Starrise Media Holdings Limited
星 宏 傳 媒 控 股 有 限 公 司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1616)

UNAUDITED INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2020

SUMMARY

- Revenue was approximately RMB30.5 million for the Period Under Review, representing a decrease of approximately 86.2% as compared to the revenue from continuing operation of approximately RMB220.3 million recorded for the corresponding period of last year.

- Gross profit was approximately RMB0.8 million for the Period Under Review, representing a decrease of approximately RMB104.1 million, or approximately 99.2% as compared to the gross profit from continuing operation of the corresponding period of last year.

- Gross profit margin was approximately 2.7%, representing a decrease of approximately 44.9 percentage points as compared to the gross profit margin from continuing operation of approximately 47.6% recorded for the corresponding period of last year.

- Loss attributable to the equity shareholders of the Company was approximately RMB17.6 million, representing a decrease of approximately RMB46.8 million as compared to the profit attributable to the equity shareholders of the Company of approximately RMB29.2 million for the corresponding period of last year.

The board (the "**Board**") of directors (the "**Directors**") of Starrise Media Holdings Limited (the "**Company**") announces the unaudited consolidated interim financial results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 June 2020 (the "**Period Under Review**") together with the comparative figures for the corresponding period in 2019 and the relevant explanatory notes as set out below. The consolidated interim results are unaudited, but have been reviewed by the audit committee (the "**Audit Committee**") of the Company.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2020 – unaudited
(Expressed in Renminbi)

		Six months ended 30 June	
		2020	2019
	Note	***RMB'000***	*RMB'000*
			(Restated)
Continuing operation			
Revenue	*3*	**30,513**	220,277
Cost of sales and services		**(29,684)**	(115,328)
Gross profit		**829**	104,949
Other net income/(loss)	*4*	**110,785**	(25,807)
Distribution costs		**(4,746)**	(5,775)
Administrative expenses		**(11,775)**	(16,296)
Impairment losses	*5(b)*	**(89,634)**	(3,046)
Profit from operation		**5,459**	54,025
Net finance costs	*5(a)*	**(24,831)**	(14,983)
(Loss)/profit before taxation from continuing operation	*5*	**(19,372)**	39,042
Income tax	*6*	**1,751**	(9,571)
(Loss)/profit and total comprehensive income for the period from continuing operation		**(17,621)**	29,471
Discontinued operation			
Loss for the period from discontinued operation	*7*	**–**	(379)
(Loss)/profit and total comprehensive income for the period		**(17,621)**	29,092

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

For the six months ended 30 June 2020 – unaudited

(Expressed in Renminbi)

		Six months ended 30 June	
		2020	2019
	Note	***RMB'000***	*RMB'000*
			(Restated)
Attributable to:			
Equity shareholders of the Company		**(17,564)**	29,173
Non-controlling interests		**(57)**	(81)
(Loss)/profit and total comprehensive income for the period		**(17,621)**	29,092
Basic (loss)/earnings per share (RMB cents)	*8(a)*		
– Continuing and discontinued operation		**(1.24)**	2.17
– Continuing operation		**(1.24)**	2.20
– Discontinued operation		**–**	(0.03)
Diluted (loss)/earnings per share (RMB cents)	*8(b)*		
– Continuing and discontinued operation		**(6.27)**	2.17
– Continuing operation		**(6.27)**	2.20
– Discontinued operation		**–**	(0.03)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 30 June 2020 – unaudited
(Expressed in Renminbi)

	Note	**At 30 June 2020** *RMB'000*	At 31 December 2019 *RMB'000*
Non-current assets			
Property, plant and equipment		**20,876**	23,723
Intangible assets	*9*	**18,018**	21
Goodwill	*10*	**354,452**	435,081
Other receivables	*11*	**90,209**	145,209
Deferred tax assets		**4,275**	1,928
Investments in equity securities		**1,900**	1,900
		489,730	607,862
Current assets			
Drama series and films		**333,415**	358,666
Trade and other receivables	*11*	**846,706**	844,023
Cash and cash equivalents	*12*	**171,665**	193,438
		1,351,786	1,396,127
Current liabilities			
Trade and other payables	*13*	**149,842**	212,544
Contract liabilities		**3,406**	3,078
Bank loans		**16,500**	14,850
Other borrowings	*14*	**417,434**	281,962
Lease liabilities		**5,609**	5,025
Current taxation		**40,159**	39,489
		632,950	556,948
Net current assets		**718,836**	839,179
Total assets less current liabilities		**1,208,566**	1,447,041

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
At 30 June 2020 – unaudited
(Expressed in Renminbi)

	Note	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Non-current liabilities			
Other borrowings	*14*	**–**	218,051
Lease liabilities		**14,786**	17,425
Deferred tax liabilities		**5,357**	5,521
		20,143	240,997
Net assets		**1,188,423**	1,206,044
Capital and reserves			
Share capital	*15(b)*	**90,578**	90,578
Reserves		**1,074,902**	1,092,466
Total equity attributable to equity shareholders of the Company		**1,165,480**	1,183,044
Non-controlling interests		**22,943**	23,000
Total equity		**1,188,423**	1,206,044

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020 – unaudited
(Expressed in Renminbi)

		Attributable to equity shareholders of the Company							
				Statutory				**Non-**	
			Share	**surplus**	**Other**	**Retained**		**controlling**	
		Share capital	**premiums**	**reserve**	**reserve**	**earnings**	**Total**	**interests**	**Total equity**
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at 1 January 2019		79,730	634,429	75,792	82,385	80,586	952,922	(407)	952,515
Change in equity for the six months ended 30 June 2019:									
Profit and total comprehensive income for the period		–	–	–	–	29,173	29,173	(81)	29,092
Shares issuance	*15(b)*	10,848	172,975	–	–	–	183,823	–	183,823
Balance at 30 June 2019 and 1 July 2019		90,578	807,404	75,792	82,385	109,759	1,165,918	(488)	1,165,430
Change in equity for the six months ended 31 December 2019:									
Profit and total comprehensive income for the period		–	–	–	–	1,010	1,010	(51)	959
Capital contributions		–	–	–	16,116	–	16,116	23,132	39,248
Appropriations to statutory reserve		–	–	12,197	–	(12,197)	–	–	–
Liquidation of a subsidiary		–	–	–	–	–	–	407	407
Balance at 31 December 2019		90,578	807,404	87,989	98,501	98,572	1,183,044	23,000	1,206,044
Balance at 1 January 2020		90,578	807,404	87,989	98,501	98,572	1,183,044	23,000	1,206,044
Change in equity for the six months ended 30 June 2020:									
Profit and total comprehensive income for the period		–	–	–	–	(17,564)	(17,564)	(57)	(17,621)
Appropriations to statutory reserve		–	–	47	–	(47)	–	–	–
Balance at 30 June 2020		90,578	807,404	88,036	98,501	80,961	1,165,480	22,943	1,188,423

CONDENSED CONSOLIDATED CASH FLOW STATEMENT
For the six months ended 30 June 2020 – unaudited
(Expressed in Renminbi)

		Six months ended 30 June	
		2020	2019
	Note	***RMB'000***	*RMB'000*
Operating activities			
Cash generated from/(used in) operation		**20,852**	(91,968)
Tax paid		**(90)**	(1,114)
Net cash generated from/(used in) operating activities		**20,762**	(93,082)
Investing activities			
Disposal of an associate		**8,000**	–
Payments for the purchase of property, plant and equipment and intangible assets		**–**	(7,577)
Other cash flows arising from investing activities		**3,136**	105,527
Net cash generated from investing activities		**11,136**	97,950
Financing activities			
Capital element of lease rentals paid		**(2,055)**	(8,704)
Interest element of lease rentals paid		**(564)**	(1,090)
Proceeds from bank loans		**13,500**	64,850
Repayment of bank loans		**(7,000)**	(73,000)
Other cash flows arising from financing activities		**(60,068)**	(27,956)
Net cash used in financing activities		**(56,187)**	(45,900)
Net decrease in cash and cash equivalents		**(24,289)**	(41,032)
Cash and cash equivalents at 1 January	*12*	**193,438**	284,689
Effect of foreign exchange rate change		**2,516**	299
Cash and cash equivalents at 30 June	*12*	**171,665**	243,956

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi unless otherwise indicated)

1 BASIS OF PREPARATION

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard ("IAS") 34, Interim financial reporting, issued by the International Accounting Standards Board ("IASB"). It was authorised for issue on 28 August 2020.

This interim financial report has been prepared in accordance with the same accounting policies adopted in the 2019 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2020 annual financial statements. Details of any changes in accounting policies are set out in Note 2.

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

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2019 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with International Financial Reporting Standards ("IFRSs").

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

2 CHANGES IN ACCOUNTING POLICIES

The IASB has issued the following amendments to IFRSs that are first effective for the current accounting period of the Group:

- Amendments to IFRS 9, IAS 39 and IFRS 7, Interest Rate Benchmark Reform
- Amendments to IAS 1 and IAS 8, Definition of Material
- Amendments to IFRS 16, Leases, Covid-19-Related Rent Concessions

None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in this interim financial report. The Group has not applied any new standard or interpretation that is not yet 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 to assess whether particular rent concessions occurring as a direct consequence of the COVID-19 pandemic are lease modifications and, instead, account for those rent concessions as if they were not lease modifications.

3 REVENUE AND 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 identified two reportable segments, included media and textile (see note 7, "discontinued operation"). No operating segments have been aggregated to form the following reportable segments.

(a) Disaggregation of revenue

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

	Continuing operation		Discontinued operation *(Note 7)*		Total	
For the six months ended 30 June	**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	**–**	–	**–**	233,356	**–**	233,356
– Licensing of drama series and films, transfer of license of drama series and films	**18,418**	157,250	**–**	–	**18,418**	157,250
– Provision of textile products processing service	**–**	–	**–**	7,556	**–**	7,556
– Provision of drama series and films production, distribution and related services	**12,095**	63,027	**–**	–	**12,095**	63,027
	30,513	220,277	**–**	240,912	**30,513**	461,189

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

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

3 REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Information about profit or loss, assets and liabilities

Disaggregation of revenue from contracts with customers by 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 period is set out below.

	Continuing operation		Discontinued operation *(Note 7)*			
	Media		Textile		Total	
For the six months ended 30 June	**2020** *RMB'000*	2019 *RMB'000*	**2020** *RMB'000*	2019 *RMB'000*	**2020** *RMB'000*	2019 *RMB'000*
Disaggregated by timing of revenue recognition						
Point in time	**18,418**	178,665	**–**	233,356	**18,418**	412,021
Over time	**12,095**	41,612	**–**	7,556	**12,095**	49,168
Revenue from external customers	**30,513**	220,277	**–**	240,912	**30,513**	461,189
Inter-segment revenue	**–**	–	**–**	–	**–**	–
Reportable segment revenue	**30,513**	220,277	**–**	240,912	**30,513**	461,189
Reportable segment result (adjusted (loss)/profit before taxes)	**(40,125)**	84,523	**–**	(3,827)	**(40,125)**	80,696
Reportable segment assets	**1,841,516**	1,446,674	**–**	709,720	**1,841,516**	2,156,394
Reportable segment liabilities	**653,093**	244,043	**–**	273,082	**653,093**	517,125

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 bonds, fair value change of derivatives embedded in convertible bonds and impairments resulting from isolated, non-recurring events.

3 REVENUE AND SEGMENT REPORTING (CONTINUED)

(c) Reconciliations of reportable segment profit or loss

For the six months ended 30 June	Continuing operation 2020 RMB'000	Continuing operation 2019 RMB'000	Discontinued operation (Note 7) 2020 RMB'000	Discontinued operation (Note 7) 2019 RMB'000	Total 2020 RMB'000	Total 2019 RMB'000
Reportable segment (loss)/profit	**(40,125)**	84,523	**–**	(3,827)	**(40,125)**	80,696
Elimination of inter-segment profits	**–**	–	**–**	–	**–**	–
Reportable segment profit derived from the Group's external customers	**(40,125)**	84,523	**–**	(3,827)	**(40,125)**	80,696
Interest on convertible bonds	**(15,145)**	(14,872)	**–**	–	**(15,145)**	(14,872)
Interest on bonds	**(6,379)**	(6,063)	**–**	–	**(6,379)**	(6,063)
Change in fair value of derivatives embedded in convertible bonds	**104,132**	(26,518)	**–**	–	**104,132**	(26,518)
Impairment of goodwill	**(62,181)**	–	**–**	–	**(62,181)**	–
Unallocated head office and corporate income	**326**	1,972	**–**	–	**326**	1,972
Consolidated (loss)/profit before taxation	**(19,372)**	39,042	**–**	(3,827)	**(19,372)**	35,215

4 OTHER NET INCOME/(LOSS)

	Six months ended 30 June 2020 RMB'000	Six months ended 30 June 2019 RMB'000 (Restated)
Change in fair value of derivatives embedded in convertible bonds	**89,799**	(26,518)
Change in carrying amount of convertible bonds as non-substantial modification of the terms	**14,333**	–
Net gain from investments in drama series and films *	**3,295**	–
Others	**3,358**	711
	110,758	(25,807)

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

5 PROFIT BEFORE TAXATION

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

(a) Net finance costs

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
		(Restated)
Interest on bank loans and other borrowings	**2,532**	2,046
Interest on convertible bonds	**15,145**	14,872
Interest on bonds	**6,379**	6,063
Net foreign exchange gains	**211**	(3,665)
Interest on lease liabilities	**564**	473
Interest income on financial assets	**(23)**	(5,156)
Other finance charges	**23**	350
	24,831	14,983

(b) Other items

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
		(Restated)
Amortisation on intangible assets	**2,003**	3
Depreciation		
– owned property, plant and equipment	**146**	363
– right-of-use assets	**2,627**	1,542
Impairment losses		
– goodwill	**80,629**	–
– trade and other receivables	**6,527**	3,046
– drama series and films	**2,478**	–

6 INCOME TAX

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
		(Restated)
Current tax	**761**	8,209
Deferred tax	**(2,512)**	1,362
	(1,751)	9,571

(i) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in those jurisdictions.

(ii) The Group's Hong Kong subsidiaries, being investment holding companies, do not derive income subject to Hong Kong Profits Tax. For the six months ended 30 June 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) 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 Khorgos of Xinjiang province, Khorgos Starrise Media Co., Ltd., Khorgos Yingsheng Pictures Co., Ltd. and Khorgos Starrise Qicheng Media Co., Ltd., subsidiaries of the Company located in Khorgos of Xinjiang province and are principally engaged in the production and distribution of drama series and films, are entitled to a tax holiday of 5-year full exemption on Enterprise Income Tax commencing from the first revenue-generating year. The first exemption year of these subsidiaries are 2016, 2016 and 2019, respectively.

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.

The Disposal Group is principally engaged in manufacture and sale of dobby grey fabrics. The consolidated results of the Disposal Group for the period from 1 January 2019 to 30 June 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 Operation 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 operation.

7 DISCONTINUED OPERATION (CONTINUED)

(a) Results of discontinued operation

		Six months ended 30 June	
	Note	**2020**	2019
		RMB'000	*RMB'000*
Revenue	*3*	–	240,912
Cost of sales and services		–	(218,272)
Gross profit		–	22,640
Other net income		–	1,777
Distribution costs		–	(3,052)
Administrative expenses		–	(20,366)
Profit from operation		–	999
Net finance costs		–	(4,826)
Loss before taxation	*3(b)*	–	(3,827)
Income tax		–	3,448
Loss for the period		–	(379)

(b) Cash flows generated from discontinued operation

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
Net cash generated from operating activities	–	26,698
Net cash used in investing activities	–	(6,883)
Net cash used in financing activities	–	(10,933)
Net cash inflow	–	8,882

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 parent of RMB17,564,000 (six months ended 30 June 2019: earnings of RMB29,173,000) and the weighted average of 1,416,911,818 ordinary shares (2019: 1,344,907,156 shares) in issue during the interim period.

8 (LOSS)/EARNINGS PER SHARE (CONTINUED)

(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 parent of RMB104,123,000 (six months ended 30 June 2019: earnings of RMB29,173,000) and the weighted average of 1,660,155,061 ordinary shares (2019: 1,344,907,156 shares) in issue during the interim period.

9 INTANGIBLE ASSETS

	Contractual right *(Note)* *RMB'000*	**Patents and trademarks** *RMB'000*	**Computer software** *RMB'000*	**Total** *RMB'000*
Cost:				
At 1 January 2019	–	50	1,418	1,468
Additions	–	–	25	25
Disposal of subsidiaries	–	(50)	(1,408)	(1,458)
At 31 December 2019	–	–	35	35
At 1 January 2020	–	–	35	35
Additions	20,000	–	–	20,000
At 30 June 2020	20,000	–	35	20,035
Accumulated amortisation:				
At 1 January 2019	–	(50)	(349)	(399)
Charge for the year	–	–	(142)	(142)
Disposal of subsidiaries	–	50	477	527
At 31 December 2019	–	–	(14)	(14)
At 1 January 2020	–	–	(14)	(14)
Charge for the period	(2,000)	–	(3)	(2,003)
At 30 June 2020	(2,000)	–	(17)	(2,017)
Net book value:				
At 30 June 2020	18,000	–	18	18,018
At 31 December 2019	–	–	21	21

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

10 GOODWILL

Impairment tests for cash-generating units containing goodwill

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

	At 30 June 2020 *RMB'000*	At 31 December 2019 *RMB'000*
Beijing Huasheng and its subsidiaries ("Beijing Huasheng")	**354,452**	354,452
Star Will Investments Ltd. and its subsidiaries ("Star Will")	**62,181**	62,181
Beijing Starwise Culture Media ("Beijing Starwise")	**18,448**	18,448
	435,081	435,081
Impairment losses *(Note)*	**(80,629)**	–
	354,452	435,081

Note: Due to the impact of the COVID-19 pandemic, Management carried out an assessment of the Group's cash flow projections on the CGUs and recognised the impairment of goodwill with an amount of RMB62,181,000 and RMB18,448,000 for Star Will and Beijing Starwise respectively for the six-month period ended 30 June 2020 (2019: Nil).

The recoverable amounts of the CGUs are determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a three to 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.

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

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

	Beijing Huasheng	*Star Will*	*Beijing Starwise*
Pre-tax discount rates	25%	28%	31%

10 GOODWILL (CONTINUED)

Impairment tests for cash-generating units containing goodwill (continued)

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

	Beijing Huasheng	*Star Will*	*Beijing Starwise*
Budgeted gross margins	47%	27%	28%

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

	Beijing Huasheng	*Star Will*	*Beijing Starwise*
Long-term growth rates	3%	3%	3%

11 TRADE AND OTHER RECEIVABLES

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

	At 30 June 2020	At 31 December 2019
	RMB'000	*RMB'000*
Current	**160,578**	239,001
Less than 3 months past due	**61,144**	1,914
3 to 6 months past due	**–**	23,852
6 to 12 months past due	**10,790**	4,600
Over 1 year past due	**4,085**	440
Trade debtors and bills receivable, net of loss allowance	**236,597**	269,807
Advance to third parties	**316,570**	300,623
Other receivables relating to disposal of subsidiaries	**189,891**	189,891
Prepayments and advance relating to drama series and films	**182,888**	199,620
Other receivables relating to disposal of an associate	**4,000**	12,000
Deferred expense	**1,399**	1,620
Prepayment for investments	**–**	8,000
Others	**5,570**	7,671
Other receivables expected to be collected or recognised as expense after more than one year	**(90,209)**	(145,209)
Trade and other receivables expected to be recovered or recognised as expense within one year	**846,706**	844,023

12 CASH AND CASH EQUIVALENTS

	At 30 June 2020 *RMB'000*	At 31 December 2019 *RMB'000*
Bank deposits	**171,645**	193,419
Cash in hand	**20**	19
	171,665	193,438

13 TRADE AND OTHER PAYABLES

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

	At 30 June 2020 *RMB'000*	At 31 December 2019 *RMB'000*
Due within 3 months or on demand	**9,492**	12,641
Due after 3 months but within 6 months	**–**	–
Due after 6 months but within 12 months	**–**	–
	9,492	12,641
Advance from third parties *(Note)*	**28,698**	78,326
Payables relating to drama series and films	**64,633**	68,158
Taxes payable other than income tax	**20,110**	24,656
Accrued charges	**5,160**	6,656
Deferred income	**–**	4,071
Other payables	**13,263**	1,495
	131,864	183,362
Receipts in advance	**8,486**	16,541
	149,842	212,544

Note: Included in the advanced from third parties are advance of RMB15,000,000 (31 December 2019: RMB74,500,000) from third parties which are unsecured, interest bearing at 13% per annum and repayable within one year. Other advances from third parties are unsecured, interest-free and had no fixed repayment terms or repayable within one year.

14 OTHER BORROWINGS

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

	At 30 June 2020	At 31 December 2019
	RMB'000	*RMB'000*
Convertible bonds *(Note 14(b)(i))*		
– host liability component	**157,948**	161,462
– derivative liability component	**30,701**	120,500
	188,649	281,962
Bonds *(Note 14(b)(ii))*	**228,785**	218,051
	417,434	500,013
Amount expected to be settled within one year	**(417,434)**	(281,962)
Amount expected to be settled after one year	**–**	218,051

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

(b) Significant terms and repayment schedule

(i) 2017 Convertible Bonds

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

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

- Conversion rights are exercisable, wholly or partially, at any time up to maturity, or extended maturity, at the bondholders' option.

- If a bondholder exercises its conversion rights, the Company is required to deliver ordinary shares at the conversion price of HKD1.21 per share, which was adjusted to HKD0.74 per share in February 2018 (subject to further adjustments).

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

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

14 OTHER BORROWINGS (CONTINUED)

(b) Significant terms and repayment schedule (continued)

(i) 2017 Convertible Bonds (continued)

On 25 February 2019, Dragon Capital Entertainment Fund One LP (the "Original Bondholder") transferred the convertible bonds with an aggregate face value of HKD120,000,000, which were convertible into 162,162,162 ordinary shares at the conversion price of HKD0.74 per share, to BeiTai Investment LP ("BeiTai"). On the same date, BeiTai exercised the conversion rights to convert the bonds with a face value of HKD120,000,000 at the conversion price of 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 extraordinary general meeting. The extension of maturity date of the bonds was approved by the Company's shareholders at the extraordinary general meeting of the Company held on 8 April 2019. The effective interest rate of the host liability component is 12% per annum for the extended bonds.

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

On 27 February 2020, the Company, the Original Bondholder and Skyland conditionally agreed to further extend the maturity date of the remaining convertible bonds with an aggregate face value of HKD 180,000,000 from 28 February 2020 to 28 February 2021, which is subject to, among other things, the approvals of the Company's shareholders at the extraordinary general meeting. The extension of maturity date of the bonds was approved by the Company's shareholders at the extraordinary general meeting of the Company held on 9 April 2020.

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

(ii) 2018 Bonds

On 10 May 2018, the Company issued bonds with a 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 at 6% per annum and the interest is payable annually in arrears.

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.

15 CAPITAL AND DIVIDENDS

(a) Dividends

The Group has no Dividend payable to equity shareholders attributable to the interim period (2019: Nil) and no dividend payable to equity shareholders attributable to the previous financial year, approved and paid during the interim period (2019: Nil).

15 CAPITAL AND DIVIDENDS (CONTINUED)

(b) Share capital

	At 30 June 2020		At 31 December 2019	
	No. of shares	***RMB'000***	*No. of shares*	*RMB'000*
Authorised:				
Ordinary shares of USD0.01 each	10,000,000,000	632,110	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
Share issuance *(Note)*	–	–	162,162,162	10,848
At 30 June and 31 December	1,416,911,818	90,578	1,416,911,818	90,578

Note: The convertible bonds with an aggregate face value of HKD120,000,000 were converted into 162,162,162 ordinary shares at the conversion price of HKD0.74 per share of par value of USD0.01 each at a price of HKD1.33 per ordinary share during 2019. The net proceeds from the shares issuance were approximately HKD215,676,000 (equivalent to approximately RMB183,823,000), of which RMB10,848,000 and RMB172,975,000 were recognised in share capital and share premiums respectively.

16 COMMITMENTS

Capital commitments outstanding at 30 June 2020 and 31 December 2019 not provided for in the interim financial report were as follows:

	At 30 June 2020	At 31 December 2019
	RMB'000	*RMB'000*
Contracted for		
– Acquiring services relating to production of drama series and films	**45,627**	43,277

17 MATERIAL RELATED PARTY TRANSACTIONS

(a) Key management personnel remuneration

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
Short-term employee benefits	**2,441**	2,359
Post-employment benefits	**42**	50
	2,483	2,409

17 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Transactions with related parties

The Group has no transactions with related parties for the six months period ended 30 June 2020 and 30 June 2019.

(c) Balances with related parties

As at 30 June 2020 and 31 December 2019, the Group had the following balances with related parties:

	Note	**At 30 June 2020** *RMB'000*	At 31 December 2019 *RMB'000*
Amount due from a shareholder of the Company	*(i)*	**337,617**	337,617

(i) The amount due from a shareholder of the Company is included in "trade and other receivables" (Note 11).

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.

During the Period Under Review, the production and distribution of the Group's drama series and films were mostly stagnant until May 2020 due to the impact of the COVID-19 pandemic. The Group postponed the production and stopped shooting a number of dramas, and some of the theatrical films are not available for broadcast and are still on schedule. During the Period Under Review, the Group's revenue, profit and gross profit all declined significantly, and it is expected that the Group's full-year profit will be difficult to meet expectations. Goodwill has also been impaired after a prudent and reasonable test.

Since the outbreak of the COVID-19 pandemic, 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 operations and capital position, but did not change the fundamentals of the Company'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 to actively promote the resumption of work and production. The Group will keep the contingency measures under review as the situation evolves.

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

As affected by the sudden outbreak (the "**COVID-19 Outbreak**", "**COVID-19 epidemic**" or "**epidemic**") of pneumonia related to new coronavirus (the "**COVID-19**"), China's economy and the global economy faced a challenging situation during the first half of 2020. China's gross domestic product (the "**GDP**") decreased by 6.8% in the first quarter of 2020 as compared to the corresponding period of last year, which was the first negative growth since the establishment of the quarterly GDP accounting system in 1992. The film and television media industry, in particular, faced various challenges amid the COVID-19 Outbreak: the release of all movies that were scheduled during the Spring Festival holidays of 2020 was halted, all film crews were forced to suspend work, all theatres throughout China suspended operations and the promotion and distribution activities of films and television dramas were frustrated. For the film and television media industry, 2020 will be undoubtedly a more challenging year. According to publicly available information, approximately 162,000 companies in relation to film, television and theatre throughout China was deregistered from 1 January 2020 to 31 May 2020. In addition, all theatres throughout China continued to be in a state of suspension of operations as of 30 June 2020. According to the National Bureau of Statistics of the PRC, in view of the suspension of operations of theatres, production of films and television dramas as well as the promotion and distribution activities, the box office loss is estimated to exceed RMB30 billion for the whole 2020.

Furthermore, the increasing popularity of the online culture and entertainment industry, such as online variety shows, short videos, live shows and game shows, also further impacted the audience rating of films and television dramas. In the first half of 2020, with the relevant Chinese authorities imposing quarantine measures and encouraging the Chinese citizens to stay at home, people spent more time online viewing online variety shows, short videos and live shows etc., imposing competition against the traditional film and television content. By virtue of the freedom in providing creative content, the flexibility in the broadcast mode of show and the ability to meeting the regulatory requirements by quickly adjusting the content, the variety show segment was least affected by the regulatory policies among the three segments of film, television drama and variety show in China, and earned sufficient room for development. Featured by providing strong entertainment within a short segment and being convenient to watch, variety shows, short videos and other similar contents become the preferred recreational activities of the audience; whilst the audience ratings of films and television series decreased due to the suspension of the shooting and production and the halt in promotion and distribution activities as the result of the epidemic.

BUSINESS REVIEW

During the Period Under Review, the Group recorded loss before taxation of approximately RMB19.4 million, representing a decrease of approximately RMB58.4 million as compared with the profit before taxation from continuing operation of approximately RMB39.0 million of the corresponding period last year, mainly due to the significant decrease in revenue and gross profit from the Group's film and television business.

Due to the impact of the COVID-19 epidemic, the Group had only released "Alien Monster: Survival in the Wild" (異星怪獸之荒野求生) and "Breaking Gods" (破神錄), internet movies invested or produced by Beijing Starrise Pictures Co., Ltd. (北京星宏影視文化有限公司) ("**Starrise Pictures**", a wholly-owned subsidiary of the Group), and "The Shark" (陸行鯊), an internet movie invested or produced by Beijing Starwise Culture Media Co., Ltd. (北京睿博星辰文化傳媒有限公司) ("**Beijing Starwise**", a wholly-owned subsidiary of the Group), in the first half of 2020. Among them, both "Breaking Gods" (破神錄) and "The Shark" (陸行鯊) achieved the box office results of over RMB10 million. In addition, "The Shark" (陸行鯊) achieved the box office results of over RMB10 million within 10 days since the release and over RMB15 million within a month, and the total box office is expected to reach approximately RMB18 million.

Among the films and television series invested or produced 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), the sitcom "The New Big Head Son and The Little Head Father (Episodes 101-200)" (新大頭兒子小頭爸爸101-200集) was submitted for screening; the large-scale television series "Legend of Businessman in Hongjiang" (一代洪商) obtained the distribution license and is currently at the distribution stage; the historical story drama "Blood Pledge for Thousands of Years" (血盟千年) finished shooting in January 2020, and the post-production of "Blood Pledge for Thousands of Years" (血盟千年) and the animated film "Tempering of King Gelsall" (格薩爾王之磨煉) are in progress; and the sitcom "The New Big Head Son and The Little Head Father (Episodes 201-300)" (新大頭兒子小頭爸爸101-200集), the television drama "Wu Dang" (天下武當) and the realistic drama "Yangtze River Bridge" (長江大橋) reached the stage of script preparation.

Among the films and television series invested or produced by Starrise Pictures, the internet movie "Monster Hunters" (鎮魂歌) was released in July 2020; the youth nostalgic film "Once Upon A Time In The Northeast" (東北往事) was submitted for screening; the internet movies "The Box – Bosom Friend" (魔盒之高山流水) (formerly known as "Bosom Friend" (高山流水)), "Scream" (驚聲尖笑) (formerly known as "Horror Blockbuster" (恐不大片)), "Ultimate Drift" (極限漂移) (formerly known as "Drift on! Zhi" (漂移吧!小志)) and the youth nostalgic film "Here Comes Dashan" (大山來了) are all currently at the release stage; the television drama "Kapok Blooms Everywhere" (木棉花開紅爛漫) already finished the post-production stage and now is submitted for approval; the internet drama "Legend of Taotie" (饕餮記), the theatrical film "Twin Blades" (尖鋒姐妹) (formerly known as "曆小龍與程序媛"), and the internet movies "Sword Maker" (煉劍) and "Manhunt" (極寒追惡) have all finished shooting, and are currently in progress of post-production; the film "Emergency Rescuing" (心跳營救) and the internet movie "King of the Sniper" (狙擊之王) are currently at the stage of preparation for filming and expected to commence shooting in the second half of 2020; the internet movies "Elderly Hero" (遲暮英雄) and "The First Undercover in the Southern Song Dynasty – The Case of Demon Cat" (南宋第一臥底之妖貓案) were postponed for shooting due to the COVID-19 Outbreak; the theatrical film "Tianta Crisis" (天塔危機) is currently at the stage of preparation for filming; the internet movies "Mystery Case in Ying Dynasty" (大應奇案生死簿) finished the stage of scripts writing, "Amaranthine Epiphyllum" (雙世曇花) and "Spy Game" (諜影追蹤) are currently at the stage of script writing and preparation.

Among the films and television series invested or produced by Beijing Starwise, the television drama "Healer of Children"（了不起的兒科醫生）is currently at the release stage and expected to be broadcasted in the second half of 2020; the animated film "GO! REX"（你好，霸王龍）was approved for release, and is currently at the stage of preparation for release; the internet movie "Rat Disaster"（大鼠災）finished shooting and its post-production is currently in progress; the internet movie "Desperate Sniper"（絕地狙殺, formerly known as "Deadly Sniper 2"（致命狙殺2)) and the internet drama "Back To The Dynasty"（午門囧事）are currently at the stage of preparation for filming and expected to commence shooting in the second half of 2020; the internet dramas "Platina Data"（白金數據）, "Bulletproof Teacher"（穿越火線：防彈教師）, and "Fiber"（纖維）, and the internet movie "Blood Valley Of Wolves"（殺出血狼谷）, all of which are valuable IP projects of Beijing Starwise and are all currently at the stage of script development and early investment.

FINANCIAL REVIEW

Revenue, gross profit and gross profit margin

The table below is an analysis of the revenue, gross profit and gross profit margin of the Group's media business for the six months ended 30 June 2020 and 2019, respectively:

	For the six months ended 30 June					
	2020			2019		
	Revenue *RMB'000*	**Gross profit** *RMB'000*	**Gross profit margin** *%*	Revenue *RMB'000*	Gross profit *RMB'000*	Gross profit margin *%*
Media business	**30,513**	**829**	**2.7%**	220,277	104,949	47.6%

For the six months ended 30 June 2020, revenue from the Group's film and television business decreased significantly by approximately 86.2% as compared to the corresponding period of last year. Due to the impact of the COVID-19 epidemic, the Group's projects originally planned to be filmed or produced in the first half of 2020 were suspended and only three dramas were broadcasted. The gross profit margin of the Group decreased by approximately 44.9 percentage points, from the gross profit margin from continuing operation of approximately 47.6% for the corresponding period of last year to approximately 2.7%. This was mainly due to a sharp decrease in the Group's revenue in the first half of the year due to the impact of the COVID-19 epidemic, with some of the Group's movies, internet drama, and television series not being broadcasted as expected. In addition, the high operating cost of the Group's television base without crew activation due to the impact of the COVID-19 epidemic in the first half of 2020 also contributed to the low gross profit margin of the Group.

Distribution costs

For the six months ended 30 June 2020, distribution costs of the Group was approximately RMB4.7 million, decreased by approximately RMB1.1 million from the distribution costs of approximately RMB5.8 million from continuing operation for the corresponding period of last year. Such decrease was mainly due to the decrease in the promotion costs of film and television dramas as compared to the corresponding period of last year.

Administrative expenses

For the six months ended 30 June 2020, the administrative expenses of the Group decreased to approximately RMB11.8 million, representing a decrease of approximately 27.6% as compared to that from continuing operation of approximately RMB16.3 million for the corresponding period of last year. The decrease was mainly due to implementation of the Group's cost control measures on fixed expenses and a concessionary reduction in rental costs due to the epidemic.

Other net income/loss

For the six months ended 30 June 2020, 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 provision for impairment of goodwill, and net gain from investments in drama series and films. Among them, the gains of approximately RMB89.8 million arising from the change in fair value of derivatives embedded in convertible bonds increased by approximately RMB116.3 million as compared to the losses of approximately RMB26.5 million during the corresponding period of last year; the gains arising from the change in carrying amount of convertible bonds as non-substantial modification of the terms was approximately RMB14.3 million; whilst the increase in the net gain from investments in drama series and films with fixed-income rate was approximately RMB3.3 million. For the six months ended 30 June 2020, the total amount of other net income of the Group was approximately RMB110.8 million, increased by approximately RMB136.6 million as compared to the other net losses from continuing operation of approximately RMB25.8 million for the corresponding period of last year.

Impairment losses on assets

During the six months ended 30 June 2020, due to the impact of the COVID-19 epidemic, the Group recognized an impairment loss for goodwill of approximately RMB80.6 million after reassessing its cash flow projections. The Group recognized an impairment loss on trade and trade receivables of approximately RMB6.5 million and an impairment loss on film and television drama of approximately RMB2.5 million.

Impairment loss on goodwill

The Company's accounting policies, which are in compliance with International Financial Reporting Standards (IFRSs), have been consistently applied in the current and prior accounting periods reflected in the Company's financial statements (save for the corresponding changes resulting from the new and revised IFRS updated from time to time).

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 six months ended 30 June 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 RMB80.6 million was recognised for goodwill relating to the drama series and films business as at 30 June 2020. In particular, Star Will Investment Ltd. (a subsidiary of the Group) 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. For details, please refer to note 10 to the unaudited interim financial information.

As the CGUs has been reduced to its recoverable amount of approximately RMB354.5 million, any adverse change in the assumptions used in the calculation of recoverable amount may result in further impairment losses.

Net finance costs

For the six months ended 30 June 2020, the Group recorded net finance costs of approximately RMB24.8 million, increased by approximately RMB9.8 million as compared to the net finance costs from continuing operation of approximately RMB15.0 million during the corresponding period in 2019. Such increase was mainly due to higher interest expense in relation to banks, other borrowings and convertible bonds, lower interest income in relation to financial assets and higher foreign exchange losses. During the Period Under Review, the Group's exchange loss was approximately RMB0.2 million, increased by approximately RMB3.9 million as compared to the exchange gains from continuing operation of approximately RMB3.7 million for the corresponding period of last year; whilst the Group's interest income from financial assets decreased to approximately RMB0.2 million, representing a decrease of approximately RMB5.0 million as compared to that from continuing operation of approximately RMB5.2 million for the corresponding period in last year.

Taxation

For the six months ended 30 June 2020, taxation of the Group was approximately RMB-1.8 million, representing a decrease of approximately RMB11.4 million, as compared to the taxation from continuing operation of approximately RMB9.6 million in the corresponding period of last year, which 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 Period Under Review.

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

For the six months ended 30 June 2020, the loss attributable to the equity shareholders of the Company was approximately RMB17.6 million (the profit attributable to the equity shareholders of the Company was approximately RMB29.2 million in the corresponding period in 2019). This was mainly due to the substantial decrease in the revenue and gross profit of the Group's media business affected by the COVID-19 epidemic during the Period Under Review.

Liquidity and financial resources

As at 30 June 2020, cash and cash equivalents of the Group were approximately RMB171.7 million, representing a decrease of approximately 11.2% from approximately RMB193.4 million as at 31 December 2019. This was mainly due to the decrease in the cash generated from investing activities and the increase in the cash used in financing activities.

For the six months ended 30 June 2020, the Group's net cash generated from operating activities was approximately RMB20.8 million, net cash generated from investing activities was approximately RMB11.1 million and net cash used in financing activities was approximately RMB56.2 million. With the Group's cost control measures and contingency measures under the COVID-19 Outbreak, 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 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 a case-to-case basis in order to maintain the sufficient cash flow and competitiveness within the industry. The length of credit period depends on various factors such as financial strength, scale of the business and settlement record of those customers. For the six months ended 30 June 2020, the average trade receivables (including bills receivable) turnover days of the Group was approximately 1,535 days, increased significantly from 242 days recorded during the corresponding period in the previous year. For the six months ended 30 June 2020, drama series and films turnover days of the Group increased to 2,119 days from 327 days for the corresponding period in 2019.

During the Period Under Review, the inventory turnover days and average trade receivables turnover days in relation to the Group's drama series and films both increased significantly as compared to the corresponding period of last year. Such increase was mainly due to the significant decrease in the Company's revenue and cost under the impact of the COVID-19 epidemic as compared to the corresponding period last year. The high inventory turnover days and average trade receivable turnover days were also closely related to the overall industry environment, as shown in comparable listed companies' inventory turnover days and average trade receivable turnover days for the three months ended 31 March 2020 as follows:

Stock Code	Stock Name	Average Trade Receivables Turnover Days	Inventory Turnover Days
000802.SZ	Beijing Cultures	30,000.00	81,818.18
000892.SZ	Huanrui Century	9,677.42	60,000.00
002343.SZ	Ciwen Media	52,941.18	–
300291.SZ	Hualu Baina	2,616.28	1,792.83
300426.SZ	Talent Television & Film	240.32	1,062.57
300027.SZ	Huayi Brothers	81.93	421.55
300251.SZ	Beijing Enlight Media	157.32	639.20
300133.SZ	Huace Film & Tv	260.27	358.28
	Average	**11,996.84**	**20,870.37**

As can be seen from the above table, as affected by the epidemic, most of the comparable listed companies within the media industry in China had significant inventory turnover days and average accounts receivable turnover days.

As at 30 June 2020, the Group's bank borrowings and lease liabilities were approximately RMB36.9 million (31 December 2019: approximately RMB37.3 million), which bore fixed interest at rates ranging from 4.8% to 5.2% per annum (31 December 2019: 4.8% to 5.2%). As at 30 June 2020, the Group did not have any loans with floating interest (31 December 2019: Nil). The Group's liability component of the convertible bonds was approximately RMB157.9 million, with annual effective interest rate of 22.0% (31 December 2019: approximately RMB161.5 million, with annual effective interest rate of 22.0%).

Capital structure

The Group continues to maintain an appropriate mix of equity and debt to ensure an optimal capital structure to reduce capital cost. As at 30 June 2020, the debts of the Group mainly consisted of bank loans, bonds, convertible bonds and lease liabilities with a total amount of approximately RMB454.3 million (31 December 2019: approximately RMB537.3 million). As at 30 June 2020, cash and cash equivalents were approximately RMB171.7 million (31 December 2019: approximately RMB193.4 million). As at 30 June 2020, the Group's gearing ratio was approximately 23.8% (31 December 2019: gearing ratio was approximately 28.5%). The gearing ratio was calculated by dividing total debt (i.e. interest-bearing bank loans, convertible bonds, lease liabilities and bonds, after deducting cash and cash equivalents) by total equity.

As at 30 June 2020, the Group's debts due within a year were approximately RMB439.5 million (31 December 2019: approximately RMB301.8 million).

Capital commitments

Save as disclosed in note 16 to the unaudited interim financial information, the Group did not have any other significant capital commitments as at 30 June 2020 (31 December 2019: Nil).

Employee and remuneration policy

As at 30 June 2020, the Group had a total of 78 employees (31 December 2019: 96; 30 June 2019: 1,755). The decrease in the number of employees as compared to that of the previous year was mainly due to the completion of disposal of the textile business in 2019.

For the six months ended 30 June 2020, staff costs of the Group (including Directors' remuneration in the form of salaries and other allowances) were approximately RMB9.1 million (for the corresponding period of 2019 from continuing operation: approximately RMB10.4 million). The decrease in staff costs was mainly due to the Group's downsizing for greater efficiency during the Period Under Review, as well as the government's reduction and exemption on the social security for employees due to the epidemic.

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

Exposure to foreign exchange risk

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

Contingent liabilities

The Group did not have any contingent liabilities as at 30 June 2020.

Charges on assets

The Group did not have any machinery and equipment pledged to banks as securities for the bank borrowings and lease liabilities as at 30 June 2020 (31 December 2019: Nil).

Significant investments

As at 30 June 2020, the Group did not hold any significant investments in equity interest in any other company.

Future plans for material investments and capital assets

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

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

For the six months ended 30 June 2020, the Group did not have any material acquisitions or disposals of subsidiaries, joint ventures and associated companies.

OUTLOOK

Since the beginning of 2020, the COVID-19 epidemic became one of the most challenging public health emergency faced by China and all over the world, causing uncertainties to the domestic and global economic and trade situation. In particular, the COVID-19 Outbreak has had a rather severe impact on subsectors of the China's consumer services industry such as transportation, catering, tourism and film. Although various industries are gradually recovering with enhanced prevention and control measures, the resurgence of the epidemic in local areas shows that regular epidemic prevention and control has become the norm. As such, 2020 is a year full of great challenges for both China and its film and drama industry. The COVID-19 epidemic caused further delays in resumption of operation of cinemas in China. In view of the current situation regarding the COVID-19 epidemic, on 16 July 2020, China Film Administration issued the Notice on Promoting the Resumption of Operation of Cinemas in an Orderly Manner under Regular Epidemic Prevention and Control Measures (《關於在疫情防控常態化條件下有序推進電影院恢復開放的通知》), which states that the operation of cinemas in low-risk regions can be resumed gradually from 20 July 2020, provided that all prevention and control measures of cinemas shall be effective and have been put into place. However, the stringent requirements on prevention and control measures, the insufficient number of employees caused by the long-term suspension of operations and layoffs, and other factors have restricted the early and full resumption of cinema operation. Fortunately, the audiences' desires of going to the cinema increases after such prolonged period of social distancing and stay-at-home arrangements as the epidemic has been gradually under control. According to a survey conducted by Sina Movie in June 2020, 56% of the respondents find themselves miss watching movies at the cinema and expressed their thoughts of going to the cinemas once the resumption of operation is announced. Therefore, the Group believes that there is a demand for domestic audiences for going to the cinema in the long run and that the impact of COVID-19 Outbreak would be temporary, so that the film and television media industry would gradually recover once the situation with the COVID-19 epidemic eases.

To help the film and television media industry to go through the difficult times, the PRC government has introduced a series of policies for support. On 13 May 2020, the Ministry of Finance and the State Taxation Administration of the PRC issued the Announcement on Supportive Taxation Policies for Film and Other Industries (《關於電影等行業税費支持政策的公告》), which specifies that the construction fees for cultural undertakings will be exempted, the income from the provision of film projection services by taxpayers will be free from the value-added tax during the period of 1 January 2020 to 31 December 2020, and the maximum carry-forward period of losses incurred by enterprises in the film industry in 2020 shall be extended from five to eight years. On the same date, the Ministry of Finance and the Film Administration of the PRC also issued the Announcement on Policies to Suspend Collection of Special Funds for Development of Film Cause (《關於暫免征收國家電影事業發展專項資金政策的公告》), mentioning that the special funds for the development of the film cause shall be exempted in Hubei province from 1 January 2020 to 31 December 2020 and in other provinces, autonomous regions and municipalities directly under the PRC government from 1 January 2020 to 31 August 2020. In addition, local government has adopted a series of supportive policies. For instance, Beijing has implemented 28 measures to help promote the healthy development of cultural enterprises in the face of the epidemic, and enhanced financial support and other measures have been implemented in places such as Shanghai and Zhejiang to promote and facilitate the resumption of work and production in the film industry after the epidemic.

Looking forward, although the financial performance of the Group's media business in 2020 may be adversely affected by the COVID-19 Outbreak, 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 take full advantages of its subsidiary, Huasheng Media, in producing quality orthodox dramas with positive themes, taking the pursuit of high quality and innovative development of the contents as its core strategy. On the other hand, the Group will leverage on the IP resources of Starrise Pictures and Beijing Starwise and their long-term cooperative relationships with online video platforms to expand its audience base. Meanwhile, the Group will leverage on the 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 for the Group and steadily enhance the Group's recognition and competitiveness. 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 diversify its media business. Additionally, the Group will also adjust its investment and production plans in a timely manner, so as to generate better rewards for the Company's shareholders and to facilitate and sustain the Group's development.

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

No.	Name	Genre	(Planned) Shooting Commencement Date	Remarks
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	Once Upon A Time In The Northeast (東北往事)	Youth nostalgic film	In March 2017	Submitted for screening
6	The 101-200 episodes of The New Big Head Son and The Little Head Father (新大頭兒子小頭爸爸 101-200集)	Sitcom	In February 2019	Submitted for screening
7	Scream (驚聲尖笑，formerly known as "HorrorBlockbuster" (恐不大片))	Internet movie	In November 2017	At the release stage
8	Here Comes Dashan (大山來了)	Youth nostalgic film	In December 2017	At the release stage
9	The Box – Bosom Friend (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
10	Legend of Businessman in Hongjiang (一代洪商)	Historical story drama	In October 2018	At the release stage
11	Healer of Children (了不起的兒科醫生)	Workplace drama	In January 2019	At the release stage
12	Ultimate Draft (極限漂移，formerly known as "Drift on! Zhi" (漂移吧！小志))	Internet movie	In August 2019	At the release stage
13	Kapok Blooms Everywhere (木棉花開紅爛漫)	Realistic drama	In September 2018	Submitted for approval
14	GO! REX (你好霸王龍)	Animated movie	In May 2017	Preparation for release
15	The Tale of the Mythical Ferocious Animal (饕餮記)	Internet drama	In October 2018	Under post-production
16	Twin Blades (尖鋒姐妹，formerly known as "厝小龍與程序媛")	Theatrical film	In May 2019	Under post-production
17	Rat Disasters (大鼠災)	Internet movie	In May 2019	Under post-production
18	Sword Maker (煉劍)	Internet movie	In August 2019	Under post-production
19	Blood Pledge for Thousands of Years (血盟千年)	Historical story drama	In October 2019	Under post-production
20	Tempering of King Gelsall (格薩爾王之磨煉)	Animation film	–	Under post-production
21	Manhunt (極寒追惡)	Internet movie	In April 2020	Under post-production

No.	Name	Genre	(Planned) Shooting Commencement Date	Remarks
22	Desperate Sniper (絕地狙殺, formerly known as "Deadly Sniper 2" (致命狙殺2))	Internet movie	The second half of 2020	Preparing filming
23	Back To The Dynasty (午門囧事)	Internet drama	The second half of 2020	Preparing filming
24	Emergency Rescuing (心跳營救)	Internet movie	The second half of 2020	Preparing filming
25	King of Sniper (狙擊之王)	Internet movie	The second half of 2020	Preparing filming
26	Tianta Crisis (天塔危機)	Theatrical film	To be determined	Preparing filming
27	Mystery Case in Ying Dynasty (大應奇案生死簿)	Internet movie	To be determined	Script finished
28	The 201-300 episodes of The New Big Head Son and The Little Head Father (新大頭兒子小頭爸爸201-300集)	Sitcom	To be determined	Preparing script
29	Yangtze River Bridger (長江大橋)	Realistic drama	To be determined	Preparing script
30	Blood Valley of Wolves (殺出血狼谷)	Internet movie	To be determined	Preparing script
31	Elderly Hero (遲暮英雄)	Internet movie	To be determined	Preparing script
32	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	Preparing script
33	Platinum Data (白金數據)	Internet drama	To be determined	Preparing script
34	Bulletproof Teacher (穿越火線: 防彈教師)	Internet drama	To be determined	Preparing script
35	Fiber (纖維)	Internet drama	To be determined	Preparing script
36	Amaranthine Epiphyllum (雙世曇花)	Internet movie	To be determined	Preparing script
37	Spy Game (諜影追蹤)	Internet movie	To be determined	
38	Wu Dang (天下武當)	Television drama	To be determined	Preparing script

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

For the six months ended 30 June 2020, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

EVENTS AFTER THE PERIOD UNDER REVIEW

There was no significant event occurring subsequent to 30 June 2020 and up to the date of this announcement.

CORPORATE GOVERNANCE

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

The Company had adopted the code provisions (the "**Code Provisions**") set out in the Corporate Governance Code and Corporate Governance Report contained in Appendix 14 to The Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"). According to Code Provision A.4.2, all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after appointment. 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 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 of the Company 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 TRANSACTIONS BY THE DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules. Having made specific enquiry of all Directors, all the Directors confirmed that they had compiled with the required standards of dealing as set out in the Model Code throughout the Period Under Review.

AUDIT COMMITTEE

The Audit Committee established by the Board has reviewed the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters (including the review of the unaudited consolidated financial statements of the Group for the six months ended 30 June 2020).

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2020 (30 June 2019: Nil).

DISCLOSURE OF INFORMATION

The interim report of the Company will be published on the websites of both the Stock Exchange (http://www.hkexnews.hk) and the Company (www.starrise.cn) and shall be despatched to the shareholders of the Company before the end of September 2020.

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

Beijing, the PRC, 28 August 2020

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

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