

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



Starrise Media Holdings Limited

星宏傳媒控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1616)

**ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2020**

SUMMARY

- Revenue for the Year was approximately RMB94.1 million, representing a decrease of approximately 66.9% as compared to the revenue from continuing operations of approximately RMB284.2 million recognised in the previous year.
- Gross loss for the Year was approximately RMB17.2 million, representing a decrease in profits of approximately RMB149.4 million as compared to the gross profit of approximately RMB132.2 million recognised in the previous year.
- Gross profit margin for the Year was approximately -18.3%, representing a decrease of approximately 64.8 percentage points as compared to the gross profit margin of approximately 46.5% for the previous year.
- Loss attributable to the equity shareholders of the Company was approximately RMB281.3 million, representing a decrease in profits of approximately RMB311.5 million as compared to the profit attributable to the equity shareholders of the Company of approximately RMB30.2 million for the previous year.

DIVIDEND

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

The board (the “**Board**”) of directors (the “**Directors**”) of Starrise Media Holdings Limited (the “**Company**”) announces the consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 December 2020 (the “**Year**” or the “**Period Under Review**”) together with the comparative figures in 2019 as set out below. The consolidated results have been reviewed by the audit committee (the “**Audit Committee**”) of the Company.

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME**

For the year ended 31 December 2020

(Expressed in Renminbi Yuan)

	<i>Note</i>	2020 RMB’000	2019 <i>RMB’000</i>
Continuing operations			
Revenue	3	94,120	284,183
Cost of sales and services		(111,359)	(152,007)
Gross (loss)/profit		(17,239)	132,176
Other net income	4	135,569	9,752
Distribution costs		(8,649)	(10,234)
Administrative expenses		(22,839)	(28,381)
Other expenses	5(c)	(309,877)	(1,829)
Impairment losses on trade and other receivables	5(c)	(20,620)	(4,401)
(Loss)/profit from operations		(243,655)	97,083
Net finance costs	5(a)	(48,121)	(48,260)
(Loss)/profit before taxation from continuing operations	5	(291,776)	48,823
Income tax	6	9,564	(17,913)
(Loss)/profit for the year from continuing operations		(282,212)	30,910
Discontinued operation			
Loss for the year from discontinued operation	7	–	(859)
(Loss)/profit and total comprehensive income for the year		(282,212)	30,051

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

For the year ended 31 December 2020

(Expressed in Renminbi Yuan)

	<i>Note</i>	2020 RMB'000	2019 <i>RMB'000</i>
Attributable to:			
Equity shareholders of the Company		(281,258)	30,183
Non-controlling interests		(954)	(132)
		<hr/>	<hr/>
(Loss)/profit and total comprehensive income for the year		(282,212)	30,051
		<hr/> <hr/>	<hr/> <hr/>
Basic (loss)/earnings per share (RMB cents)	<i>8</i>		
– Continuing and discontinued operations		(19.85)	2.17
		<hr/>	<hr/>
– Continuing operations		(19.85)	2.23
– Discontinued operation		–	(0.06)
		<hr/> <hr/>	<hr/> <hr/>
Diluted (loss)/earnings per share (RMB cents)	<i>8</i>		
– Continuing and discontinued operations		(24.90)	2.17
		<hr/>	<hr/>
– Continuing operations		(24.90)	2.23
– Discontinued operation		–	(0.06)
		<hr/> <hr/>	<hr/> <hr/>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2020

(Expressed in Renminbi Yuan)

		31 December 2020	31 December 2019
	<i>Note</i>	RMB'000	RMB'000
Non-current assets			
Property, plant and equipment		17,788	23,723
Intangible assets		17,014	21
Goodwill	<i>9</i>	148,357	435,081
Investments in equity securities		1,870	1,900
Other receivables	<i>10</i>	6,063	145,209
Deferred tax assets		11,600	1,928
		<hr/> 202,692 <hr/>	<hr/> 607,862 <hr/>
Current assets			
Drama series and films		310,860	358,666
Trade and other receivables	<i>10</i>	783,384	844,023
Cash and cash equivalents	<i>11</i>	11,639	193,438
		<hr/> 1,105,883 <hr/>	<hr/> 1,396,127 <hr/>
Current liabilities			
Trade and other payables	<i>12</i>	139,300	212,544
Contract liabilities		3,078	3,078
Bank loans	<i>13</i>	35,500	14,850
Other borrowings	<i>14</i>	144,429	281,962
Lease liabilities		5,277	5,025
Current taxation		39,487	39,489
		<hr/> 367,071 <hr/>	<hr/> 556,948 <hr/>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)*At 31 December 2020**(Expressed in Renminbi Yuan)*

		31 December 2020	31 December 2019
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
Net current assets		738,812	839,179
Total assets less current liabilities		941,504	1,447,041
Non-current liabilities			
Other borrowings	<i>14</i>	–	218,051
Lease liabilities		12,148	17,425
Deferred tax liabilities		5,524	5,521
		17,672	240,997
Net assets		923,832	1,206,044
Capital and reserves			
Share capital	<i>15</i>	90,578	90,578
Reserves		811,208	1,092,466
Total equity attributable to equity shareholders of the Company		901,786	1,183,044
Non-controlling interests		22,046	23,000
Total equity		923,832	1,206,044

NOTES:

(Expressed in Renminbi Yuan unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

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

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

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2020 comprise the Company and its subsidiaries (together referred to as the “Group”).

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

- investments in equity securities
- derivative financial instruments

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

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

As further disclosed in note 18, in 2020, the unexpected outbreak of the Covid-19 pandemic gave rise to uncertainties over the Group’s operations and financial position.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Basis of preparation of the financial statements (Continued)

The Group incurred a net loss of RMB282,212,000 for the year ended 31 December 2020. As at 31 December 2020, convertible bonds amounted to RMB108,055,000 (equivalent to HKD120,000,000) were due for repayment on 28 February 2021. On 26 February 2021, convertible bonds with a face value of HKD20,000,000 were converted (see note 19) into the Company's shares. With respect to the remaining convertible bonds with a face value of HKD100,000,000, none of them were converted into the Company's shares and the Company was obliged to redeem the bonds on the maturity date of 28 February 2021. However, the Company defaulted on the redemption and those bonds remain outstanding as of the date of approval of these consolidated financial statements. The Company plans to partially redeem the bonds and transfer the remaining bonds to an existing shareholder of the Company (see note 19).

Nevertheless, the Group still has bank loans and other borrowings amounting to RMB35,500,000 and RMB36,374,000, respectively, which are due for repayment during the period from April to December 2021 as disclosed in notes 13 and 14(b)(iii). The Group's cash and bank balances only amounted to RMB11,639,000 as at 31 December 2020. The Group will be unable to fund the Group's operating activities and repay the bank loans and other borrowings in full when they fall due unless it is able to generate sufficient net cash inflows from its operations and/or extend or renew its existing borrowings upon their maturities. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern.

In view of such circumstances, the directors of the Company have given careful consideration to the future liquidity and performance of the Group and its available sources of financing in assessing whether the Group will be able to finance its future working capital and financial requirements. Certain measures have been and are being taken to manage its liquidity needs and to improve its financial position which include, but are not limited to, the following:

- The Group will continue to pay close attention to the film and television media industry and make good use of its resources with an aim to attain positive and sustainable cash flow from operations;
- The Group is putting extra efforts on collecting its trade and other receivables and procuring the distribution of the drama series and films;
- The Group is in discussions with its lenders to timely renew or extend its existing bank loans and other borrowings; and
- The Group will actively and regularly review its capital structure and source additional capital by issuing bonds or new shares, where appropriate.

The directors of the Company have reviewed the Group's cash flow projection covering a period of not less than twelve months from the end of the reporting period prepared by management. In the opinion of the directors of the Company, assuming the success of the above measures, the Group will have sufficient working capital to meet its financial liabilities as and when they fall due. Accordingly, the consolidated financial statements have been prepared on a going concern basis. Should the Group be unable to continue as a going concern, adjustments would have to be made to write down the value of assets to their recoverable amounts, to provide for further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effect of these adjustments has not been reflected in the financial statements.

2 CHANGES IN ACCOUNTING POLICIES

The Group has applied the following amendments to IFRSs issued by the IASB to these financial statements for the current accounting period:

- Amendments to IFRS 3, *Definition of a Business*
- Amendment to IFRS 16, *Covid-19-Related Rent Concessions*

None of the amendments to IFRSs have had material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standards or interpretation that is not effective for the current accounting period except for the amendment to IFRS 16, Covid-19-Related Rent Concessions, which provides a practical expedient that allows lessees not assess whether particular rent concessions occurring as a direct consequence of the Covid-19 pandemic are lease modifications and, instead, account for those concessions as if they were not lease modifications.

3 REVENUE AND SEGMENT REPORT

(a) Revenue

For the year ended 31 December 2020, the principal activities of the Group is production, distribution and licensing of drama series and films. For the year ended 31 December 2019, the principal activities of the Group also included manufacturing and sales of textile products and provision of related processing service (see note 7, "**discontinued operation**"). Further details regarding the Group's principal activities are disclosed in note 3(b).

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

	Continuing operations		Discontinued operation		Total	
	2020	2019	2020	2019	2020	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue from contracts with customers within the scope of IFRS 15						
Disaggregated by major products or service lines						
– Sales of textile products	–	–	–	458,210	–	458,210
– Licensing of drama series and films, transfer of license of drama series and films	45,030	216,096	–	–	45,030	216,096
– Provision of textile products processing services	–	–	–	16,503	–	16,503
– Provision of drama series and films production, distribution and related services	49,090	68,087	–	–	49,090	68,087
	94,120	284,183	–	474,713	94,120	758,896

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

The Group's customer base is diversified and includes three customers (2019: one) with whom transactions have exceeded 10% of the Group's revenues for the year ended 31 December 2020. In 2020 revenues from sales of television drama series to these customers amounted to approximately RMB77,228,000. In 2019 revenues from sales of television drama series to the customer amounted to approximately RMB108,902,000.

3 REVENUE AND SEGMENT REPORT (CONTINUED)

(b) Segment reporting

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

Continuing operations

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

(i) *Segment results, assets and liabilities*

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

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

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

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

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

3 REVENUE AND SEGMENT REPORT (CONTINUED)

(b) Segment reporting (continued)

Continuing operations (continued)

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

Disaggregation of revenue from contracts with customers by the timing of revenue recognition, as well as information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2020 and 2019 is set out below.

	Continuing operations		Discontinued operation		Total	
	Media		Textile			
	2020	2019	2020	2019	2020	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Disaggregated by timing of revenue recognition						
Point in time	48,441	238,203	–	458,210	48,441	696,413
Over time	45,679	45,980	–	16,503	45,679	62,483
Revenue from external customers	94,120	284,183	–	474,713	94,120	758,896
Inter-segment revenue	–	–	–	–	–	–
Reportable segment revenue	94,120	284,183	–	474,713	94,120	758,896
Reportable segment result (adjusted (loss)/profit before taxes)	(67,232)	111,044	–	(15,044)	(67,232)	96,000
Interest income on bank deposits	23	2,634	–	648	23	3,282
Interest on bank loans and other financial liabilities	7,060	4,918	–	8,165	7,060	13,083
Depreciation and amortisation for the year	8,434	4,465	–	48,407	8,434	52,872
Reportable segment assets	1,308,575	2,003,989	–	–	1,308,575	2,003,989
Additions to non-current segment assets during the year	–	13,538	–	–	–	13,538
Reportable segment liabilities	384,743	797,945	–	–	384,743	797,945

3 REVENUE AND SEGMENT REPORT (CONTINUED)

(b) Segment reporting (continued)

Continuing operations (continued)

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

	Continuing operations		Discontinued operation		Total	
	2020 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000
Revenue						
Reportable segment revenue	94,120	284,183	-	474,713	94,120	758,896
Elimination of inter-segment revenue	-	-	-	-	-	-
Consolidated revenue (note 3(a))	<u>94,120</u>	<u>284,183</u>	<u>-</u>	<u>474,713</u>	<u>94,120</u>	<u>758,896</u>
(Loss)/profit						
Reportable segment (loss)/profit	(67,232)	111,044	-	(15,044)	(67,232)	96,000
Elimination of inter-segment profits	-	-	-	-	-	-
Reportable segment (loss)/profit derived from the Group's external customers	(67,232)	111,044	-	(15,044)	(67,232)	96,000
Interest on convertible bonds	(28,761)	(33,248)	-	-	(28,761)	(33,248)
Interest on bonds	(12,570)	(12,429)	-	-	(12,570)	(12,429)
Change in fair value of derivatives embedded in convertible bonds	113,266	(29,710)	-	-	113,266	(29,710)
Change in carrying amount of convertible bonds as non-substantial modification of the terms	13,206	13,479	-	-	13,206	13,479
Impairment of goodwill	(286,724)	-	-	-	(286,724)	-
Unallocated head office and net corporate expenses	(22,961)	(313)	-	-	(22,961)	(313)
Consolidated (loss)/profit before taxation	<u>(291,776)</u>	<u>48,823</u>	<u>-</u>	<u>(15,044)</u>	<u>(291,776)</u>	<u>33,779</u>

3 REVENUE AND SEGMENT REPORT (CONTINUED)

(b) Segment reporting (continued)

Continuing operations (continued)

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

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Assets		
Reportable segment assets	1,308,575	2,003,989
Elimination of inter-segment receivables	—	—
	<u>1,308,575</u>	<u>2,003,989</u>
Unallocated head office and corporate assets	—	—
	<u>—</u>	<u>—</u>
Consolidated total assets	<u><u>1,308,575</u></u>	<u><u>2,003,989</u></u>
Liabilities		
Reportable segment liabilities	384,743	797,945
Elimination of inter-segment payables	—	—
	<u>384,743</u>	<u>797,945</u>
Unallocated head office and corporate liabilities	—	—
	<u>—</u>	<u>—</u>
Consolidated total liabilities	<u><u>384,743</u></u>	<u><u>797,945</u></u>

3 REVENUE AND SEGMENT REPORT (CONTINUED)

(b) Segment reporting (continued)

Continuing operations (continued)

(iii) Geographic information

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

	Continuing operations		Discontinued operation		Total	
	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
The PRC	94,120	284,183	–	433,334	94,120	717,517
Overseas	–	–	–	41,379	–	41,379
	<u>94,120</u>	<u>284,183</u>	<u>–</u>	<u>474,713</u>	<u>94,120</u>	<u>758,896</u>

4 OTHER NET INCOME

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Change in fair value of derivatives embedded in convertible bonds	113,266	(29,710)
Change in carrying amount of convertible bonds as non-substantial modification of the terms	13,206	13,479
Gain on disposal of an associate	–	12,000
Net gain from investments in drama series and films *	5,789	10,270
Others	3,308	3,713
	<u>135,569</u>	<u>9,752</u>

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

5 (LOSS)/PROFIT BEFORE TAXATION

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

(a) Net finance costs

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Interest on convertible bonds	28,761	33,248
Interest on bonds	12,570	12,429
Interest on bank loans and other financial liabilities	7,060	4,918
Interest on lease liabilities	1,128	1,368
Interest income	(23)	(2,634)
Net foreign exchange gain	(1,416)	(1,447)
Other finance charges	41	378
	<u>48,121</u>	<u>48,260</u>

(b) Staff costs

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Salaries, wages and other benefits	18,248	19,942
Contributions to defined contribution retirement plan	1,630	2,337
	<u>19,878</u>	<u>22,279</u>

Pursuant to the relevant labor rules and regulations in the PRC, the Group participates in defined contribution retirement schemes (the “Schemes”) organised by the relevant local authorities whereby the Group is required to make contributions to the Schemes at certain percentages of the eligible employees’ salaries for the years ended 31 December 2020 and 2019. The relevant local government authorities are responsible for the entire pension obligations payable to retired employees. The Group has no other material obligation for the payment of pension benefits associated with the Schemes beyond the annual contributions described above.

5 (LOSS)/PROFIT BEFORE TAXATION (CONTINUED)

(c) Other items

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Amortisation		
– intangible assets	3,007	7
Depreciation		
– owned property, plant and equipment	173	61
– right-of-use assets	5,254	4,397
Total minimum lease payments for leases previously classified as operating leases under IAS 17	21	21
Other expenses	309,877	1,829
– impairment of goodwill	286,724	–
– provisions for drama series and films	23,153	1,829
Impairment losses on trade and other receivables	20,620	4,401
Gain on disposal of an associate	–	12,000
COVID-19 related rent concessions received	210	–
Auditors' remuneration		
–audit services	1,980	2,600
–other services	–	700
Cost of drama series and films	107,961	150,379
	<u>107,961</u>	<u>150,379</u>

6 INCOME TAX

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

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Current tax		
Provision for the year	105	16,213
Deferred tax		
Origination and reversal of temporary differences	(9,669)	1,700
	<u>(9,564)</u>	<u>17,913</u>

6 INCOME TAX (CONTINUED)

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

- (i) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in those jurisdictions.
- (ii) The Group's Hong Kong subsidiaries, being investment holding companies, do not derive income subject to Hong Kong Profits Tax. For the years ended 31 December 2020 and 2019, Hong Kong Profits Tax rate is 16.5%. The payments of dividends by the subsidiaries incorporated in Hong Kong are not subject to withholding tax.
- (iii) For the year ended 31 December 2020, the Group's PRC subsidiaries are subject to income tax rate of 25% (2019: 25%).
- (iv) Dividends receivable by non-PRC resident corporate investors from PRC-residents are subject to withholding tax at 10%, unless reduced by tax treaties or arrangements, for profit earned since 1 January 2008. Star Rise Investments Ltd. and Star Will Investments (HK) Ltd., Hong Kong subsidiaries of the Company, would be subject to PRC dividend withholding tax on dividends receivable from their PRC subsidiaries.
- (v) Pursuant to the PRC Enterprise Income Tax preferential policies in Horgos of Xinjiang province, Horgos Star Rise Culture Media Co., Ltd., Horgos Yingsheng Film and TV Culture Co., Ltd. and Khorgos Starrise Qicheng Media Co., Ltd., subsidiaries of the Company located in Horgos of Xinjiang province and are principally engaged in the production and distribution of drama series and films, are entitled to a tax holiday of 5-year full exemption on Enterprise Income Tax commencing from the first revenue-generating year. The first exemption year are 2016, 2016 and 2019 respectively.

Khorgos Starrise Han Media Co., Ltd. and Khorgos Starwise Culture Media Co., Ltd. established in October and November 2020 respectively and no revenue realised in 2020.

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

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
(Loss)/profit before taxation	<u>(291,776)</u>	<u>48,823</u>
Notional tax on (loss)/profit before taxation, calculated at the rates applicable to the profits in the jurisdictions concerned	(89,137)	28,319
Tax effect of non-deductible expenses	68,588	3,514
Tax effect of unused tax losses not recognised	10,985	(223)
Statutory tax concession	–	(16,384)
PRC dividend withholding tax	–	2,687
Income tax expense	<u>(9,564)</u>	<u>17,913</u>

7 DISCONTINUED OPERATION

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

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

8 (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share is based on the loss attributable to ordinary equity shareholders of the Company of RMB281,258,000 (2019: profit of RMB30,183,000) and the weighted average number of 1,416,912,000 ordinary shares (2019: 1,391,144,000) in issue during the year, calculated as follows:

	2020 '000	2019 '000
Issued ordinary shares at 1 January	1,416,912	1,254,750
Effect of shares issuance (<i>note 15</i>)	–	136,394
	<u>1,416,912</u>	<u>1,391,144</u>
Weighted average number of ordinary shares at 31 December	<u>1,416,912</u>	<u>1,391,144</u>

(b) Diluted (loss)/earnings per share

The calculation of diluted (loss)/earnings per share is based on the loss attributable to ordinary equity shareholders of the Company of RMB393,230,000 (2019: profit of RMB74,834,000) and the weighted average number of 1,579,074,000 ordinary shares (2019: 1,660,600,000), calculated as follows:

(i) (Loss)/profit attributable to ordinary equity shareholders of the Company (diluted)

	2020 RMB'000	2019 RMB'000
(Loss)/profit attributable to ordinary equity shareholders	(281,258)	30,183
After tax effect of effective interest on the liability component of convertible bond	14,500	38,926
After tax effect of loss recognised on the derivative component of convertible bond	(126,472)	5,725
	<u>(393,230)</u>	<u>74,834</u>
(Loss)/profit attributable to ordinary equity shareholders (diluted)	<u>(393,230)</u>	<u>74,834</u>

8 (LOSS)/EARNINGS PER SHARE (CONTINUED)

(b) Diluted (loss)/earnings per share (continued)

(ii) Weighted average number of ordinary shares (diluted)

	2020 '000	2019 '000
Issued ordinary shares at 1 January	1,416,912	1,254,750
Effect of shares issuance (note 15)	–	136,394
Effect of convertible bond	<u>162,162</u>	<u>269,456</u>
Weighted average number of ordinary shares (diluted) at 31 December	<u><u>1,579,074</u></u>	<u><u>1,660,600</u></u>

9 GOODWILL

	2020 RMB'000	2019 RMB'000
Cost:		
At 1 January	511,525	517,919
Disposal of subsidiaries	–	(6,394)
At 31 December	<u>511,525</u>	<u>511,525</u>
Accumulated impairment losses:		
At 1 January	(76,444)	(76,444)
Impairment loss	<u>(286,724)</u>	<u>–</u>
At 31 December	<u><u>(363,168)</u></u>	<u><u>(76,444)</u></u>
Carrying amount:		
At 1 January	<u><u>435,081</u></u>	<u><u>441,475</u></u>
At 31 December	<u><u>148,357</u></u>	<u><u>435,081</u></u>

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 five 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.

10 TRADE AND OTHER RECEIVABLES

	31 December 2020 RMB'000	31 December 2019 RMB'000
Trade debtors and bills receivable, net of loss allowance (<i>note 10(a)</i>)	206,782	269,807
Deposits, prepayments and other receivables (<i>note 10(b)</i>)	582,665	719,425
	789,447	989,232
Other receivables expected to be collected or recognised as expense after more than one year	(6,063)	(145,209)
Trade and other receivables expected to be recovered or recognised as expense within one year	783,384	844,023

(a) Ageing analysis

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

	31 December 2020 RMB'000	31 December 2019 RMB'000
Current	99,655	239,001
Less than 3 months past due	72,741	1,914
3 to 6 months past due	1,912	23,852
6 to 12 months past due	29,736	4,600
More than one year past due	2,738	440
Amounts past due	107,127	30,806
	206,782	269,807

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

10 TRADE AND OTHER RECEIVABLES (CONTINUED)

(b) Deposits, prepayments and other receivables

	<i>Note</i>	31 December 2020 RMB'000	31 December 2019 RMB'000
Prepayments and advances relating to drama series and films	(i)	186,498	199,620
Other receivables in relation to disposal of subsidiaries	(ii)	249,218	337,617
Other receivables relating to disposal of an associate	(iii)	4,000	12,000
Amounts due from third parties		138,764	152,897
Prepayment for investments		–	8,000
Deferred expenses		170	1,620
Others		4,015	7,671
		582,665	719,425

Notes:

- (i) The balance represents prepayments and advances of investment for co-financing the production of drama series and films.
- (ii) The balance represents the consideration for the disposal of the Disposal Group, see note 7.
- (iii) The balance represents the consideration receivable for the disposal of an associate during the year ended 31 December 2020.

11 CASH AND CASH EQUIVALENTS

	31 December 2020 RMB'000	31 December 2019 RMB'000
Bank deposits	11,621	193,419
Cash in hand	18	19
Cash and cash equivalents in the consolidated statement of financial position and the consolidated cash flow statement	11,639	193,438

As at 31 December 2020, the Group's cash and cash equivalents of RMB9,362,000 (2019: RMB27,249,000) are denominated in RMB.

12 TRADE AND OTHER PAYABLES

	31 December 2020 RMB'000	31 December 2019 RMB'000
Trade creditors and bills payable (<i>note 12(a)</i>)	12,261	12,641
Receipts in advance	7,764	16,541
Other creditors and accrued charges (<i>note 12(b)</i>)	<u>119,275</u>	<u>183,362</u>
	<u>139,300</u>	<u>212,544</u>

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

(a) Ageing analysis

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

	31 December 2020 RMB'000	31 December 2019 RMB'000
Due within 3 months or on demand	<u>12,261</u>	<u>12,641</u>

(b) Other creditors and accrued charges

	<i>Note</i>	31 December 2020 RMB'000	31 December 2019 RMB'000
Advances from third parties	<i>(i)</i>	24,996	78,326
Payables relating to drama series and films		63,797	68,158
Tax payable other than income tax		18,410	24,656
Accrued charges		4,275	6,656
Deferred income		–	4,071
Other payables		<u>7,797</u>	<u>1,495</u>
		<u>119,275</u>	<u>183,362</u>

Note:

- (i) As at 31 December 2020, advances from third parties of RMB18,000,000 (2019: RMB74,500,000) are unsecured, interest bearing at 10% – 15% per annum and repayable within one year. Other advances from third parties are unsecured, interest-free and had no fixed repayment terms or repayable within one year.

13 BANK LOANS

	31 December 2020 RMB'000	31 December 2019 RMB'000
Unsecured bank loans	<u>35,500</u>	<u>14,850</u>

As at 31 December 2020, the bank loans were repayable as follows:

	RMB'000	Maturity date
Beijing Rural Commercial Bank	8,500	10 April 2021
Bank of Beijing	5,000	18 June 2021
China Merchants Bank	5,000	28 July 2021
Bank of Beijing	10,000	4 December 2021
Bank of Beijing	7,000	10 December 2021
	<u>35,500</u>	

14 OTHER BORROWINGS

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

	31 December 2020 RMB'000	31 December 2019 RMB'000
Convertible bonds (<i>note 14(b)(i)</i>)		
– host liability component	104,759	161,462
– derivative liability component	3,296	120,500
	<u>108,055</u>	<u>281,962</u>
Bonds (<i>note 14(b)(ii)(iii)</i>)	36,374	218,051
	<u>144,429</u>	<u>500,013</u>
Amounts expected to be settled within one year	(144,429)	(281,962)
	<u>–</u>	<u>218,051</u>
Amounts expected to be settled after one year	–	218,051

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

14 OTHER BORROWINGS (CONTINUED)

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

(i) 2017 Convertible Bonds

On 28 February 2017, the Company issued convertible bonds with a face value of HKD300,000,000 and a maturity date on 28 February 2019, which is extendable to 28 February 2020, 28 February 2021 or 28 February 2022 if agreed by the Company and the bondholders. The convertible bonds bear a nominal interest rate at 5% per annum and are guaranteed by Liu Zihua, 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 initial conversion price of HKD1.21 per share, which was adjusted to HKD0.156 per share (subject to further adjustments) after the reporting period.

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

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

On 25 February 2019, Dragon Capital Entertainment Fund One LP (the "**Original Bondholder**") transferred the convertible bonds with an aggregate face value of HKD120,000,000, which were convertible into 162,162,162 ordinary shares at the adjusted 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 adjusted conversion price of HKD 0.74 per share.

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

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

14 OTHER BORROWINGS (CONTINUED)

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

(i) 2017 Convertible Bonds (continued)

On 27 February 2020, the Company, the Original Bondholder and Skyland conditionally agreed to further extend the maturity date of the remaining convertible bonds with an aggregate face value of HKD 180,000,000 from 28 February 2020 to 28 February 2021, which is subject to, among other things, the approvals of the Company's shareholders at the general meeting. 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 the convertible bonds with an aggregate face value of HKD20,000,000 to BeiTai.

As at 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.

Convertible bonds with a face value amounted to HKD120,000,000 were outstanding as at 31 December 2020. On 26 February 2021, convertible bonds with a face value of HKD20,000,000 held by BeiTai were converted into the Company's shares. The remaining convertible bonds with the face value of HKD100,000,000 held by the Original Bondholder were matured without redemption after the maturity date on 28 February 2021. For details, please see note 19.

(ii) 2018 Bonds

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

On 1 August 2019, the Company and the Bondholder agreed to extend the maturity date of the bonds with an aggregate face value of HKD235,500,000 from 9 May 2020 to 9 March 2021.

On 30 November 2020, the Company, pursuant to the terms and conditions of the bonds and as agreed into the bondholder, early redeemed the bonds at the face value of HKD235,500,000.

(iii) 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.

15 SHARE CAPITAL

Authorised and issued share capital are as follows:

	2020		2019	
	Number of shares	RMB'000	Number of shares	RMB'000
Authorised:				
Ordinary shares of USD0.01 each	<u>10,000,000,000</u>	<u>632,110</u>	10,000,000,000	632,110
Ordinary shares, issued and fully paid:				
At 1 January	1,416,911,818	90,578	1,254,749,656	79,730
Shares issuance	<u>-</u>	<u>-</u>	<u>162,162,162</u>	<u>10,848</u>
At 31 December	<u>1,416,911,818</u>	<u>90,578</u>	<u>1,416,911,818</u>	<u>90,578</u>

16 COMMITMENTS

Capital commitments outstanding at 31 December 2020 not provided for in the consolidated financial statements were as follows:

	31 December 2020 RMB'000	31 December 2019 RMB'000
Contracted for		
– Acquiring services relating to production of drama series and films	<u>76,476</u>	<u>43,277</u>

17 MATERIAL RELATED PARTY TRANSACTIONS

(a) Key management personnel remuneration

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

	2020 RMB'000	2019 RMB'000
Short-term employee benefits	5,433	5,401
Post-employment benefits	<u>31</u>	<u>97</u>
	<u>5,464</u>	<u>5,498</u>

Total remuneration is disclosed in “staff costs” (see note 5(b)).

17 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Outstanding balances with related parties

As at 31 December 2020 and 2019, the Group had the following balances with related parties:

	<i>Note</i>	31 December 2020 RMB'000	31 December 2019 RMB'000
Amount due from a shareholder of the Company	(i)	249,218	337,617
Amount due to a shareholder of the Company	(ii)	36,374	–

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

(ii) The amount due to a shareholder is included in “other borrowings” (note 14).

(c) Material transactions with related parties

The Group has no material transactions with related parties for the year ended 31 December 2020 and 2019.

18 IMPACT OF THE COVID-19 PANDEMIC

The Covid-19 pandemic since early 2020 has brought about additional uncertainties in the Group’s operating environment and has impacted the Group’s operation and financial position.

The Group has been closely monitoring the impact of the developments on the Group’s business and has put in place contingency measures. These contingency measures include: reassessing changes to the customers’ preferences on the types of drama series to be broadcasted, assessing the readiness of the production units and revisiting the progress of self-produced drama series, negotiating with customers on possible delay in delivery timetables, increase monitoring of the business environment of the Group’s customers, and improving the Group’s cash management by expediting debtor settlements and negotiating with suppliers on payment extensions.

The Covid-19 pandemic did have a significant impact on the Group’s operation and capital position, but did not change the fundamentals of the Group’s ability to continue as a going concern. The Group now has strengthened the recovery of receivables, increased the issuance of drama series and films, and adjusted the drama and films reserves. The Group will keep the contingency measures under review as the situation evolves.

19 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

On 5 January 2021, the Company and Jinbi Market (Hong Kong) Limited (the “**Subscriber**”) entered into a subscription agreement (the “**Subscription Agreement**”), pursuant to which the Company has conditionally agreed to allot and issue, and the Subscriber has conditionally agreed to subscribe, for an aggregate of 101,137,134 new shares at the subscription price of HKD0.156 per subscription share, which in aggregate amount to a total of approximately HKD15,777,000. All the conditions have been fulfilled and the completion took place on 19 January 2021 in accordance with the terms and conditions of the Subscription Agreement. The net proceeds of the subscription are approximately HKD15,730,000. Further to completion of the subscription, the adjusted conversion price of the outstanding convertible bonds was further adjusted to HKD0.156 per conversion share.

On 26 February 2021, convertible bonds with entire principal amount of HKD20,000,000 held by BeiTai were converted into 128,205,128 shares at the adjusted conversion price of HKD0.156 per conversion share.

On 26 February 2021, the Company announced to redeem the convertible bonds in the aggregate principal amount of HKD50,000,000 held by the Original Bondholder, leaving the convertible bonds in the aggregate principal amount of HKD50,000,000 remain outstanding after the partial redemption. On 24 March 2021, the Company further announced that the Company received a notice from Original Bondholder confirming potential extension and potential transfer of the outstanding convertible bonds, with terms subject to the entering into of a legally binding agreement between the relevant parties.

EXTRACT OF INDEPENDENT AUDITOR’S REPORT

The following is an extract of the independent auditor’s report from the Company’s auditor on the Group’s consolidated financial statements for the year ended 31 December 2020:

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (“**IFRSs**”) issued by the International Accounting Standards Board (“**IASB**”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to note 1(b) to the consolidated financial statements, which indicates that the Group incurred a net loss of RMB282,212,000 for the year ended 31 December 2020. The Group defaulted on redemption of convertible bonds on 28 February 2021 and plans to partially redeem the bonds and transfer the remaining bonds to an existing shareholder of the Company. Nevertheless, the Group still has bank loans and other borrowings amounting to RMB35,500,000 and RMB36,374,000, respectively, which are due for repayment during the period from April to December 2021. The Group’s cash and bank balances only amounted to RMB11,639,000 as at 31 December 2020. As stated in note 1(b), these events or conditions, along with other matters set forth in note 1(b), indicate that a material uncertainty exists that may cast significant doubt on the Group’s ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY AND BUSINESS OVERVIEW

In early 2020, the sudden outbreak (the “**COVID-19 epidemic**” or “**Epidemic**”) of pneumonia related to new coronavirus (the “**COVID-19**”) had a significant impact on China’s economic development. The spread of the Epidemic across the globe also caused the world’s economy to suffer adversely, thus exposing China’s economy to further uncertainties. Fortunately, the Epidemic was under better control starting mid-2020 due to the preventive and control measures against it implemented by the PRC government, and hence did not affect the long-term, positive growth in China’s economic development. According to China Customs, China was the only major economy in the world to achieve positive growth in trade in goods in 2020, and China’s gross domestic product (“**GDP**”) reached approximately RMB101.60 trillion in 2020 according to the National Bureau of Statistics of the PRC, representing its first time in exceeding RMB100 trillion in GDP and a growth of approximately 2.3% over 2019 on a comparable basis. Based on the average annual exchange rate, China’s economy is expected to account for more than 17% of the world’s economy in 2020, making it a major force behind the global economic recovery.

Although the long-term positive development of China’s economy remains unchanged, its tertiary industry (which includes the cultural industry and consumer services industry) has taken a hit because of the Epidemic. According to the National Bureau of Statistics of the PRC, in 2020, the value-added contribution of China’s tertiary industry (which consists of the services sector) amounted to approximately RMB55,397.7 billion, with an increase of 2.1% but a growth rate of approximately 4.8 percentage points lower than that of the previous year. Although the final consumption expenditure in China accounted for 54.5% of GDP in 2020, the final consumption expenditure contributed up to approximately –337.1% of China’s cumulative GDP growth in the first three quarters of 2020, pulling the cumulative GDP growth down by 2.5 percentage points. As such, the impact of the COVID-19 epidemic on China’s tertiary industry was significant.

Due to the impact of the COVID-19 epidemic and the implementation of the preventive and crowd-control measures, the Chinese movie market entered a low season in 2020 since the beginning of the year: the release of all movies that were originally scheduled for the Spring Festival holidays was halted, all theatres throughout China suspended operations, followed by the cancellation of Valentine’s Day and Labour Day schedules, all of which resulted in direct losses at the box office in China. It was not until July 2020 that theaters, which had been closed for more than six months, were able to resume operations. However, in light of the stringent requirements of the prevention and control measures against the Epidemic and the shortage of staff due to the prolonged closure and reduce in workforce of theaters, there had been a certain impact on the initial resumption of work. The total box office of Chinese movies in 2020 was RMB20.417 billion with a year-on-year decrease of RMB43.849 billion or 68.23%. The total number of attendance was approximately 548 million with a year-on-year decrease of 68.27%.

With regards to the television drama market, under the impact of the COVID-19 epidemic and the policy of the National Radio and Television Administration “limiting the production of TV dramas and internet dramas to not exceeding 40 episodes and encouraging the dramas with 30 episodes or less”, filing applications of 670 TV dramas were accepted in 2020, a decrease of 26.0% compared to that of 905 dramas in 2019. Comparing the change in the number of filings made in each month, there had been an overall downward trend in 2020. Whilst realistic contemporary genre accounted for over 80% of the TV and internet drama, there is an increasing popularity in dramas of the cultural and entertainment genre, such as online variety shows, short videos, live shows and game shows. The change in audience’s preference further impacted the audience rating of films and television dramas. In face of such challenges, 13,170 TV-related companies in China were cancelled or revoked in the first half of 2020 according to publicly available data, far exceeding the number of companies cancelled in the year 2019.

In 2020, due to the impact of the COVID-19 epidemic, 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). However, as the production of TV dramas and movies with mainstream themes still enjoy favorable policies, Huasheng Media will continue to focus on investing in and producing high quality television dramas with mainstream and positive themes. Among the films and television 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 television series “Legend of Businessman in Hongjiang” (一代洪商), both of which are being submitted for broadcasting, will be aired on CCTV; the historical story drama “Blood Pledge for Thousands of Years” (血盟千年) has completed its post-production process and is currently at the distribution stage; the animated film “Tempering of King Gelsall” (格薩爾王之磨煉) has been submitted for review; the 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 television drama “Wu Dang” (天下武當) and the realistic drama “Yangtze River Bridge” (長江大橋) have reached the stage of script preparation.

In addition, the Group is able to leverage on the diversified IP resources, experiences and competitive advantage of 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. (北京睿博星辰文化傳媒有限公司) (“**Beijing Starwise**”), both of which are the wholly-owned subsidiaries of the Group, to develop a variety of the film and television drama produced by the Group and to broaden the audience base of the Group’s films and television drama.

Among the films and television series invested or produced by Starrise Pictures, the internet movies “Alien Monster: Survival in the Wild” (異星怪獸之荒野求生), “Breaking Gods” (破神錄), “Monster Hunters” (鎮魂歌) and “Ultimate Drift” (極限漂移) (formerly known as “Drift on! Zhi” (漂移吧! 小志)) were released in 2020; the internet movie “Legend of Immortality – Sword Maker” (修仙傳之煉劍) (formerly known as “Sword Maker” (煉劍)) was released in February 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 “Manhunt” (極寒追惡) were 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 television drama “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) started filming in February 2021; 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) completed the stage of script writing; 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 television series invested or produced by Beijing Starwise, the internet movie “The Shark” (陸行鯊) and the television drama “Healer of Children” (了不起的兒科醫生) were released in 2020; the internet movie “Rat Race” (狂鼠列車) (formerly known as “Rat Disaster” (大鼠災)) was released in January 2021; the animated film “GO! REX” (你好·霸王龍) is currently at the release stage; the internet movie “Desperate Sniper” (絕地狙殺) (formerly known as “Deadly Sniper 2” (致命狙殺2)) completed its shooting and is going through the post-production process; the internet drama “Her Fantastic Adventures” (第二次初見) (formerly known as “Back To The Dynasty” (午門囧事)) started filming in November 2020 and is in the process of filming; the internet dramas “Platina Data” (白金數據), “Bulletproof Teacher” (穿越火線: 防彈教師), “Fiber” (纖維) and “Shiny Days” (雨過天晴雲開處), as well as the internet movies “The Iron Bone and Steel Fist” (鐵骨鋼拳) and “Blood Valley Of Wolves” (殺出血狼谷), all of which are valuable IP projects of Beijing Starwise, are all currently at the stage of script development and early investment.

As the consequence of the delay in filming and production schedule and the forced closed down of the cinemas caused by the COVID-19 epidemic, during the Period Under Review, the Group’s revenue was approximately RMB94.1 million, which represented a decrease of approximately RMB190.1 million as compared to that of the previous year, whilst the Group’s gross loss for the Year was approximately RMB17.2 million, which represented a decrease in profits of approximately RMB149.4 million as compared to gross profit of approximately RMB132.2 million recognised in the previous year. Consequentially, loss attributable to equity shareholders of the Company was approximately RMB281.3 million for the Year, which represented a decrease in profits of approximately RMB311.5 million as compared to last year’s profit attributable to equity shareholders of approximately RMB30.2 million.

FINANCIAL REVIEW

Turnover, gross profit and gross profit margin

The table below is an analysis of the Group's turnover, gross profit and gross profit margin for the years ended 31 December 2020 and 2019, respectively:

	For the year ended 31 December					
	2020			2019		
Turnover <i>RMB'000</i>	Gross profit <i>RMB'000</i>	Gross profit margin %	Turnover <i>RMB'000</i>	Gross profit <i>RMB'000</i>	Gross profit margin %	
Film and Television business	<u>94,120</u>	<u>(17,239)</u>	<u>-18.3%</u>	<u>284,183</u>	<u>132,176</u>	<u>46.5%</u>

For the year ended 31 December 2020, the Group's revenue from film and television business experienced significant decrease of approximately 66.9%. As disclosed above, the main reason is due to postpone in commencement of certain projects and the unsatisfactory performance of some released projects in the box office under the adverse impact of COVID-19 epidemic. The gross profit margin of the Group decreased by approximately 64.8 percentage points, from approximately 46.5% attributable to the continuing operations for same period of the previous year to approximately -18.3% for the Year, as the consequence of the aforementioned decrease in the Group's revenue from film and television business during the Year due to some of the Group's television series and internet movies not being broadcasted or performing during the COVID-19 epidemic as the Group expected.

Other net income

Components of other net income of the Group mainly comprised of change in fair value of derivatives embedded in convertible bonds, change in carrying amount of convertible bonds as non-substantial modification of the terms, and net gain from investments in drama series and films. The total amount of other net income for the Period Under Review was approximately RMB135.6 million, representing an increase of approximately RMB125.8 million as compared to other net income of approximately of RMB9.8 million of the previous year. This was mainly due to, during the Period Under Review, (i) the income of approximately RMB113.3 million arising from the change in fair value of derivatives embedded in convertible bonds increased by approximately RMB143.0 million as compared to the loss of approximately RMB29.7 million during same period of last year; and (ii) the gain in change in carrying amount of convertible bonds as non-substantial modification of the terms of approximately RMB13.2 million decreased by approximately RMB0.3 million as compared to that of approximately RMB13.5 million during the same period of last year.

Distribution costs

For the year ended 31 December 2020, total distribution costs of the Group decreased by approximately RMB1.6 million to approximately RMB8.6 million as compared to that of the corresponding period of last year. Such decrease was mainly due to the decrease in the marketing expenses and promotion expenses of films and television dramas of the Group as compared to the corresponding period of last year.

Administrative expenses

For the year ended 31 December 2020, the administrative expenses of the Group was approximately RMB22.8 million, representing a decrease of approximately 19.7% when compared to the administrative expenses of approximately RMB28.4 million in the previous year. The decrease was mainly due to implementation of the Group's cost control measures on fixed expenses and labor service costs and a concessionary reduction in rental costs due to the Epidemic.

Other expenses, impairment losses on trade and other receivables

During the year ended 31 December 2020, the Group's other expenses consist of impairment losses of goodwill as well as provisions for drama series and films. Due to the impact of the COVID-19 epidemic on the Group's film and television business, the Group recognized an impairment loss of approximately RMB309.9 million after reassessing its cash flow projections. In particular, the Group recognised an impairment loss for goodwill of approximately RMB286.7 million and provisions for drama series and films of approximately RMB23.2 million.

The Group recognised an impairment losses on trade and other receivables of approximately RMB20.6 million.

Impairment loss on goodwill

In accordance with the Company's accounting policies, which are in compliance with International Financial Reporting Standards (IFRSs) and, except for the changes resulting from new and revised IFRSs, have been consistently applied in the current and prior accounting periods reflected in the Company's financial statements:

- Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit ("CGU"), or groups of CGUs that is expected to benefit from the synergies of the combination and is tested periodically for impairment.
- Internal and external sources of information are reviewed at the end of each reporting period to identify indications that goodwill may be impaired. If any such indication exists, the recoverable amount for goodwill is estimated. In addition, the recoverable amount for goodwill is estimated annually whether or not there is any indication of impairment.
- The recoverable amount of goodwill is determined based on its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the CGU, which is the smallest group of assets that generates cash inflows independently.

Due to the adverse impact of the COVID-19 epidemic, the management of the Group noted that the financial performance of drama series and films business declined and the delivery schedules of certain drama series and films were slower than expected during the year ended 31 December 2020. As such, the management of the Group reassessed the cash flow projections and key assumptions for the drama series and films business having taken into account these circumstances in the value-in-use calculations to determine the recoverable amounts of the CGUs. As the carrying amounts of the CGUs was estimated to be higher than its recoverable amounts, an impairment loss of approximately RMB286.7 million was recognised for goodwill relating to the drama series and films business as at 31 December 2020. In particular, Solid Will recognised an impairment loss for goodwill of approximately RMB206.1 million, Star Will recognised an impairment loss for goodwill of approximately RMB62.2 million, and Beijing Starwise recognised an impairment loss for goodwill of approximately RMB18.4 million.

The goodwill impairment assessment and review in concern was conducted by the Company's management having considered:

- The recoverable amounts of the CGUs are determined based on value-in-use calculations, for which the Company appointed an independent valuer to conduct a valuation (the “**Valuation**”).

Under International Accounting Standard 36 Impairment of Assets (“**IAS 36**”), discounted cash flow method shall be adopted in the value-in-use calculations. Accordingly, the discounted cash flow method was adopted in compliance with IAS36. These calculations took into account the cash flow projections based on financial budgets approved by management covering a five years period; whilst the cash flows beyond the period are extrapolated using a long-term growth rate estimated by management, which does not exceed the long-term average growth rates for the business in which the CGUs operate.

- The key assumptions used in the Valuation for the estimation of value in use are as follows:

	Solid Will		Star Will		Beijing Starwise	
	2020	2019	2020	2019	2020	2019
Pre-tax discount rates	28%	25%	30%	28%	34%	31%
Budgeted gross margin	38%	49%	26%	32%	25%	34%
Long-term growth rates	3%	3%	3%	3%	3%	3%

The values assigned to the key assumptions represent management's assessment of future trends of the relevant businesses and are determined based on historical data from both external and internal sources:

- The discount rates used are pre-tax and reflect specific risks relating to the relevant businesses.
- The 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.

- The 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 business in which the CGUs operate.

In view of the adverse impact and the uncertainties brought about by the COVID-19 epidemic affecting the Group's drama series and films business, the Group took a prudent approach to adjust the financial budgets and its key assumptions. In particular, the pre-tax discount rates were adjusted upward and the budgeted gross margins were adjusted downward for each of Solid Will, Star Will and Beijing Starwise to reflect impact of the COVID-19 epidemic. As the CGUs has been reduced to its recoverable amount of approximately RMB148.4 million, any adverse change in the assumptions used in the calculation of recoverable amount may result in further impairment losses.

Net finance costs

During the year ended 31 December 2020, the net finance cost of the Group was approximately RMB48.1 million, which remained relatively stable as compared to the net finance cost of approximately RMB48.3 million in 2019. During the year ended 31 December 2020, the interest payments of the convertible bonds issued by the Group was approximately RMB28.8 million, representing a decrease of approximately RMB4.4 million as compared to that of approximately RMB33.2 million in the corresponding period of last year. Because of the increase in the bank loan for the Year as compared to the same period of the previous year, interest on bank loans and other financial liabilities increased by approximately RMB2.2 million from approximately RMB4.9 million in 2019 to approximately RMB7.1 million during the Period Under Review. The interest income of the Group decreased from approximately RMB2.6 million of the previous year to approximately RMB0.02 million during the Period Under Review, decreased by approximately RMB2.58 million.

Income tax

Income tax of the Group decreased from approximately RMB17.9 million in 2019 to approximately RMB-9.6 million during the Period under Review. This was mainly due to the recognition of certain deferred income tax assets and the write down of deferred income tax expense as a result of the deductible temporary differences arising from losses in the Year.

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

For the year ended 31 December 2020, the loss attributable to the equity shareholders of the Company was approximately RMB281.3 million, representing a decrease in profits of approximately RMB311.5 million as compared to the profit attributable to the equity shareholders of approximately RMB30.2 million in 2019. It was mainly due to the substantial decrease in the revenue of the Group's film and television business affected by the Epidemic and the recognition of an impairment loss of approximately RMB330.5 million.

Liquidity and financial resources

As at 31 December 2020, cash and cash equivalents of the Group were approximately RMB11.6 million, representing a decrease of approximately 94.0% from approximately RMB193.4 million as at 31 December 2019. This was mainly due to the decrease in bank deposits of the Group as a result of the repayment of convertible bonds and bonds during the Year.

For the year ended 31 December 2020, the Group's net cash generated from operating activities was approximately RMB6.7 million, net cash generated from investing activities was approximately RMB110.6 million and net cash used in financing activities was approximately RMB298.9 million. 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, with the Group's cost control measures and contingency measures implemented in face of COVID-19 epidemic.

With respect to customers with 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 the terms of payments for purchasing or processing orders 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 year ended 31 December 2020, the average trade receivables (including bills receivable) turnover days for films and television dramas of the Group increased to approximately 967 days from approximately 315 days (being restated average trade receivables turnover period for films and television dramas) for the year ended 31 December 2019. Such increase was mainly due to the sharp decrease in Group's revenue from film and television business.

For the year ended 31 December 2020, drama series and films turnover period of the Group increased to 1,142 days from 704 days in the previous year. This was mainly because of the increase in the amount of drama series and films and the decrease in the sales revenue and cost of drama series and films under the impact of COVID-19 epidemic as compared to the same period of the previous year. These high turnover days were also heavily influenced by the overall industry environment.

As at 31 December 2020, the Group's bank borrowings and lease liabilities were approximately RMB52.9 million (2019: approximately RMB37.3 million) and bore fixed interest rate at 4.05%-5.02% (2019: fixed interest rate at 4.8%-5.2%) per annum. As at 31 December 2020, the Group did not have bank borrowings which bore floating interest rate (2019: Nil). The Group's debt associated with convertible bonds was approximately RMB104.8 million as at 31 December 2020 (2019: approximately RMB161.5 million), with annual effective interest rate of 22% (2019: 22.0%). As at 31 December 2020, the carrying amount of the Group's bonds was approximately of RMB36.4 million (2019: approximately of RMB218.1 million) with annual effective interest rate of 8% (2019: annual effective interest rate of 6.0%).

Capital structure

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

As at 31 December 2020, the debts of the Group were mainly bank borrowings, convertible bonds, bonds and leases liabilities with a total amount of approximately RMB197.4 million (2019: approximately RMB537.3 million). As at 31 December 2020, cash and cash equivalents was approximately RMB11.6 million (2019: approximately RMB193.4 million). As at 31 December 2020, the gearing ratio was approximately 20.1% (2019: approximately 28.5%), which 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 31 December 2020, the debts of the Group that will become due within a year were approximately RMB185.2 million (2019: approximately RMB301.8 million).

As at 31 December 2020, the Group's cash and cash equivalents was mainly held in Renminbi, US dollars and HK dollars, of which, approximately RMB9.4 million (2019: approximately RMB27.2 million) or 81.0% (2019: 14.1%) of the cash and cash equivalents was held in Renminbi.

Furthermore, the Group did not have finance lease liabilities as at 31 December 2020 (2019: Nil). The carrying amounts of bank loans were denominated in RMB. For the year ended 31 December 2020, no financial instruments were used for hedging purposes, nor were there any foreign currency net investments hedged by current borrowings and/or other hedging instruments.

Capital commitments

Save as disclosed in the note 16 to the financial information of this announcement, the Group did not have any other significant capital commitments as at 31 December 2020 (2019: Nil).

Employee and remuneration policy

As at 31 December 2020, the Group had a total of approximately 78 employees (2019: 96).

For the year ended 31 December 2020, labour costs of the Group from continuing operations (including Directors' remuneration in the form of salaries and other allowances) were approximately RMB19.9 million (2019: approximately RMB22.3 million). The decrease of labour costs was mainly because of the decrease in staff remuneration as a result of the decrease in number of employees of the Group.

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

Exposure to foreign exchange risk

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

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

Contingent liabilities

The Group did not have any contingent liability as at 31 December 2020 (2019: Nil).

Charges on assets

The Group did not have machinery and equipment pledged to banks as securities for the bank loans as at 31 December 2020 (2019: Nil).

Significant investments held

The Group did not hold any significant investment in equity interest in any company for the year ended 31 December 2020.

Future plans for material investments and investments in capital assets

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

Acquisitions and disposals of subsidiaries and affiliated companies

For the year ended 31 December 2020, the Company did not have any material acquisitions or disposals of subsidiaries, joint ventures and associated companies.

EVENTS AFTER THE REPORTING PERIOD

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

1. On 5 January 2021 (after trading hours), the Company and Jinbi Market (Hong Kong) Limited (the “**Subscriber**”) entered into the a subscription agreement (the “**Subscription Agreement**”), pursuant to which the Company has conditionally agreed to allot and issue, and the Subscriber has conditionally agreed to subscribe for an aggregate of 101,137,134 new shares at the subscription price of HKD0.156 per subscription share. All the conditions have been fulfilled and the completion took place on 19 January 2021 in accordance with the terms and conditions of the Subscription Agreement. The gross proceeds of the subscription are approximately HKD15.78 million and the net proceeds of the subscription are approximately HKD15.73 million. Further to completion of the subscription, the adjusted conversion price of the outstanding convertible bonds was further adjusted to HKD0.156 per conversion share. Please refer to the announcements of the Company dated 31 December 2020, 5 January 2021 and 19 January 2021 for further details.
2. On 26 February 2021, the convertible bonds of the Company held by BeiTai Investment LP in an aggregate principal amount of HKD20 million were converted into 128,205,128 shares at the adjusted conversion price of HKD0.156 per conversion share. Please refer to the announcement of the Company dated 25 February 2021 for further details.
3. On 26 February 2021, the Company announced that the Company and Dragon Capital Entertainment Fund One LP (“**Dragon Capital**”) has entered into a discussion regarding the potential extension of maturity date of the outstanding bonds held by Dragon Capital (the “**Potential Extension**”). On 24 March 2021, the Company further announced that the Company received a notice from Dragon Capital confirming the Potential Extension and the potential transfer of the outstanding bonds held by Dragon Capital to Mr. Liu Zhihua (being a substantial shareholder and a connected person of the Company under Chapter 14A of the Listing Rules as at the date hereof)(the “**Potential Transfer**”), with terms subject to the entering into of a legally binding agreement between the relevant parties. If (a) the Potential Extension materialises, it would constitute an alteration in terms of convertible debt securities after issue pursuant to Rule 28.05 of the Listing Rules and be treated as a new arrangement for the Company to issue the outstanding bonds to the respective holder(s) of the Bonds; and (b) the Potential Transfer materialises, it would constitute a connected transaction under Chapter 14A of the Listing Rules, both of which require specific mandate to be obtained from the Shareholders pursuant to the Listing Rules. Please refer to the announcements of the Company dated 26 February 2021 and 24 March 2021 for further details.

The Company will make further announcement(s) in connection with the Potential Extension and the Potential Transfer as and when appropriate or required in accordance with the requirements of the Listing Rules.

4. For the three months ended 25 March 2021, the Group has collected other receivable in relation to disposal of subsidiaries of HKD138 million.

OUTLOOK

The film and television media industry suffered greatly due to the COVID-19 epidemic in 2020. However, with the availability of vaccines and better control over the spread of Epidemic, the Group believes that market situation of the film and television media industry will gradually improve as the economy recovers. The national box office during the Spring Festival holidays from 11 to 17 February 2021 reached RMB7,822 million, representing an increase of 32.46% compared to the pre-COVID-19 level of RMB5,905 million in 2019, demonstrating that the film and television media industry is recovering as the Epidemic being gradually contained. The increased demand for films to be released in the re-opened cinemas will bring in revenue for the film and television media industry in China.

Furthermore, in 2020, with the relevant Chinese authorities imposing quarantine measures and encouraging the Chinese citizens to stay at home, people spent more time watching online drama series and films, variety shows, short videos, live shows and games etc. Featured by providing strong entertainment value within a short segment and being convenient to watch, variety shows, short videos and other similar contents become audiences' preferred recreational activities, thus creating challenges in such competitive business environment against the traditional film and television content. According to the National Radio and Television Administration, 229 online variety shows were released on online audio-visual platforms in 2020, with the number of popular variety shows being watched reaching approximately 1.8 billion. As such, the popularity of variety shows and short videos poses major challenges on traditional drama series and films. In the future, the Group will continue to explore more possibilities on enhancing the quality of its drama series and films. We will gradually adjust our 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, while enhancing the quality of internet dramas and movies.

Looking forward, although the current financial performance of the Group's media business has been adversely affected by the COVID-19 epidemic, the Group is optimistic about the long-term development of the film and television 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 leverage on the IP resources of Starrise Pictures and Beijing Starwise and their long-term cooperative relationships with online video platforms to broaden its audience base with a focus on internet dramas and movies. On the other hand, the Group will take advantages of quality orthodox dramas with positive themes produced by Huasheng Media to enhance the Group's recognition and competitiveness. Meanwhile, the Group will continue leveraging on the competitive advantages of the film and television 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. In 2021, the Group will pay close attention to the government policies related to the film and television media industry and make full use of its existing resources to seek opportunities in the film and television drama market and diversify its media business. Additionally, the Group will also adjust its investment and production plans in a timely manner and produce quality dramas, so as to generate better rewards for the Company's shareholders ("Shareholders") and to facilitate and sustain the Group's development.

Currently, the Group's preparatory plans and filming works are undergoing smoothly, and the broadcasted dramas in 2020 and the broadcasting and production schedule of its films and television series for 2021 are as follows:

No.	Name	Genre	(Planned) Shooting commencement date	Status
1	Alien Monster: Survival in the Wild (異星怪獸之荒野求生)	Internet movie	In August 2018	Broadcasted in March 2020
2	Breaking Gods (破神錄)	Internet movie	In June 2019	Broadcasted in April 2020
3	The Shark (陸行鯊)	Internet movie	In April 2019	Broadcasted in June 2020
4	Monster Hunters (鎮魂歌)	Internet movie	In December 2018	Broadcasted in July 2020
5	Ultimate Drift (極限漂移) (formerly known as "Drift on! Zhi" (漂移吧！小志))	Internet movie	In August 2019	Broadcasted in October 2020
6	Healer of Children (了不起的兒科醫生)	Workplace drama	In January 2019	Broadcasted in November 2020
7	Rat Race (狂鼠列車) (formerly known as "Rat Disasters" (大鼠災))	Internet movie	In May 2019	Broadcasted in January 2021
8	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
9	Once Upon A Time In The Northeast (東北往事)	Youth nostalgic film	In March 2017	Submitted for Screening

No.	Name	Genre	(Planned) Shooting commencement date	Status
10	The 101-200 episodes of The New Big Head Son and The Little Head Father (新大頭兒子小頭爸爸101-200集)	Situation comedy	In February 2019	Submitted for Screening
11	Legend of Businessman in Hongjiang (一代洪商)	Historical story drama	In October 2018	Submitted for Screening
12	Twin Blades (尖鋒姐妹) (formerly known as (曆小龍與程序媛))	Theatrical film	In May 2019	Submitted for Screening
13	Manhunt (極寒追惡)	Internet movie	In April 2020	Submitted for Screening
14	Blood Pledge for Thousands (血盟千年)	Historical story drama	In October 2019	At the release stage
15	Scream (驚聲尖笑) (formerly known as "Horror Blockbuster" (恐不大片))	Internet movie	In November 2017	At the release stage
16	Here Comes Dashan (大山來了)	Youth nostalgic film	In December 2017	At the release stage
17	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
18	Kapok Blooms Everywhere (木棉花開紅爛漫)	Realistic dramas	In September 2018	At the release stage
19	The Tale of the Mythical Ferocious Animal (饕餮記)	Internet dramas	In October 2018	At the release stage

No.	Name	Genre	(Planned) Shooting commencement date	Status
20	Tempering of King Gelsall (格薩爾王之磨煉)	Animated film	–	Submitted for approval
21	GO! REX (你好，霸王龍)	Animated film	In May 2017	Preparation for release
22	Desperate Sniper (絕地狙殺) (formerly known as “Deadly Sniper 2” (致命狙殺2))	Internet movie	In October 2020	Under post-production
23	Her Fantastic Adventures” (第二次初見) (formerly known as “Back To The Dynasty” (午門囡事))	Internet dramas	In November 2020	Under filming
24	Assault (突擊)	Internet movie	In February 2021	Under filming
25	Emergency Rescuing (心跳營救)	Internet movie	To be determined	Preparing filming
26	King of Sniper (狙擊之王)	Internet movie	To be determined	Preparing filming
27	Tianta Crisis (天塔危機)	Theatrical film	To be determined	Preparing filming
28	Mystery Case in Ying Dynasty (大應奇案生死簿)	Internet movie	To be determined	Script completed
29	New Tong Pak Foo Dim Chau Heung (唐伯虎點秋香後傳)	Internet movie	To be determined	Script completed
30	Elderly Hero (遲暮英雄)	Internet movie	To be determined	Script completed

No.	Name	Genre	(Planned) Shooting commencement date	Status
31	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 completed
32	Amaranthine Epiphyllum (雙世曇花)	Internet movie	To be determined	Script completed
33	Bulletproof Teacher (穿越火線：防彈教師)	Internet dramas	The second half of 2021	Preparing filming
34	Shiny Days (雨過天晴雲開處)	Internet dramas	The second half of 2021	Preparing filming
35	The 201-300 episodes of The New Big Head Son and The Little Head Father 新大頭兒子小頭爸爸201-300集	Situation comedy	To be determined	Preparing filming
36	Yangtze River Bridge (長江大橋)	Realistic dramas	To be determined	Preparing filming
37	Blood Valley of Wolves (殺出血狼谷)	Internet movie	To be determined	Preparing filming
38	Platinum Data (白金數據)	Internet dramas	To be determined	Preparing filming
39	Fiber (纖維)	Internet dramas	To be determined	Preparing filming
40	The Iron Bone and Steel Fist (鐵骨鋼拳)	Internet movie	To be determined	Preparing filming
41	The Day We Spent Together (一起混過的日子)	Internet movie	To be determined	Preparing filming
42	Wu Dang (天下武當)	Television drama	To be determined	Preparing filming

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

For the year ended 31 December 2020, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE

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

For the year ended to 31 December 2020, 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 Rule**"). 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. Mr. Kwok Pak Shing ("**Mr. Kwok**") was appointed as an independent non-executive Director with effect from 27 March 2020. Due to insufficient time for the Company to issue a supplemental circular proposing Mr. Kwok to be re-elected at the extraordinary general meeting of the Company held on 9 April 2020 (the "**EGM**") and allow the Shareholders to have at least 10 business days to consider the supplementary information pursuant to the Listing Rules, Mr. Kwok was not subject to election by the Shareholders at the EGM but was re-elected at the annual general meeting of the Company held on 29 May 2020 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 TRANSACTION BY THE DIRECTORS

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

AUDIT COMMITTEE

The Audit Committee established by the Board has reviewed the accounting principles and practices adopted by the Group and discussed internal control and financing reporting matters with the senior management. The Audit Committee was satisfied that the consolidated financial statements of the Group for the year ended 31 December 2020 were prepared in accordance with applicable accounting standards and presented fairly the financial position and results of the Group for the Year.

FINAL DIVIDEND

Having considered that the Group's financial situation for the year ended 31 December 2020, the Board does not recommend the payment of a final dividend for the year ended 31 December 2020. At this point, the Board is committed to the further development of the Company in the coming years, in order to get a better return for the Shareholders.

ANNUAL GENERAL MEETING

The annual general meeting of the Company (the “AGM”) will be held on Friday, 28 May 2021. Shareholders should refer to the details regarding the AGM in the circular of the Company to be dispatched in April 2021 and the notice of the AGM and form of proxy accompanying thereto.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 25 May 2021 to Friday, 28 May 2021, both days inclusive, during which period no share transfers can be registered. In order to be eligible for attending and voting at the AGM, all transfer instruments accompanied by the relevant share certificates must be lodged with the Company’s branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong no later than 4:30 p.m. on Monday, 24 May 2021.

SCOPE OF WORK OF THE AUDITORS

The financial figures in respect of Group’s consolidated statement of financial position as at 31 December 2020, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2020 as set out in the preliminary announcement have been compared by the Group’s auditor KPMG, Certified Public Accountants, to the amounts set out in the Group’s audited consolidated financial statements for the year ended 31 December 2020 and the amounts were found to be in agreement. The work performed by KPMG in this respect did not constitute an audit, review or other assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the auditor.

PUBLICATION OF THIS ANNOUNCEMENT AND ANNUAL REPORT

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

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

Beijing, the PRC, 25 March 2021

As at the date of this announcement, the Board comprises seven Directors, namely Mr. LIU Dong, Mr. LIU Zongjun, Ms. CHEN Chen, and Mr. HE Han 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.