revenue and gross profit compared to the same period of last year, while the Group also focused on saving fixed costs and labour costs, resulting in a decrease in both administrative expenses and distribution costs.

During the first half of 2021, the films and dramas of the Group being released included “Legend of Immortality – Sword Maker” (修仙傳之煉劍) (formerly known as “Sword Maker” (煉劍)) and “Rat Race” (狂鼠列車) (formerly known as “Rat Disasters” (大鼠災)), which were the internet movies invested and produced by Beijing Starrise Pictures Co., Ltd. (北京星宏影視文化有限公司) (“**Starrise Pictures**”) and Beijing Starwise Culture Media Co., Ltd. (“**Beijing Starwise**”) (both being wholly-owned subsidiaries of the Group), respectively.

There was no dramas were broadcasted by Beijing Huasheng Taitong Media Investment Co., Ltd. (北京華晟泰通傳媒投資有限公司) (“**Huasheng Media**”, a wholly-owned subsidiary of the Group) in the first half of 2021, but the production of TV dramas with mainstream themes by Huasheng Media still benefit from the favorable government policies. In the first half of 2021, the works with mainstream themes on mainstream video sites accounted for approximately 15% to the total dramas launched in China, representing an increase of 6% compared to the same period in 2020. Therefore, Huasheng Media will continue to focus on investing in high quality TV dramas with mainstream and positive themes, and actively promote the distribution and broadcast of existing dramas. Among the films and TV series invested or produced by Huasheng Media, during the Period Under Review, 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) and the large-scale TV series “Legend of Businessman in Hongjiang” (一代洪商), both of which have been reviewed by CCTV, and submitted for screening, and will be aired on CCTV; the historical story drama “Blood Pledge for Thousands of Years” (血盟千年) and the animated film “Tempering of King Gelsall” (格薩爾王之磨煉) are currently at the distribution stage; and the live-action sitcom “The New Big Head Son and The Little Head Father (Episodes 201-300)” (新大頭兒子小頭爸爸201-300集), the TV drama “Wu Dang” (天下武當), the realistic drama “Yangtze River Bridge” (長江大橋) and the TV drama “Mountain, Snow and Dreams” (那山那雪那夢) have reached the stage of script preparation.

Among the films and TV series invested by Starrise Pictures, the youth song and dance film “The Day We Lit Up The Sky” (燃野少年的天空) was released in July 2021; the youth nostalgic film “Once Upon A Time In The Northeast” (東北往事), the theatrical film “Twin Blades” (尖鋒姐妹) (formerly known as “曆小龍與程序媛”) and the internet movie “Police Story In The Northeast” (東北警察故事) (formerly known as “Manhunt” (極寒追惡)) are being submitted for screening; the internet movies “The Box” (魔盒之高山流水) (formerly known as “Bosom Friend” (高山流水)) and “Scream” (驚聲尖笑) (formerly known as “Horror Blockbuster” (恐不大片)), the youth nostalgic film “Here Comes Dashan” (大山來了), the TV drama “The Three-Line” (大三線) (formerly known as “Kapok Blooms Everywhere” (木棉花開紅爛漫)) and the internet drama “Legend of Taotie” (饕餮記) are all currently at the release stage; the internet movie “Assault” (突擊) has completed its post-production process, and is being submitted for approval; the internet movies “Emergency Rescuing” (心跳營救) and “King of the Sniper” (狙擊之王) as well as the theatrical film “Tianta Crisis” (天塔危機) are currently at the stage of preparation for filming; the internet movies “New Tong Pak Foo Dim Chau Heung” (唐伯虎點秋香後傳), “Elderly Hero” (遲暮英雄), “The First Undercover in the Southern Song Dynasty – The Case of Demon Cat” (南宋第一臥底之妖貓案), “Mystery Case in Ying Dynasty” (大應奇案生死簿) and “Amaranthine Epiphyllum” (雙世曇花) have completed the stage of script writing; and the internet movie “The Day We Spent Together” (一起混過的日子) is currently at the stage of script writing and preparation.

Among the films and TV series invested or produced by Beijing Starwise, the internet movie “Desperate Sniper” (絕地狙殺) (formerly known as “Deadly Sniper 2” (致命狙殺2)) was released on 1 July 2021; the animated film “GO! REX” (你好，霸王龍) is currently at the stage of preparation for release; the internet drama “Her Fantastic Adventures” (第二次初見) (formerly known as “Back To The Dynasty” (午門囡事)) has started its post-production process, and is expected to be released at the end of 2021; the internet dramas “Platinum Data” (白金數據), “Bulletproof Teacher” (穿越火線：防彈教師), “Fiber” (纖維), “Shiny Days” (雨過天晴雲開處) and “Limited Romance” (限定浪漫), as well as the internet movies “Blood Valley Of Wolves” (殺出血狼谷) and “The Iron Bone and Steel Fist” (鐵骨鋼拳), all of which are valuable IP projects of Beijing Starwise, are all currently at the stage of script development and early investment.

FINANCIAL REVIEW

Revenue, gross profit and gross profit margin

The table below is an analysis of the revenue, gross profit and gross profit margin of the Group's media business for the six months ended 30 June 2021 and 2020, respectively:

	For the six months ended 30 June					
	2021			2020		
	Revenue	Gross profit	Gross profit	Revenue	Gross profit	Gross profit
	<i>RMB'000</i>	<i>RMB'000</i>	<i>margin</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>margin</i>
			<i>%</i>			<i>%</i>
Media business	74,418	6,105	8.2%	30,513	829	2.7%

For the six months ended 30 June 2021, revenue from the Group's film and TV business increased significantly by approximately 143.9% as compared to the corresponding period of last year. The Group's gross profit margin increased by 5.5 percentage points from approximately 2.7% of the corresponding period of last year to approximately 8.2% for the six months ended 30 June 2021. This was mainly due to the recovery of the film and TV media industry in the first half of 2021 as compared to the same period last year when the Epidemic was severe, and more revenue was recognized from the drama series and films projects invested and produced by the Group in the first half of 2021.

Distribution costs

For the six months ended 30 June 2021, the distribution costs of the Group was approximately RMB3.5 million, which decreased by approximately RMB1.2 million from the distribution costs of approximately RMB4.7 million for the corresponding period of last year. Such decrease was mainly due to the implementation of Group's cost control measures regarding sales staff expenses and the decrease in the promotion costs of drama series and films for the six months ended 30 June 2021 as compared to the corresponding period of last year.

Administrative expenses

For the six months ended 30 June 2021, the administrative expenses of the Group decreased to approximately RMB9.7 million, representing a decrease of approximately 17.8% as compared to that of approximately RMB11.8 million for the corresponding period of last year. The decrease was mainly due to the Group's cost control measures on fixed expenses, labor cost savings and the staff reduction and efficiency enhancement.

Other net income

For the six months ended 30 June 2021, other net income of the Group mainly comprised of interest exemption of convertible bonds, change in fair value of derivatives embedded in convertible bonds, and net gain from investments in drama series and films.

Among them, the gains of approximately RMB44,000 arising from the change in fair value of derivatives embedded in convertible bonds decreased by approximately RMB89.7 million as compared to the gains of approximately RMB89.8 million during the corresponding period of last year. This was mainly due to the Company's share price as at 30 June 2021 was only slightly higher than the conversion price of the convertible bonds. The fair value of derivatives embedded in convertible bonds did not change significantly between the beginning and end of the period as the convertible bonds were close to maturity at the end of 2020. The gains due to the exemption of interests of convertible bonds was approximately RMB6.6 million. The net gain from investments in drama series and films with fixed-income rate was approximately RMB2.7 million, representing a decrease of approximately RMB0.6 million as compared to that of approximately RMB3.3 million in the corresponding period of last year. In addition, there was no gain arising from the change in carrying amount of convertible bonds as non-substantial modification of the terms which was mainly due to the repayment of part of the convertible bonds by the Group and the full conversion of the remaining convertible bonds held by the bondholder during the Period Under Review.

For the six months ended 30 June 2021, the total amount of other net income of the Group was approximately RMB11.6 million, decreased by approximately RMB99.2 million as compared to that of approximately RMB110.8 million for the corresponding period of last year.

Impairment losses on current assets

With the increase in the amount of trade receivables which had been past due for 6-to-12 months and over 1 year, the Group accrued credit loss of approximately RMB1.3 million based on the expected credit loss model for the six months ended 30 June 2021.

In addition, due to the adverse impact of COVID-19, the broadcasting schedule of the drama series and films produced and invested by the Group was delayed, prolonging the aging of certain outstanding drama series and films of the Group for the six months ended 30 June 2021. Since the recoverable amounts of certain drama series and films were estimated to be lower than its carrying amounts, the Group wrote down the drama series and films in the amount of approximately RMB9.4 million for the six months ended 30 June 2021.

Impairment loss on goodwill

For the six months ended 30 June 2021, management of the Group has carried out an assessment of the cash flow projections on the CGU. In light of the gradual improvement of the Epidemic situation in China, the financial performance of drama series and films business recovered for the six months ended 30 June 2021 and the Group is confident in its future performance. As such, the Group reassessed the cash flow projections and key assumptions having taken into account these circumstances in the value-in-use calculations to determine the recoverable amounts of the CGUs. As the recoverable amounts was estimated to be higher than the carrying amounts of the CGUs, there was no further impairment loss was recognized for the six months period ended 30 June 2021 (for the six months period ended 30 June 2020: RMB80,629,000).

Net finance costs

For the six months ended 30 June 2021, the Group recorded net finance costs of approximately RMB7.2 million, decreased by approximately RMB17.6 million as compared to the net finance costs of approximately RMB24.8 million during the corresponding period in 2020. Such decrease was mainly due to lower interest expense in relation to bonds and convertible bonds. During the Period Under Review, the Group's interest on convertible bonds was approximately RMB3.4 million, decreased by approximately RMB11.7 million as compared to that of approximately RMB15.1 million for the corresponding period of last year, which was mainly due to the significant reduction in interest expenses as the Group's convertible bonds were repaid or converted during the Period Under review; whilst the Group's interest on bonds decreased to approximately RMB1.4 million, representing a decrease of approximately RMB5.0 million as compared to that of approximately RMB6.4 million for the corresponding period in last year. This was mainly due to the repayment of bonds with a par value of HKD235.5 million by the Group in the second half of 2020, resulting in a significant decrease in the principal amount of outstanding bonds and the interest expenses on bonds for the six months ended 30 June 2021 as compared to the same period last year.

Taxation

For the six months ended 30 June 2021, taxation of the Group was approximately RMB3.0 million, representing an increase of approximately RMB4.8 million, as compared to the taxation of approximately RMB-1.8 million in the corresponding period of last year. Such increase was mainly due to the recognition of a portion of income tax expense as a result of the reversal of certain deferred income tax assets during the Period Under Review.

Loss and total comprehensive income attributable to the equity shareholders of the Company

For the six months ended 30 June 2021, the loss attributable to the equity shareholders of the Company was approximately RMB15.8 million (for the six months ended 30 June 2020: the loss attributable to the equity shareholders of the Company of approximately RMB17.6 million). As the film and TV media industry in China has gradually recovered in the first half of 2021 as compared to the same period last year when the Epidemic was more severe, the gross profit of the Group's drama series and films increased as compared to the same period last year, resulting in the decrease of loss. Reasons for loss in the first half of 2021 were the postponement of broadcasting of some of the Group's drama series and films projects, the impairment loss on drama series and films, and the recognition of a portion of income tax expense during the Period Under Review.

Liquidity and financial resources

As at 30 June 2021, cash and cash equivalents of the Group were approximately RMB164.7 million, representing an increase of approximately 1,319.8% from approximately RMB11.6 million as at 31 December 2020. This was mainly due to the significant increase in the cash generated from the operating activities and the investing activities.

For the six months ended 30 June 2021, the Group's net cash generated from operating activities was approximately RMB62.8 million, net cash generated from investing activities was approximately RMB120.4 million and net cash used in financing activities was approximately RMB29.2 million. With the Group's cost control measures and contingency measures implemented to mitigate the undesirable impact of the Epidemic, the Board believes that the Group will be able to maintain a sound and stable financial position, and maintain sufficient liquidity and financial resources for its business need.

Regarding customers whom have long-established business relationship, good settlement record and sound reputation, the Group may consider to grant a credit period typically ranging from 30 to 180 days on a case-to-case basis in order to maintain the sufficient cash flow and competitiveness within the industry. The length of credit period depends on various factors such as financial strength, scale of the business and settlement record of those customers. For the six months ended 30 June 2021, the average trade receivables (including bills receivable) turnover days of the Group was approximately 432 days, decreased significantly from 1,535 days recorded during the corresponding period in the previous year. This was mainly due to the significant increase in the Group's revenue and the settlement of trade receivables which was benefited from the recovery of Epidemic as compared to the corresponding period of last year.

For the six months ended 30 June 2021, drama series and films turnover days of the Group decreased to 860 days from 2,119 days for the corresponding period in 2020, which was mainly due to the improvement in sales of the Group's drama series and films as compared to the same period last year, with a significant increase in the Group's sales revenue and cost of sales as compared to the same period last year and the decrease in the average balance of the drama series and films. These turnover days were also heavily influenced by the overall industry environment.

As at 30 June 2021, the Group's bank borrowings and lease liabilities were approximately RMB47.9 million (31 December 2020: approximately RMB52.9 million), which bore fixed interest at rates ranging from 2.7% to 5.02% per annum (31 December 2020: 4.05% to 5.02%). As at 30 June 2021, the Group did not have any loans with floating interest (31 December 2020: Nil). The Group's liability component of the convertible bonds was approximately RMB0.7 million, with annual effective interest rate of 22.0% (31 December 2020: approximately RMB104.8 million, with annual effective interest rate of 22.0%).

Capital structure

The Group continues to maintain an appropriate mix of equity and debt to ensure an optimal capital structure to reduce capital cost. As at 30 June 2021, the debts of the Group mainly consisted of bank loans, bonds, and lease liabilities with a total amount of approximately RMB86.0 million (31 December 2020: approximately RMB197.4 million). As at 30 June 2021, cash and cash equivalents were approximately RMB164.7 million (31 December 2020: approximately RMB11.6 million). As at 30 June 2021, the Group's gearing ratio was approximately -8.0% (31 December 2020: gearing ratio was approximately 20.1%). The gearing ratio was calculated by dividing total debt (i.e. interest-bearing bank loans, convertible bonds, lease liabilities and bonds, after deducting cash and cash equivalents) by total equity.

As at 30 June 2021, the Group's debts due within a year were approximately RMB73.6 million (31 December 2020: approximately RMB185.2 million).

Capital commitments

Save as disclosed in note 15 to the unaudited interim financial information, the Group did not have any other significant capital commitments as at 30 June 2021 (31 December 2020: Nil).

Employee and remuneration policy

As at 30 June 2021, the Group had a total of 76 employees (31 December 2020: 78; 30 June 2020: 78).

For the six months ended 30 June 2021, staff costs of the Group (including Directors' remuneration in the form of salaries and other allowances) were approximately RMB7.7 million (for the six months ended 30 June 2020: approximately RMB9.1 million). The decrease in staff costs was mainly due to the Group's cost-saving and efficiency enhancement measures during the Period Under Review.

The Group continues to provide training to its staff to improve their operational skills. Meanwhile, the Group enhanced the work efficiency of the staff through position consolidation, process reorganization and improvement of working and living environment of the staff. The remuneration of the employees of the Group was determined with reference to their working performance, experience and the industry practices. The management of the Group will also periodically review the Group's remuneration policy.

Exposure to foreign exchange risk

The Group has adopted a prudent policy in managing its exchange rate risk. The imports and exports of the Group were settled in US dollars. The convertible bonds, bonds and foreign currency bank deposits were calculated in HK 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 risk during the six months ended 30 June 2021.

Contingent liabilities

The Group did not have any contingent liabilities as at 30 June 2021.

Charges on assets

The Group did not have any machinery and equipment pledged to banks as securities for the bank borrowings and lease liabilities as at 30 June 2021 (31 December 2020: Nil).

Significant investments

As at 30 June 2021, the Group did not hold any significant investments in equity interest in any other company.

Future plans for material investments and capital assets

As at the date of this announcement, the Group did not have any plans for future material investments and capital assets.

Material acquisitions and disposals of subsidiaries, joint ventures and associated companies

For the six months ended 30 June 2021, the Group did not have any material acquisitions or disposals of subsidiaries, joint ventures and associated companies.

OUTLOOK

During the first half of 2021, the film and TV media industry is gradually recovering thanks to the effective control of the Epidemic and the vaccination programme that are easily accessible by the public. The box office of Chinese movies during the Spring Festival holidays from 11 to 17 February 2021 reached approximately RMB7.822 billion, representing an increase of 32.46% compared to the pre-epidemic level of approximately RMB5.905 billion in 2019. However, it is worth noting that according to the statistics of the box office from Maoyan Pro, the total box office of Chinese movies has just exceeded RMB30.0 billion as of 24 July 2021, with the top two movies in the box office accounted for approximately one-third of the total box office. This indicated a further concentration of the leading movies in the Chinese film market. In the meanwhile, with the number of Hollywood blockbusters decreasing sharply due to the global Epidemic, the proportion of domestic films increased from approximately 70% in 2019 to approximately 87% in 2021, and the box office increased from approximately 47% in 2019 to approximately 77% in 2021, indicating that the Chinese movie market is still going strong. During the first half of 2021, the quality and reputation of the released dramas improved significantly albeit with the lack of blockbuster dramas. Furthermore, the variety shows and short videos markets still pose challenges to the traditional film and TV drama market. The Group believes that healthy competition will benefit the film and TV media industry as a whole. In the future, the Group will continue to explore more opportunities to enhance the quality of its drama series and films, gradually adjust its investment strategies and product structure in accordance with regulatory policies and market preferences, and seek more and better investment opportunities in accordance with the media market situation.

As the film and TV business is gradually recovering alongside with the economic recovery, the Group is optimistic about the long-term development of the film and TV media industry in China. The Group will continue to focus its resources and efforts on the development of its media business. On one hand, the Group will take the pursuit of high quality and innovative content development as its core strategy, and continue to take advantages of quality orthodox dramas with positive themes produced by Huasheng Media to enhance the Group's brand recognition and competitiveness. On the other hand, the Group will leverage on the IP resources of Starrise Pictures and Beijing Starwise and their long-term cooperative relationships with online video platforms to enrich the content and diversity of internet dramas and movies and to broaden its audience base. Meanwhile, the Group will continue leveraging on the competitive advantages of the film and TV media school jointly established by the Group with Chongqing Normal University Foreign Trade and Business College in cultivating professional talents to provide stable income and talents for the Group. For the second half of 2021, the Group will pay close attention to the government policies and trends related to the film and TV media industry and make full use of its existing resources to seek opportunities in the film and TV drama market and diversify its media business. In addition, the Group will also adjust its investment and production plans in a timely manner and with the aim to produce quality dramas, so as to generate better rewards for the shareholders and to facilitate and sustain the Group's development.

Currently, the Group's preparatory plans and filming works are undergoing smoothly, and the broadcasting and production schedule of its films and TV series for 2021 are as follows:

No.	Name	Genre	(Planned) Shooting Commencement Date	Remarks
1	Rat Race (狂鼠列車) (formerly known as "Rat Disasters" (大 鼠 災))	Internet movie	In May 2019	Broadcasted in January 2021
2	Legend of Immortality – Sword Maker (修仙傳之煉劍) (formerly known as "Sword Maker" (煉劍))	Internet movie	In August 2019	Broadcasted in February 2021
3	Desperate Sniper (絕地狙殺) (formerly known as "Deadly Sniper 2" (致命狙殺2))	Internet movie	In October 2020	Broadcasted in July 2021
4	The Day We Lit Up The Sky (燃野少年的天空)	Youth song and dance film	In November 2020	Broadcasted in July 2021
5	Once Upon A Time In The Northeast (東北往事)	Youth nostalgic film	In March 2017	Submitted for screening
6	Legend of Businessman in Hongjiang (一代洪商)	Historical story drama	In October 2018	Submitted for screening
7	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)	Sitcom	In February 2019	Submitted for screening
8	Twin Blades (尖鋒姐妹) (formerly known as " 曆小龍與程序媛 ")	Theatrical film	In May 2019	Submitted for screening

No.	Name	Genre	(Planned) Shooting Commencement Date	Remarks
9	Police Story In The Northeast (東北警察故事) (formerly known as “Manhunt” (極寒追惡))	Internet movie	In April 2020	Submitted for screening
10	Scream (驚聲尖笑) (formerly known as “Horror Blockbuster” (恐不大片))	Internet movie	In November 2017	At the release stage
11	Here Comes Dashan (大山來了)	Youth nostalgic film	In December 2017	At the release stage
12	The Box (魔盒之高山流水) (formerly known as “Bosom Friend” (高山流水))	Internet movie	In July 2018	At the release stage
13	The Three-Line (大三線) (formerly known as “Kapok Blooms Everywhere” (木棉花開紅爛漫))	Realistic drama	In September 2018	At the release stage
14	Legend of Taotie (饕餮記)	Internet drama	In October 2018	At the release stage
15	Blood Pledge for Thousands of Years (血盟千年)	Historical story drama	In October 2019	At the release stage
16	Tempering of King Gelsall (格薩爾王之磨煉)	Animation film	–	At the release stage
17	Assault (突擊)	Internet movie	In February 2021	Submitted for approval
18	GO! REX (你好霸王龍)	Animated movie	In May 2017	Preparation for release
19	Her Fantastic Adventures (第二次初見) (formerly known as “Back To The Dynasty” (午門囡事))	Internet drama	In November 2021	Under post-production
20	Emergency Rescuing (心跳營救)	Internet movie	To be determined	Preparing filming
21	King of the Sniper (狙擊之王)	Internet movie	To be determined	Preparing filming
22	Tianta Crisis (天塔危機)	Theatrical film	To be determined	Preparing filming
23	Mystery Case in Ying Dynasty (大應奇案生死簿)	Internet movie	To be determined	Script finished
24	New Tong Pak Foo Dim Chau Heung (唐伯虎點秋香後傳)	Internet movie	To be determined	Script finished
25	Elderly Hero (遲暮英雄)	Internet movie	To be determined	Script finished
26	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	To be determined	Script finished
27	Amaranthine Epiphyllum (雙世曇花)	Internet movie	To be determined	Script finished
28	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)	Sitcom	To be determined	Preparing script
29	Yangtze River Bridge (長江大橋)	Realistic drama	To be determined	Preparing script

No.	Name	Genre	(Planned) Shooting Commencement Date	Remarks
30	Wu Dang (天下武當)	TV drama	To be determined	Preparing script
31	Mountain, Snow and Dreams (那山那雪那夢)	TV drama	To be determined	Preparing script
32	Platinum Data (白金數據)	Internet drama	To be determined	Preparing script
33	Bulletproof Teacher (穿越火線: 防彈教師)	Internet drama	To be determined	Preparing script
34	Fiber (纖維)	Internet drama	To be determined	Preparing script
35	Shiny Days (雨過天晴雲開處)	Internet drama	To be determined	Preparing script
36	Limited Romance (限定浪漫)	Internet drama	To be determined	Preparing script
37	The Day We Spent Together (一起混過的日子)	Internet movie	To be determined	Preparing script
38	Blood Valley of Wolves (殺出血狼谷)	Internet movie	To be determined	Preparing script
39	The Iron Bone and Steel Fist (鐵骨鋼拳)	Internet movie	To be determined	Preparing script

EQUITY FUND RAISING ACTIVITIES DURING THE SIX MONTHS ENDED 30 JUNE 2021

On 5 January 2021, the Company entered into a subscription agreement with Jinbi Market (Hong Kong) Limited (“**Jinbi Market**”), pursuant to which the Company issued an aggregate of 101,137,134 ordinary shares of the Company (“**Subscription Shares**”) at the subscription price of HKD0.156 per Subscription Share under general mandate for settlement of the Group’s debts and liabilities as they fall due. The aggregate nominal value of the Subscription Shares (with a par value of USD0.01 each) was USD1,011,371.34. As at 30 June 2021, the net proceeds from the issuance of Subscription Shares of approximately HKD15.73 million were fully-utilised as intended, and the net price per Subscription Share was approximately HKD0.156. For further details, please refer to the announcements of the Company dated 5 January 2021 and 19 January 2021.

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

For the six months ended 30 June 2021, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities.

EVENTS AFTER THE PERIOD UNDER REVIEW

In July 2021, the Company was notified by Aim Right Ventures Limited (“**Aim Right**”) that pursuant to a sale and purchase agreement entered into between Aim Right and Jinbi Market, Aim Right conditionally agreed to sell, and Jinbi Market conditionally agreed to purchase, an aggregate of 202,472,656 Shares of the Company (the “**Share Transfer**”) and the Share Transfer was completed on 19 July 2021.

Subsequent to the completion of the Share Transfer, the shareholding structure of the Company has changed. The table below illustrates the shareholding structure of the Company immediately before and after the Share Transfer:

Shareholders	Immediately before the Share Transfer		Immediately after the Share Transfer	
	<i>No. of Shares</i>	<i>Approximate %</i>	<i>No. of Shares</i>	<i>Approximate %</i>
Aim Right	522,985,476	26.59%	320,512,820	16.29%
Cinedigm Corp.	366,590,397	18.64%	366,590,397	18.64%
Excel Orient Limited	307,809,902	15.65%	307,809,902	15.65%
Jinbi Market	101,137,134	5.14%	303,609,790	15.44%
He Han	13,998,000	0.71%	13,998,000	0.71%
Public Shareholders	<u>654,245,991</u>	<u>33.27%</u>	<u>654,245,991</u>	<u>33.27%</u>
Total	<u><u>1,966,766,900</u></u>	<u><u>100.00%</u></u>	<u><u>1,966,766,900</u></u>	<u><u>100.00%</u></u>

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 leads 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.

The Company had adopted 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**”). According to Code Provision A.4.2, all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after appointment. Ms. Yang Qinyan (“**Ms. Yang**”) was appointed as an executive Director with effect from 1 June 2021. Due to insufficient time for the Company to issue a supplemental circular proposing Ms. Yang to be re-elected at the extraordinary general meeting of the Company held on 16 June 2021 (the “**EGM**”) and allow shareholders to have at least 10 business days to consider the supplementary information pursuant to the Listing Rules, the proposal for the re-election of Ms. Yang was not put forward at the EGM. As such, Ms. Yang will be subject for re-election at the forthcoming annual general meeting of the Company according to the Company’s articles of association.

Apart from the above mentioned deviation, the Company had complied with the Code Provisions throughout the Period Under Review.

MODEL CODE FOR SECURITIES TRANSACTIONS 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 to the Listing Rules. Having made specific enquiry of all Directors, all the Directors confirmed that they had complied with the required standards of dealing as set out in the Model Code throughout the Period Under Review.

AUDIT COMMITTEE

The Audit Committee established by the Board has reviewed the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters (including the review of the unaudited consolidated financial statements of the Group for the six months ended 30 June 2021).

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2021 (30 June 2020: Nil).

DISCLOSURE OF INFORMATION

The interim report of the Company will be published on the websites of both the Stock Exchange (<http://www.hkexnews.hk>) and the Company (www.starrise.cn) and shall be despatched to the shareholders of the Company before the end of September 2021.

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

Beijing, the PRC, 26 August 2021

As at the date of this announcement, the Board comprises seven Directors, namely Mr. LIU Dong, Mr. LIU Zongjun, Mr. HE Han and Ms. YANG Qinyan as executive Directors; Mr. LAM Kai Yeung, Ms. LIU Chen Hong and Mr. KWOK Pak Shing 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 text.