



星宏传媒

**STARRISE
M E D I A**

(incorporated in the Cayman Islands with limited liability)

Stock code: 1616

INTERIM REPORT 2021

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SUMMARY

For the six months ended 30 June 2021 (the “**Period Under Review**”):

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

CORPORATE INFORMATION

THE BOARD OF DIRECTORS

Executive Directors

Mr. LIU Dong (*Chairman*)

Mr. LIU Zongjun (*Chief Executive Officer*)

Mr. HE Han

Ms. YANG Qinyan (*appointed on 1 June 2021*)

Ms. CHEN Chen (*resigned on 1 June 2021*)

Independent Non-Executive Directors

Mr. LAM Kai Yeung

Ms. LIU Chen Hong

Mr. KWOK Pak Shing

COMPANY SECRETARY

Ms. CHAN Yin Wah, *FCG, FCS, FCCA*

AUTHORISED REPRESENTATIVES

Mr. LIU Dong

Ms. CHAN Yin Wah

AUDIT COMMITTEE

Mr. LAM Kai Yeung (*Chairman*)

Ms. LIU Chen Hong

Mr. KWOK Pak Shing

REMUNERATION COMMITTEE

Mr. KWOK Pak Shing (*Chairman*)

Mr. LIU Dong

Ms. LIU Chen Hong

NOMINATION COMMITTEE

Ms. LIU Chen Hong (*Chairman*)

Mr. LIU Dong

Mr. KWOK Pak Shing

REGISTERED OFFICE

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Cayman Islands

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The PRC

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Wanchai,

Hong Kong

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Howse Williams

27/F Alexandra House

18 Chater Road

Central, Hong Kong

AUDITOR

KPMG

Certified Public Accountants

Public Interest Entity Auditor

Registered in accordance with

the Financial Reporting

Council Ordinance

8th Floor, Prince's Building,

10 Chater Road, Central,

Hong Kong

**HONG KONG BRANCH SHARE REGISTRAR
AND TRANSFER OFFICE**

Tricor Investor Services Limited
Level 54, Hopewell Centre,
183 Queen's Road East,
Hong Kong

**CAYMAN ISLANDS SHARE REGISTRAR
AND TRANSFER OFFICE**

Maples Fund Services (Cayman) Limited
P.O. Box 1093, Boundary Hall,
Cricket Square,
Grand Cayman, KY1-1102,
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PRINCIPAL BANKER

The Hongkong and Shanghai Banking
Corporation Limited
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1 Queen's Road Central, Hong Kong

STOCK CODE

1616

COMPANY'S WEBSITE ADDRESS

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MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

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

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

BUSINESS REVIEW

For the six months ended 30 June 2021, the loss before taxation of Starrise Media Holdings Limited (the “**Company**”) together with its subsidiaries (collectively, the “**Group**”) was approximately RMB13.5 million, representing a decrease of approximately RMB5.9 million as compared with the loss before taxation of approximately RMB19.4 million of the corresponding period last year. The main reason is that as the recovery of the film and TV media industry in the first half of 2021 as compared to the same period of last year when it was affected by the Epidemic, the Group’s film and TV business experienced a significant increase in revenue and gross profit compared to the same period of last year, while the Group also focused on saving fixed costs and labour costs, resulting in a decrease in both administrative expenses and distribution costs.

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

There was no dramas were broadcasted by Beijing Huasheng Taitong Media Investment Co., Ltd. (北京華晟泰通傳媒投資有限公司) (“**Huasheng Media**”, a wholly-owned subsidiary of the Group) in the first half of 2021, but the production of TV dramas with mainstream themes by Huasheng Media still benefit from the favorable government policies. In the first half of 2021, the works with mainstream themes on mainstream video sites accounted for approximately 15% to the total dramas launched in China, representing an increase of 6% compared to the same period in 2020. Therefore, Huasheng Media will continue to focus on investing in high quality TV dramas with mainstream and positive themes, and actively promote the distribution and broadcast of existing dramas. Among the films and TV series invested or produced by Huasheng Media, during the Period Under Review, the sitcom “The New Big Head Son and The Little Head Father (Episodes 101-200)” (新大頭兒子小頭爸爸101-200集) and the large-scale TV series “Legend of Businessman in Hongjiang” (一代洪商), both of which have been reviewed by CCTV, and submitted for screening, and will be aired on CCTV; the historical story drama “Blood Pledge for Thousands of Years” (血盟千年) and the animated film “Tempering of King Gelsall” (格薩爾王之磨煉) are currently at the release stage; and the live-action sitcom “The New Big Head Son and The Little Head Father (Episodes 201-300)” (新大頭兒子小頭爸爸201-300集), the TV drama “Wu Dang” (天下武當), the realistic drama “Yangtze River Bridge” (長江大橋) and the TV drama “Mountain, Snow and Dreams” (那山那雪那夢) have reached the stage of script preparation.

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

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

FINANCIAL REVIEW

Revenue, gross profit and gross profit margin

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

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

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

Distribution costs

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

Administrative expenses

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

Other net income

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

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

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

Impairment losses on current assets

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

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

Impairment loss on goodwill

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

Net finance costs

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

Taxation

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

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

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

Liquidity and financial resources

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

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

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

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

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

Capital structure

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

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

Capital commitments

Save as disclosed in note 16 to the unaudited interim financial information, the Group did not have any other significant capital commitments as at 30 June 2021 (31 December 2020: Nil).

Employee and remuneration policy

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

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

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

Exposure to foreign exchange risk and relative hedge

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

The Group did not use any foreign currency derivatives to hedge against the exposure in foreign exchange risk during the Period Under Review.

Contingent liabilities

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

Charges on assets

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

Significant investments

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

Future plans for material investments and capital assets

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

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

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

OUTLOOK

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

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

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

| No. | Name | Genre | (Planned) Shooting Commencement Date | Remarks |
|-----|---|---------------------------|--------------------------------------|------------------------------|
| 1 | Rat Race (狂鼠列車) (formerly known as "Rat Disasters" (大鼠災)) | Internet movie | In May 2019 | Broadcasted in January 2021 |
| 2 | Legend of Immortality – Sword Maker (修仙傳之煉劍) (formerly known as "Sword Maker" (煉劍)) | Internet movie | In August 2019 | Broadcasted in February 2021 |
| 3 | Desperate Sniper (絕地狙殺) (formerly known as "Deadly Sniper 2" (致命狙殺2)) | Internet movie | In October 2020 | Broadcasted in July 2021 |
| 4 | The Day We Lit Up The Sky (燃野少年的天空) | Youth song and dance film | In November 2020 | Broadcasted in July 2021 |
| 5 | Once Upon A Time In The Northeast (東北往事) | Youth nostalgic film | In March 2017 | Submitted for screening |
| 6 | Legend of Businessman in Hongjiang (一代洪商) | Historical story drama | In October 2018 | Submitted for screening |
| 7 | The 101-200 episodes of The New Big Head Son and The Little Head Father (新大頭兒子小頭爸爸101-200集) | Sitcom | In February 2019 | Submitted for screening |
| 8 | Twin Blades (尖鋒姐妹) (formerly known as "曆小龍與程序媛") | Theatrical film | In May 2019 | Submitted for screening |

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

| No. | Name | Genre | (Planned) Shooting Commencement Date | Remarks |
|-----|---|-----------------|--------------------------------------|------------------|
| 25 | Elderly Hero (遲暮英雄) | Internet movie | To be determined | Script finished |
| 26 | The First Undercover in the Southern Song Dynasty – The Case of Demon Cat (南宋第一臥底之妖貓案) | Internet movie | To be determined | Script finished |
| 27 | Amaranthine Epiphyllum (雙世曇花) | Internet movie | To be determined | Script finished |
| 28 | The 201-300 episodes of The New Big Head Son and The Little Head Father (新大頭兒子小頭爸爸201-300集) | Sitcom | To be determined | Preparing script |
| 29 | Yangtze River Bridge (長江大橋) | Realistic drama | To be determined | Preparing script |
| 30 | Wu Dang (天下武當) | TV drama | To be determined | Preparing script |
| 31 | Mountain, Snow and Dreams (那山那雪那夢) | TV drama | To be determined | Preparing script |
| 32 | Platinum Data (白金數據) | Internet drama | To be determined | Preparing script |
| 33 | Bulletproof Teacher (穿越火線: 防彈教師) | Internet drama | To be determined | Preparing script |
| 34 | Fiber (纖維) | Internet drama | To be determined | Preparing script |
| 35 | Shiny Days (雨過天晴雲開處) | Internet drama | To be determined | Preparing script |
| 36 | Limited Romance (限定浪漫) | Internet drama | To be determined | Preparing script |
| 37 | The Day We Spent Together (一起混過的日子) | Internet movie | To be determined | Preparing script |
| 38 | Blood Valley of Wolves (殺出血狼谷) | Internet movie | To be determined | Preparing script |
| 39 | The Iron Bone and Steel Fist (鐵骨鋼拳) | Internet movie | To be determined | Preparing script |

SUPPLEMENTARY INFORMATION

USE OF PROCEEDS

In February 2017, the Company issued convertible bonds (the “**2017 CB**”) under specific mandate to Dragon Capital Entertainment Fund One LP (the “**Dragon Capital**”). The net proceeds of which were intended to be used for the production of certain television drama series of the Group. The net proceeds have been fully utilised for the intended purpose. For further details, please refer to the announcements of the Company in relation to the 2017 CB in year of 2016, 2017, 2019, 2020, and 2021 respectively, the circulars dated 17 January 2017, 20 March 2019, 24 March 2020, and 28 May 2021 respectively, and the 2020 annual report of the Company.

On 25 January 2021, BeiTai Investment LP (“**BeiTai**”) exercised the conversion rights to convert the 2017 CB in the principal amount of HKD20,000,000 at the adjusted conversion price of HKD0.156 per conversion share (the “**Adjusted Conversion Price**”) into 128,205,128 new shares of the Company (the “**Shares**”).

On 30 June 2021, Dragon Capital transferred the 2017 CB in the principal amount of HKD50,000,000 to Aim Right Ventures Limited (“**Aim Right**”). On the same date, Aim Right exercised the conversion rights to convert the 2017 CB in the principal amount of HKD50,000,000 at the Adjusted Conversion Price of HKD0.156 per conversion share into 320,512,820 new Shares.

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

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

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

INTERESTS AND SHORT POSITIONS OF DIRECTORS AND CHIEF EXECUTIVE OF THE COMPANY IN THE SHARES, UNDERLYING SHARES OR DEBENTURES OF THE COMPANY OR ITS ASSOCIATED CORPORATIONS

As at 30 June 2021, the Directors and chief executive of the Company had the following interests in the shares, underlying shares and debentures of the Company, its Group members and/or associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)), as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (“Stock Exchange”) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”):

| Name of Directors | Name of Group member/ associated corporation | Capacity/ nature of interest | Number and class of securities <i>(Note 1)</i> | Approximate percentage of shareholding <i>(Note 2)</i> |
|------------------------------|---|---|---|---|
| Mr. LIU Dong <i>(Note 3)</i> | The Company | Interest of a controlled corporation | 307,809,902 shares (L) | 15.65% |
| Mr. HE Han | The Company | Beneficial owner | 13,998,000 shares (L) | 0.71% |

Notes:

1. The letter “L” denotes the Directors’ long position in the shares of the Company or the relevant associated corporation.
2. Total issued shares of the Company as at 30 June 2021 is 1,966,766,900.
3. The shares are held by Excel Orient Limited, a company incorporated in the British Virgin Islands (“BVI”) and the entire issued capital of which is beneficially owned by Mr. LIU Dong, one of the executive Directors of the Company.

Save as disclosed above, as at 30 June 2021, none of the Directors and chief executive of the Company had any other interests or short positions in any shares, underlying shares or debentures of the Company, any of its Group members or its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code.

INTEREST DISCLOSEABLE UNDER THE SFO AND SUBSTANTIAL SHAREHOLDERS

As at 30 June 2021, so far as was known to the Directors, the following persons/entities (other than the Directors or chief executive of the Company) had, or were deemed to have, interests or short positions in the shares or underlying shares of the Company, its Group members and/or associated corporations which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO:

| Name of Shareholders | Name of Group member/associated corporation | Capacity/ nature of interest | Interest in underlying shares* (Note 1) | Number and class of securities (Note 1) | Approximate percentage of shareholding |
|-------------------------------------|---|---------------------------------------|--|--|--|
| Aim Right Ventures Limited (Note 2) | The Company | Beneficial owner | – | 522,985,476 (L) | 26.59% |
| Mr. LIU Zhihua (Note 2) | The Company | Interests of a controlled corporation | – | 522,985,476 (L) | 26.59% |
| Ms. ZOU Guoling (Note 3) | The Company | Family interest | – | 522,985,476 (L) | 26.59% |
| Cinedigm Corp. (Note 4) | The Company | Beneficial owner | – | 366,590,397 (L) | 18.64% |
| Excel Orient Limited (Note 5) | The Company | Beneficial owner | – | 307,809,902 (L) | 15.65% |
| Ms. WANG Lingli (Note 6) | The Company | Family interest | – | 307,809,902 (L) | 15.65% |
| Emerge Ventures Limited (Note 7) | The Company | Beneficial owner | – | 171,926,000 (L) | 8.74% |
| Mr. JIN Peng (Note 7) | The Company | Interests of a controlled corporation | – | 171,926,000 (L) | 8.74% |

| Name of Shareholders | Name of Group member/associated corporation | Capacity/ nature of interest | Interest in underlying shares* (Note 1) | Number and class of securities (Note 1) | Approximate percentage of shareholding |
|--|---|---------------------------------------|--|--|--|
| Ms. SHEN Si (Note 8) | The Company | Family interest | – | 171,926,000 (L) | 8.74% |
| BeiTai Investment LP (Note 9) | The Company | Beneficial owner | – | 128,205,128 (L) | 6.52% |
| BeiTai Investment Limited (Note 10) | The Company | Interests of a controlled corporation | – | 128,205,128 (L) | 6.52% |
| Mr. WANG Jian (Note 11) | The Company | Interests of a controlled corporation | – | 128,205,128 (L) | 6.52% |
| Jinbi Market (Hong Kong) Limited (Note 12) | The Company | Beneficial owner | – | 101,137,134 (L) | 5.14% |
| Yunnan Jinma Biji Tourism Hypermall Co., Ltd* (雲南金馬碧雞旅遊商城股份有限公司) (Notes 12 and 13) | The Company | Interests of a controlled corporation | – | 101,137,134 (L) | 5.14% |
| Kunming Municipal Infrastructure Integrated Development and Construction (Group) Shares Co., Ltd.* (昆明市政基礎設施綜合開發建設(集團)股份有限公司) (Notes 13 and 14) | The Company | Interests of a controlled corporation | – | 101,137,134 (L) | 5.14% |
| Pioneer Investment Co., Ltd.* (先鋒投資有限公司) (Notes 13, 14 and 15) | The Company | Interests of a controlled corporation | – | 101,137,134 (L) | 5.14% |
| Mr. SHI Zhengmin (Note 15) | The Company | Interests of a controlled corporation | – | 101,137,134 (L) | 5.14% |

* for identification purposes only

Notes:

1. The letter "L" denotes the long position of the persons/entities (other than the Directors or chief executive of the Company) in the shares of the Company or the relevant Group member.
2. On 30 June 2021, Dragon Capital completed the transfer of all of the 2017 CB in the principal amount of HKD50,000,000 held by it to Aim Right. On the same day, Aim Right exercised the conversion right to convert all such outstanding 2017 CB at the Adjusted Conversion Price of HKD0.156 per conversion share into 320,512,820 new Shares.

The Shares of the Company are held by Aim Right, a limited liability company incorporated in the BVI wholly owned by Mr. LIU Zhihua ("Mr. LIU"). By virtue of the SFO, Mr. LIU is deemed to be interested in all the Shares held by Aim Right.

3. Ms. ZOU Guoling is the spouse of Mr. LIU. Therefore, Ms. ZOU Guoling is deemed, or taken to be interested in the Shares of the Company which Mr. LIU is interested in for the purpose of the SFO.
4. Cinedigm Corp. is a company registered in Delaware with its Class A Common Stock listed on the NASDAQ Global Market with stock code: CIDM.
5. Excel Orient Limited is a company incorporated in the BVI and the entire issued share capital of which is beneficially owned by Mr. LIU Dong, one of the executive Directors of the Company. Therefore, Mr. LIU Dong is also deemed to be interested in the Shares held by Excel Orient Limited.
6. Ms. WANG Lingli is the spouse of Mr. LIU Dong. Therefore, Ms. WANG Lingli is deemed, or taken to be interested in the Shares of the Company which Mr. LIU Dong is interested in for the purpose of the SFO.
7. The Shares are held by Emerge Ventures Limited, a limited liability company incorporated in Hong Kong wholly owned by Mr. JIN Peng. By virtue of the SFO, Mr. JIN Peng is deemed to be interested in all the Shares held by Emerge Ventures Limited.
8. Ms. SHEN Si is the spouse of Mr. JIN Peng. Therefore, Ms. SHEN Si is deemed, or taken to be interested in the Shares of the Company which Mr. JIN Peng is interested in for the purpose of the SFO.
9. On 24 April 2020, Dragon Capital transferred the 2017 CB in the principal amount of HKD20,000,000 (the "BeiTai Transferred Bonds"), to BeiTai. On 19 January 2021, the conversion price was adjusted to HKD0.156 per conversion share (the "Adjusted Conversion Price"). On 25 February 2021, BeiTai exercised the conversion rights to convert all of the BeiTai Transferred Bonds at the Adjusted Conversion Price of HKD0.156 per conversion share into 128,205,128 new Shares.
10. BeiTai is controlled by BeiTai Investment Limited. By virtue of the SFO, BeiTai Investment Limited is deemed to be interested in all the Shares which BeiTai is interested in.
11. BeiTai Investment Limited is controlled by Mr. WANG Jian. By virtue of the SFO, Mr. WANG Jian is deemed to be interested in all the Shares which BeiTai Investment Limited is interested in.
12. On 19 January 2021, the Company issued 101,137,134 new Shares to Jinbi Market under general mandate pursuant to the subscription agreement dated 5 January 2021 entered into between the Company and Jinbi Market. Jinbi Market is a company incorporated in Hong Kong with limited liability, the entire issued share capital of which is wholly owned by Yunnan Jinma Biji Tourism Hypermall Co., Ltd.* (雲南金馬碧雞旅遊商城股份有限公司) ("Yunnan Jinma"). By virtue of the SFO, Yunnan Jinma is deemed to be interested in all the Shares which Jinbi Market is interested in.
13. Yunnan Jinma is a limited liability company incorporated in the PRC which is owned as to 83.72% by Kunming Municipal Infrastructure Integrated Development and Construction (Group) Shares Co., Ltd.* (昆明市政基礎設施綜合開發建設(集團)股份有限公司) ("Kunming Construction"), as to 2.33% by Pioneer Investment Co., Ltd.* (先鋒投資有限公司) ("Pioneer Investment") and the remaining 13.95% being held by 4 other independent third parties with their respective shareholdings not exceeding 10% of the issued share capital of Yunnan Jinma. By virtue of the SFO, Kunming Construction is deemed to be interested in all the Shares which Yunnan Jinma is interested in.
14. Kunming Construction is a limited liability company incorporated in the PRC which is owned as to 69.34% by Pioneer Investment. By virtue of the SFO, Pioneer Investment is deemed to be interested in all the Shares which Kunming Construction is interested in.
15. Pioneer Investment is a limited liability company incorporated in the PRC which is owned as to 70% by Mr. SHI Zhengmin. By virtue of the SFO, Mr. SHI Zhengmin is deemed to be interested in all the Shares which Pioneer Investment is interested in.

Save as disclosed above, as at 30 June 2021, the Directors were not aware of any other persons/entities (other than the Directors and chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company, its Group members or associated corporations which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

* for identification purposes only

CORPORATE GOVERNANCE

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

The Company had adopted the code provisions (the “**Code Provisions**”) set out in the Corporate Governance Code and Corporate Governance Report contained in Appendix 14 to The Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”). According to Code Provision A.4.2, all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after appointment. Ms. YANG Qinyan (“**Ms. YANG**”) was appointed as an executive Director with effect from 1 June 2021. Due to insufficient time for the Company to issue a supplemental circular proposing Ms. YANG to be re-elected at the extraordinary general meeting of the Company held on 16 June 2021 (the “**EGM**”) and allow the Shareholders to have at least 10 business days to consider the supplementary information pursuant to the Listing Rules, the proposal for the re-election of Ms. YANG was not put forward at the EGM. As such, Ms. YANG will be subject for re-election at the forthcoming annual general meeting of the Company according to the Company’s articles of association.

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

BOARD DIVERSITY POLICY

Code Provision A.5.6 stipulates that the nomination committee (the “**Nomination Committee**”) (or the Board) should have a policy concerning diversity of Board members, and should disclose the policy or a summary of the policy in the corporate governance report.

With an aim to achieve diversity on the Board of the Company, the Board has approved and adopted a Board Diversity Policy (the “**Policy**”) and revision to the terms of reference of the Nomination Committee of the Board to ensure the appropriate implementation of the Policy. The Policy was made with a view to achieving a sustainable and balanced development of the Company, of which, among others, all Board appointments will be based on meritocracy, and candidates will be considered against appropriate criteria, having due regard for the benefits of diversity on the Board.

The Company commits to selecting the best person for the role. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural background and ethnicity, in addition to educational background, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board. In recent years, the Company has focused on enhancing the diversity of the Board. Now, the Board consists of seven members, including two women (Ms. YANG Qinyan and Ms. LIU Chen Hong), accounting for one quarter of the Board members. Directors are aged from around 35 to 55 years old. In addition, the professional background of Directors has also changed from focusing on experiences relating to a single industry in the past to the diversified composition including media (Mr. HE Han and Ms. YANG Qinyan) and accounting (Mr. LAM Kai Yeung and Mr. KWOK Pak Shing). The Board’s composition (including gender, age, length of service) will be disclosed in the Corporate Governance Report annually.

The Nomination Committee will report annually, in the Corporate Governance Report, on the Board's composition under diversified perspectives, and monitor the implementation of this Policy.

The Nomination Committee will review this Policy, as appropriate, to ensure the effectiveness of this Policy. The Nomination Committee will discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval.

MODEL CODE FOR SECURITIES TRANSACTIONS BY THE DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules. Having made specific enquiry of all Directors, all the Directors confirmed that they had complied with the required standards of dealing as set out in the Model Code throughout the Period Under Review.

AUDIT COMMITTEE

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

INTERIM DIVIDEND

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

SHARE OPTION SCHEME

The Company's existing share option scheme (the "**Share Option Scheme**") was approved for adoption pursuant to a written resolution of all Shareholders passed on 26 June 2012 for the purpose of providing our Company with a flexible means of giving incentive to, rewarding, remunerating, compensating and/or providing benefits to eligible participants and for such other purposes as the Board approves from time to time.

Subject to the terms of the Share Option Scheme, the Board may, at its absolute discretion, grant or invite any person belonging to any of the following classes to take up options to subscribe for shares: (a) any employee, supplier, service provider, customer, partner or joint-venture partner of the Group (including any director, whether executive and whether independent or not, of the Group) who is in full-time or part-time employment with the Company or any subsidiaries; (b) any person who have contributed or may contribute to the Group.

The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company must not exceed 30% of the total number of shares in issue from time to time.

The total number of share which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company must not exceed 10% of the total number of shares in issue on 12 July 2012 unless the Company seeks the approval of the Shareholders in general meeting for refreshing the 10% limit under the Share Option Scheme provided that options lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of the Company will not be counted for the purpose of calculating 10% limit.

Details of the principal terms of the Share Option Scheme are set out in paragraph headed "Share Option Scheme" in section headed "Statutory and General Information" in Appendix VI to the prospectus of the Company dated 29 June 2012. The principal terms of the Share Option Scheme are summarised as follows:

The Share Option Scheme was adopted for a period of 10 years commencing from 26 June 2012 and remains in force until 25 June 2022. The Company may, by resolution in general meeting or, such date as the Board determined, terminate the Share Option Scheme at any time without prejudice to the exercise of options granted prior to such termination.

The exercise price per share of the Company for each option granted shall be determined by the Board in its absolute discretion but in any event shall be at least the higher of:

- (1) the closing price of the shares as stated in the daily quotations sheets issued by the Stock Exchange on the date of offer for the grant of option (the "**Date of Grant**") which must be a trading day;
- (2) the average closing price of the shares as stated in the daily quotations sheets issued by the Stock Exchange for the five trading days immediately preceding the Date of Grant; and
- (3) the nominal value of the shares on the Date of Grant.

Upon acceptance of the options, the grantee shall pay HKD1.00 to the Company as consideration for the grant. The acceptance of an offer of the grant of the option must be made within the date as specified in the offer letter issued by the Company. The exercise period of any option granted under the Share Option Scheme shall not be longer than 10 years commencing on the Date of Grant and expiring on the last day of such 10-year period subject to the provisions for early termination as contained in the Share Option Scheme.

The total number of new shares of the Company that may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share options schemes of the Company shall not exceed 80,000,000 shares, which represents 4.07% of the shares in issue of the Company as at the date of this interim report.

The maximum number of shares issued and to be issued upon exercise of the options granted and to be granted to each grantee under the Share Option Scheme (including exercised, cancelled and outstanding options) in any 12-month period shall not exceed 1% of the total number of Shares in issue. Any further grant of options in excess of this 1% limit shall be subject to issuance of a circular by the Company and approved by its shareholders in accordance with the Listing Rules.

Since the adoption of the Share Option Scheme, no options were granted, exercised, cancelled or lapsed under the Share Option Scheme.

Apart from the Share Option Scheme, at no time during the Period Under Review was any of the Company and its holding companies, subsidiaries and fellow subsidiaries a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors, or their spouses or children under the age 18, had any right to subscribe for the shares in, or debentures of, the Company, or had exercise any such right.

EVENTS AFTER THE PERIOD UNDER REVIEW

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

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

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the six months ended 30 June 2021 – unaudited

(Expressed in Renminbi)

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

The notes on pages 30 to 48 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2021 – unaudited

(Expressed in Renminbi)

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

The notes on pages 30 to 48 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2021 – unaudited (continued)

(Expressed in Renminbi)

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

The notes on pages 30 to 48 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2021 – unaudited

(Expressed in Renminbi)

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

The notes on pages 30 to 48 form part of these financial statements.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

for the six months ended 30 June 2021 – unaudited

(Expressed in Renminbi)

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

The notes on pages 30 to 48 form part of these financial statements.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi unless otherwise indicated)

1 BASIS OF PREPARATION

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

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

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

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

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

2 CHANGES IN ACCOUNTING POLICIES

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

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

None of these amendments have had a material effect on how the Group’s results and financial position for the current or prior periods have been prepared or presented in this interim financial report.

3 REVENUE

Disaggregation of revenue

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

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

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

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

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

4 OTHER NET INCOME

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

Notes:

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

5 PROFIT BEFORE TAXATION

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

(a) Net finance costs

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

5 PROFIT BEFORE TAXATION (Continued)

(b) Other items

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

6 INCOME TAX

| | Six months ended 30 June | |
|--------------|--------------------------|-----------------|
| | 2021 RMB'000 | 2020 RMB'000 |
| Current tax | 689 | 761 |
| Deferred tax | 2,283 | (2,512) |
| | 2,972 | (1,751) |

- (i) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in those jurisdictions.
- (ii) The Group's Hong Kong subsidiaries, being investment holding companies, do not derive income subject to Hong Kong Profits Tax. For the six months ended 30 June 2021 and 2020, Hong Kong Profits Tax rate is 16.5%. The payments of dividends by the subsidiaries incorporated in Hong Kong are not subject to withholding tax.

6 INCOME TAX (Continued)

- (iii) The Group's PRC subsidiaries are subject to income tax rate of 25% (2020: 25%), except for Hainan Yingsheng Media Co., Ltd. which operates in Hainan province and engages in the production and distribution of drama series and films, it is subject to a preferential tax rate of 15% from 2021 to 2024.
- (iv) Dividends receivable by non-PRC resident corporate investors from PRC-residents are subject to withholding tax at 10%, unless reduced by tax treaties or arrangements, for profit earned since 1 January 2008. Star Rise Investments Ltd. and Star Will Investments (HK) Ltd., Hong Kong subsidiaries of the Company, would be subject to PRC dividend withholding tax on dividends receivable from their PRC subsidiaries.
- (v) Pursuant to the PRC Enterprise Income Tax preferential policies in Khorgos of Xinjiang province, Khorgos Starrise Qicheng Media Co., Ltd., Khorgos Starrise Han Media Co., Ltd. and Khorgos Starwise Culture Media Co., Ltd., subsidiaries of the Company located in Khorgos of Xinjiang province and are principally engaged in the production and distribution of drama series and films, are entitled to a tax holiday of 5-year full exemption on Enterprise Income Tax commencing from the first revenue-generating year. The first exemption year of Khorgos Starrise Qicheng Media Co., Ltd., Khorgos Starrise Han Media Co., Ltd. and Khorgos Starwise Culture Media Co., Ltd. is 2020.

7 LOSS PER SHARE

(a) Basic loss per share

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

(b) Diluted loss per share

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

8 INTANGIBLE ASSETS

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

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

9 GOODWILL

Impairment tests for cash-generating units containing goodwill

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

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

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

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

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

9 GOODWILL (Continued)

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

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:

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

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

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

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

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

10 TRADE AND OTHER RECEIVABLES

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

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

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

11 CASH AND CASH EQUIVALENTS

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

12 TRADE AND OTHER PAYABLES

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

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

Note: Included in the advanced from third parties are advance of RMB11,500,000 (31 December 2020: RMB18,000,000) from third parties which are unsecured, interest bearing at 10% (2020:13%) per annum and repayable within one year. Other advances from third parties are unsecured, interest-free and had no fixed repayment terms or repayable within one year.

13 OTHER BORROWINGS

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

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

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

(b) Significant terms and repayment schedule

(i) 2017 Convertible Bonds

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

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

- Conversion rights are exercisable, wholly or partially, at any time up to maturity, or extended maturity, at the bondholders' option.
- If a bondholder exercises its conversion rights, the Company is required to deliver ordinary shares at the conversion price of HKD1.21 per share, which was adjusted to HKD0.156 per share in January 2021 (subject to further adjustments).

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

13 OTHER BORROWINGS (Continued)

(b) Significant terms and repayment schedule (Continued)

(i) 2017 Convertible Bonds (Continued)

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

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

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

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

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

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

13 OTHER BORROWINGS (Continued)

(b) Significant terms and repayment schedule (Continued)

(i) 2017 Convertible Bonds (Continued)

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

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

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

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

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

(ii) 2020 Bonds

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

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

14 CAPITAL AND DIVIDENDS

(a) Dividends

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

(b) Share capital

| | At 30 June 2021 | | At 31 December 2020 | |
|--|-----------------------|----------------|-----------------------|----------------|
| | No. of shares | RMB'000 | No. of shares | RMB'000 |
| Authorised: | | | | |
| Ordinary shares of USD0.01 each | <u>10,000,000,000</u> | <u>632,110</u> | <u>10,000,000,000</u> | <u>632,110</u> |
| Ordinary shares, issued and fully paid: | | | | |
| At 1 January | <u>1,416,911,818</u> | <u>90,578</u> | 1,416,911,818 | 90,578 |
| Share issuance (<i>Note</i>) | <u>549,855,082</u> | <u>35,443</u> | – | – |
| At 30 June and 31 December | <u>1,966,766,900</u> | <u>126,021</u> | <u>1,416,911,818</u> | <u>90,578</u> |

Notes: (i) The convertible bonds with an aggregate face value of HKD20,000,000 and HKD50,000,000 were converted into 128,205,128 and 320,512,820 ordinary shares of par value of USD0.01 each at the conversion price of HKD0.156 per share and the closing price on the date of conversion was HKD0.158 and HKD0.165 per ordinary share respectively for the six months ended 30 June 2021. The net proceeds from the shares issuance were approximately HKD73,141,000 (equivalent to approximately RMB60,908,000), of which RMB29,002,000 and RMB31,906,000 were recognized in share capital and share premiums respectively.

(ii) On 19 January 2021, Jinbi Market (Hong Kong) Limited has subscribed for an aggregate of 101,137,134 new shares at the subscription price of HKD0.156 per subscription share. The net proceeds of the subscription are approximately HKD15,777,000 (equivalent to approximately RMB12,945,000), of which RMB6,441,000 and RMB6,504,000 were recognized in share capital and share premiums respectively.

15 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

(a) Financial assets and liabilities measured at fair value

(i) Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in IFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available
- Level 3 valuations: Fair value measured using significant unobservable inputs

The Group has a team headed by the finance manager performing valuations for the financial instruments, including derivatives embedded in convertible bonds which are categorized into Level 3 of the fair value hierarchy. The team reports directly to the chief financial officer and the audit committee. A valuation report with analysis of changes in fair value measurement is prepared by the team at each interim and annual reporting date, and is reviewed and approved by the chief financial officer. Discussion of the valuation process and results with the chief financial officer and the audit committee is held to coincide with the reporting dates twice a year.

| | Fair value at 30 June 2021 RMB'000 | Fair value measurements as at 30 June 2021 categorised into | | |
|--|---|--|--------------------|--------------------|
| | | Level 1 RMB'000 | Level 2 RMB'000 | Level 3 RMB'000 |
| Recurring fair value measurements | | | | |
| Derivatives embedded in convertible bonds | - | - | - | - |

15 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

(a) Financial assets and liabilities measured at fair value (Continued)

(i) Fair value hierarchy (Continued)

| | Fair value at 31 December 2020 RMB'000 | Fair value measurements as at 31 December 2020 categorised into | | |
|--|---|--|--------------------|--------------------|
| | | Level 1 RMB'000 | Level 2 RMB'000 | Level 3 RMB'000 |

Recurring fair value measurements

| | | | | |
|---|-------|---|---|-------|
| Derivatives embedded in convertible bonds | 3,296 | - | - | 3,296 |
|---|-------|---|---|-------|

During the six months ended 30 June 2021 and 2020, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognize transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

(ii) Information about Level 3 fair value measurements

| | Valuation techniques | Significant unobservable inputs | Range | Weighted average |
|---|----------------------|---------------------------------|---------------------|------------------|
| Derivatives embedded in convertible bonds | Black Scholes model | Expected volatility | 2020: 22% to 83% | 2020: 47% |

15 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)**(a) Financial assets and liabilities measured at fair value (Continued)****(ii) Information about Level 3 fair value measurements (Continued)**

The movements during the period in the balance of these Level 3 fair value measurements are as follows:

| | 2021 | 2020 |
|--|---------------------------|-------------------------|
| | RMB'000 | RMB'000 |
| Derivatives embedded in convertible bonds: | | |
| At 1 January | 3,296 | 120,500 |
| Change in fair value recognized in profit or loss for the period | (44) | (113,266) |
| Converted to shares | (3,252) | |
| Exchange adjustments | <u>—</u> | <u>(3,938)</u> |
| At 30 June/31 December | <u><u>—</u></u> | <u><u>3,296</u></u> |
| Total gains for the period/year included in profit or loss | <u><u>(44)</u></u> | <u><u>(117,204)</u></u> |

The gains arising from the remeasurement of the derivative component of the convertible bonds are presented in "other net income" in the consolidated statement of profit or loss and other comprehensive income.

15 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

(b) Fair value of financial liabilities carried at other than fair value

The carrying amounts of the Group's financial instrument carried at cost or amortized cost were not materially different from their fair values as at 30 June 2021 and 31 December 2020 and except for the following financial instruments, for which their carrying amounts and fair value are disclosed below:

| | At 30 June 2021 | | At 31 December 2020 | |
|---|-----------------------------|--------------------------|-----------------------------|--------------------------|
| | Carrying amounts RMB'000 | Fair value at RMB'000 | Carrying amounts RMB'000 | Fair value at RMB'000 |
| Convertible bonds – liability component | 674 | 674 | 104,759 | 98,884 |
| Bonds | 37,404 | 37,352 | 36,374 | 36,022 |

16 COMMITMENTS

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

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

17 MATERIAL RELATED PARTY TRANSACTIONS

(a) Key management personnel remuneration

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

(b) Transactions with related parties

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

(c) Balances with related parties

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

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

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

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