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Starrise Media Holdings Limited

星宏傳媒控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1616)

**SUBSCRIPTION OF NEW SHARES UNDER GENERAL MANDATE
AND
ADJUSTMENT TO THE CONVERSION PRICE OF
CONVERTIBLE BONDS**

SUBSCRIPTION OF NEW SHARES UNDER GENERAL MANDATE

The Board is pleased to announce that on 5 January 2021 (after trading hours), the Company and the Subscriber entered into the Subscription Agreement, pursuant to which the Company has conditionally agreed to allot and issue, and the Subscriber has conditionally agreed to subscribe, for an aggregate of 101,137,134 new Shares at the Subscription Price of HK\$0.156 per Subscription Share, which in aggregate amount to a total of HK\$15,777,393.

The Subscription Shares to be allotted and issued under the Subscription Agreement represent (i) approximately 7.14% of the existing issued share capital of the Company as at the date of this announcement; and (ii) approximately 6.66% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares immediately following the Completion.

The Subscription Shares will be allotted and issued pursuant to the General Mandate. Application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares.

The Subscription Shares shall rank *pari passu* in all respects among themselves and with all of the Shares in issue as at the Completion Date.

Completion is subject to the satisfaction of the Conditions. None of the Conditions shall be waivable under any circumstances.

As the Subscription may or may not proceed and the Subscription Shares may or may not be issued. Shareholders and potential investors are reminded to exercise caution when dealing in Shares.

ADJUSTMENT TO THE CONVERSION PRICE OF CONVERTIBLE BONDS

Pursuant to the terms and conditions of the Convertible Bonds, the respective conversion prices of the Convertible Bonds will be adjusted as a result of the Subscription. The Adjustments shall take effect on the Completion Date and will be computed in accordance with the terms and conditions of the Convertible Bonds. Assuming there is no other adjustment event under the relevant terms and conditions of the Convertible Bonds between the date of this announcement and the Completion Date, the conversion prices of the Convertible Bonds and the number of conversion shares to be issued upon the exercise of the conversion rights attaching to the outstanding Convertible Bonds will be adjusted with effect from the Completion Date.

Save for the Adjustments, all other terms and conditions of the Convertible Bonds remain unchanged. Further announcement regarding the Adjustments will be made after the Completion.

The Board is pleased to announce that on 5 January 2021 (after trading hours), the Company entered into the Subscription Agreement with the Subscriber. The principal terms of the Subscription Agreement are set out below:

THE SUBSCRIPTION AGREEMENT

Date

5 January 2021 (after trading hours)

Parties

Issuer:	the Company
Subscriber:	Jinbi Market (Hong Kong) Limited

The Subscriber 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.* (雲南金馬碧雞旅游商城股份有限公司) (“**Yunnan Jinma**”). The entire issued share capital of Yunnan Jinma 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. The entire issued share capital of Kunming Construction is owned (a) as to 69.34% by Pioneer Investment, which in turn is owned as to 70% by Shi Zhengmin (石政民) and 30% by Shi Yimin (石義民); (b) 8.17% by Chen Hongbing (陳宏兵); and (c) as to the remaining 22.49% being held by 4 other independent third parties (with their ultimate beneficial shareholders being State-own Legal-person Shareholder) with their respective shareholdings not exceeding 10% of the issued share capital of Kunming Construction.

Based on the information provided by the Subscriber, the Subscriber is principally engaged in the provision of investment and business management services in Hong Kong.

* for identification purposes only

To the best of the Director's knowledge, information and belief, having made all reasonable enquiries, as at the date of this announcement, the Subscriber and its ultimate beneficial owner(s) are each an Independent Third Party.

The Subscription

Subject to the fulfilment of the Conditions, the Company shall allot and issue, and the Subscriber shall subscribe for 101,137,134 new Shares at the Subscription Price of HK\$0.156 per Subscription Share.

The Subscription Shares to be allotted and issued under the Subscription Agreement represent (i) approximately 7.14% of the existing issued share capital of the Company as at the date of this announcement; and (ii) approximately 6.66% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares.

The aggregate nominal value of the Subscription Shares (with a par value of US\$0.01 each) shall be US\$1,011,371.34.

Conditions precedent to the Subscription

Pursuant to the Subscription Agreement, Completion is conditional upon the following Conditions:

- (i) the board of directors of the Issuer and the shareholders of the Issuer (if required under the Listing Rules) having approved the terms and authorised the execution of and performance by the Issuer of its obligations under the Subscription Agreement;
- (ii) the board of directors of the Subscriber having approved the terms and authorised the execution of and performance by the Subscriber of its obligations under the Subscription Agreement;
- (iii) the Stock Exchange having granted the listing of, and permission to deal in, the Subscription Shares on the Stock Exchange;
- (iv) all other necessary consents, approvals, permits or licences from the relevant governmental or regulatory authorities or other third parties in relation to the transactions contemplated hereunder having been obtained; and
- (v) the representations and warranties given by the Company under the Subscription Agreement where required to be repeated in accordance with the Subscription Agreement at Completion being materially true and accurate at the time of Completion, as though then made and the Company not otherwise being in material breach of its obligations under the Subscription Agreement.

None of the Conditions shall be waivable under any circumstances.

Completion of the Subscription

Completion shall take place within five (5) Business Days after the fulfilment of the Conditions (or at such other time and place as designated by the Company).

Termination

If any of the Conditions is not fulfilled on or before 31 January 2021, the Subscription Agreement shall be terminated.

Subscription Price

The Subscription Price of HK\$0.156 per Subscription Share represents:

- (i) a discount of approximately 17.46% of the closing price of HK\$0.189 per Share as quoted on the Stock Exchange on 5 January 2021, being the date of the Subscription Agreement; and
- (ii) a discount of approximately 17.46% to the average closing price of approximately HK\$0.189 per Share as quoted on the Stock Exchange for the last five trading days immediately to and including the Last Trading Day.

The net proceeds of the Subscription, after deducting the relevant expenses, are estimated to be approximately HK\$15,730,000 and the net price per Subscription Share will be approximately HK\$0.156.

The Subscription Price was determined, among others, with reference to the market price of the Shares under the prevailing market conditions, performance and financial position of the Group and was negotiated on an arm's length basis between the Company and the Subscriber.

Ranking

The Subscription Shares shall rank pari passu in all respects among themselves and with the Shares in issue on the Completion Date.

Application for listing

Application will be made by the Company to the Stock Exchange for the Listing of, and permission to deal in, the Subscription Shares.

ISSUE OF SUBSCRIPTION SHARES UNDER GENERAL MANDATE

At the annual general meeting of the Company held on 29 May 2020, a resolution was passed by the Shareholders to grant to the Directors the General Mandate to, among other things, allot, issue and otherwise deal with new Shares not exceeding 20% of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing such resolution. Accordingly, the Company is authorised to issue a maximum of 283,382,363 Shares under the General Mandate (i.e. representing 20% of the total number of shares of the Company in issue as at the date of passing such resolution).

The Subscription Shares will be allotted and issued under the General Mandate. As at the date of this announcement, no new Shares have been issued under the General Mandate. Accordingly, the General Mandate is sufficient for the allotment and issue of the Subscription Shares and the issue of the Subscription Shares will not be subject to the approval of Shareholders.

REASONS FOR AND BENEFITS OF THE SUBSCRIPTION AND USE OF NET PROCEEDS

The principal business of the Company is investment holding. The Group is principally engaged in the licensing of drama series and films and the production of drama series and films production, and distribution and related services.

The film and television media industry in China continued to face various challenges under the unfavourable market situation in particularly caused by the new pneumonia outbreak associated with the novel coronavirus (“**COVID-19**”) since January 2020. In particular, filming, production and promotion activities were delayed or suspended during the first half of 2020, which caused consequential delays in the release schedule of the films and television drama originally scheduled to be released in 2020.

As disclosed in the Company’s interim report for the six months ended 30 June 2020, the Group’s bank loans and other borrowings under current liabilities as at 30 June 2020 was approximately RMB433,934,000; whilst the Group’s cash and cash equivalents as at 30 June 2020 was approximately RMB171,665,000. As at the date of this announcement, the Group has the following outstanding bonds (the “**Bonds**”): (a) 5% coupon convertible bonds in the aggregated principal amount of HK\$100,000,000 (“**Dragon Capital Bonds**”) held by Dragon Capital Entertainment Fund One LP (“**Dragon Capital**”), which will due in 28 February 2021 unless Dragon Capital exercises the conversion right on or before the maturity date; (b) 5% coupon convertible bonds in the aggregated principal amount of HK\$20,000,000 (“**BeiTai Bonds**”, together with the Dragon Capital Bonds as the “**Convertible Bonds**”) held by BeiTai Investment LP (“**BeiTai Investment**”), which will due in 28 February 2021 unless BeiTai Investment exercises the conversion right on or before the maturity date; and (c) 6% coupon unsecured bonds in the aggregated principal amount of HK\$235,500,000 due on 9 March 2021 issued to Bison Global Investment SPC.

It is expected that the net proceeds of the Subscription shall be approximately HK\$15,730,000, which are intended to be used for the settlement of principal and interest of the Bonds if the Company is called upon to redeem the Convertible Bonds without conversion or to apply for settlement of the Group's other debts and liabilities as they fall due, if the Convertible Bonds are converted without redemption.

Having considered above, the Directors are of the view that the Subscription represents the most efficient way and an opportunity to raise additional capital for the Company to settle its current liabilities so as to strengthen the financial position of the Company for future capital commitments and development in view of the gradual resumption of filming and production schedules, and to reduce the gearing level of the Company. Accordingly, the Directors (including the independent non-executive Directors) consider that terms of the Subscription Agreement are on normal commercial terms and are fair and reasonable, and that it is in the interest of the Company and the Shareholders as a whole to enter into the Subscription Agreement.

FUND RAISING ACTIVITY DURING THE PAST 12 MONTHS FROM THE DATE OF THE ANNOUNCEMENT

The Company has not conducted any other equity fund raising activities in the past 12 months immediately preceding the date of this announcement.

ADJUSTMENT TO THE CONVERSION PRICE OF THE CONVERTIBLE BONDS

As at the date of this announcement, there were outstanding Convertible Bonds in the aggregate principal amount of HK\$120,000,000 entitling the holders thereof to convert into 162,162,162 new Shares at the adjusted conversion price of HK\$0.74 per conversion share, including the aforementioned Dragon Capital Bonds and BeiTai Bonds.

Pursuant to the extraordinary general meeting of the Company held on 9 April 2020, a resolution was passed by the Shareholders to grant a specific mandate (the “**2020 Specific Mandate**”) for the Directors to exercise powers to issue and allot such number of shares of the Company as may be required to be issued and allotted upon exercise of the conversion rights attached to the Convertible Bonds at the conversion price of the Convertible Bonds (subject to adjustments in accordance with the terms of the Convertible Bonds).

Pursuant to the terms and conditions of the Convertible Bonds, the Subscription will lead to the Adjustments to the conversion prices of the Convertible Bonds to be computed in accordance with the terms and conditions of the Convertible Bonds. Assuming there is no other adjustment event under the relevant terms and conditions of the Convertible Bonds between the date of this announcement and the Completion Date, the conversion prices of the Convertible Bonds and the number of conversion shares to be issued upon the exercise of the conversion rights attaching to the outstanding Convertible Bonds will be adjusted as follows with effect from the Completion Date:

Convertible Bonds	Principal amount	Date of maturity	Before adjustment		After adjustment	
			Number of Shares to be issued upon full conversion of the Convertible Bonds	Conversion price per conversion shares	Number of Shares to be issued upon full conversion of the Convertible Bonds	Adjusted conversion price per conversion shares
Dragon Capital Bonds	HK\$100,000,000	28 February 2021	135,135,135	HK\$0.74	641,025,641	HK\$0.156
BeiTai Bonds	HK\$20,000,000	28 February 2021	27,027,027	HK\$0.74	128,205,128	HK\$0.156

As the result of the grant of the 2020 Specific Mandate, no additional Shareholder's approval is required for the additional conversion shares to be issued as a result of an adjustment of the conversion price of the Convertible Bonds. Save for the Adjustments, all other terms and conditions of the Convertible Bonds remain unchanged. Further announcement regarding the Adjustments will be made after the Completion.

EFFECT ON SHAREHOLDING STRUCTURE OF THE COMPANY

As at the date of this announcement, the Company has 1,416,911,818 Shares in issue. The shareholding structure of the Company as at (i) the date of this announcement; (ii) immediately after the Completion; (iii) immediately after the Completion and full conversion of the Dragon Capital Bonds at the adjusted conversion price of HK\$0.156; (iv) immediately after the Completion and full conversion of the BeiTai Bonds at the adjusted conversion price of HK\$0.156; and (v) immediately after the Completion and full conversion of the Convertible Bonds at the adjusted conversion price of HK\$0.156, assuming that no further Shares have been issued or repurchased and no other adjustment event under the relevant terms and conditions of the Convertible Bonds before the Completion are set out as follows:

	As at the date of this announcement		Immediately after the Completion		Immediately after the Completion and full conversion of the Dragon Capital Bonds at the adjusted conversion price of HK\$0.156		Immediately after the Completion and full conversion of the BeiTai Bonds at the adjusted conversion price of HK\$0.156		Immediately after the Completion and full conversion of the Convertible Bonds at the adjusted conversion price of HK\$0.156	
	No. of Shares	Approximate %	No. of Shares	Approximate %	No. of Shares	Approximate %	No. of Shares	Approximate %	No. of Shares	Approximate %
Cinedigm Corp.	366,590,397	25.87	366,590,397	24.15	366,590,397	16.98	366,590,397	22.27	366,590,397	16.03
Excel Orient Limited	307,809,902	21.72	307,809,902	20.28	307,809,902	14.26	307,809,902	18.70	307,809,902	13.46
Emerge Ventures Limited	171,926,000	12.13	171,926,000	11.33	171,926,000	7.96	171,926,000	10.44	171,926,000	7.52
Aim Right Ventures Limited	202,472,656	14.29	202,472,656	13.34	202,472,656	9.38	202,472,656	12.30	202,472,656	8.85
He Han	13,998,000	0.99	13,998,000	0.92	13,998,000	0.65	13,998,000	0.85	13,998,000	0.61
Bondholders										
Dragon Capital Entertainment Fund One LP	-	-	-	-	641,025,641 (Note)	29.69 (Note)	-	-	641,025,641 (Note)	28.03 (Note)
BaiTai Investment LP	-	-	-	-	-	-	128,205,128 (Note)	7.79 (Note)	128,205,128 (Note)	5.60 (Note)
Other Public Shareholders										
The Subscriber	-	-	101,137,134	6.66	101,137,134	4.68	101,137,134	6.14	101,137,134	4.42
Other public Shareholders	354,114,863	25.00	354,114,863	23.32	354,114,863	16.40	354,114,863	21.51	354,114,863	15.48
Total	1,416,911,818	100.00	1,518,048,952	100.00	2,159,074,593	100.00	1,646,254,080	100.00	2,287,279,721	100.00

Note: For illustration purposes only, as pursuant to the terms and conditions of the outstanding Convertible Bonds, the Bondholders' right to convert the Convertible Bonds into Shares is subject to the extent that following such exercise, (i) a Bondholder and parties acting in concert with it, directly or indirectly, control or be interested in not more than 19.9% of the entire issued share of the Company, or less than such percentage as may from time to time be specified in the Code on Takeovers and Mergers as being the level for triggering a mandatory general offer (whichever is lower); or (ii) the Company will not be in breach of the minimum public float requirement as may from time to time be specified in the Listing Rules.

Shareholders and potential investors should note that Completion is subject to the fulfilment of the Conditions under the Subscription Agreements. As the Subscription may or may not proceed, Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.

DEFINITIONS

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

“Adjustments”	the adjustments to the conversion prices of the Convertible Bonds pursuant to the terms thereof as a result of the Subscription;
“Board”	the board of Directors;
“Business Day(s)”	any day (other than a Saturday, a Sunday or a public holiday or a day on which a tropical cyclone warning No.8 or above or a “black rainstorm” warning signal is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.) on which commercial banks are open for general banking business in Hong Kong;
“Company”	Starrise Media Holdings Limited, a company incorporated in the Cayman Islands on 24 February 2010 as an exempted company with limited liability, whose Shares are listed on the Main Board of the Stock Exchange;
“Completion”	completion of the Subscription in accordance with the terms of the Subscription Agreement;
“Completion Date”	the date of Completion;
“Conditions”	the conditions precedent to the Subscription, details of which are set out in the paragraph headed “Conditions precedent to the Subscription” of this announcement;
“Director(s)”	the director(s) of the Company;
“General Mandate”	the general mandate granted to the Directors by the Shareholders at the annual general meeting of the Company held on 29 May 2020 to allot, issue and deal with up to 20% of the then issued share capital of the Company as at 29 May 2020;
“Group”	the Company and its subsidiaries from time to time;
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;

“Independent Third Party(ies)”	a person independent of the Company and its connect person (as defined in the Listing Rules);
“Last Trading Day”	4 January 2021, being the last trading day preceding the date of signing of the Subscription Agreement;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“PRC”	the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region and Taiwan;
“Share(s)”	ordinary share(s) of nominal value of US\$0.01 each in the capital of the Company;
“Shareholder(s)”	holder(s) of the Share(s) from time to time;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Subscriber”	Jinbi Market (Hong Kong) Limited
“Subscription Agreement”	the subscription agreement dated 5 January 2021 entered into between the Company and the Subscriber in relation to the Subscription;
“Subscription Price”	the subscription price of HK\$0.156 per Subscription Share;
“Subscription Shares”	a total of 101,137,134 new Shares to be allotted and issued to the Subscriber subject to the terms of the Subscription Agreement;
“Subscription”	the subscription of the Subscription Shares at the Subscription Price by the Subscriber pursuant to the Subscription Agreement;
“%”	per cent.

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

Beijing, the PRC, 5 January 2021

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