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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)

**SUPPLEMENTAL ANNOUNCEMENT
ON DISCLOSEABLE TRANSACTION IN RELATION TO
THE ACQUISITION OF THE ENTIRE ISSUED SHARES IN
DIGITAL LIGHT YEAR TECHNOLOGY CO., LIMITED
INVOLVING THE ISSUE OF CONSIDERATION SHARES
UNDER GENERAL MANDATE**

Reference is made to the announcement of Starrise Media Holdings Limited (the “**Company**”) dated 18 November 2021 (the “**Announcement**”) in relation to the Acquisition of the entire issued shares in Digital Light Year Technology Co., Limited involving the issue of Consideration Shares under General Mandate, which constitute a discloseable transaction of the Company. Unless the contexts require otherwise, capitalised terms used in this announcement shall have the same meanings as those defined in the Announcement.

The Board would like to provide the Shareholders and potential investors of the Company with additional information in relation to the Acquisition.

INTELLECTUAL PROPERTIES OWNED BY THE TARGET GROUP

As disclosed in the Announcement, the Target Group (through Beijing Millennium) owned a number of intellectual properties (the “**IP**”) rights, the value of which represent over 60% of the unaudited NAV of the Target Company as at 15 November 2021 which in turn forms the basis for determination of the Consideration. These IPs owned by the Target Group, which serve as the key infrastructure and software for construction and operation of Metaverse, include over 10 invention patents in China in relation to cloud-based remote interactive systems, action-recognition technologies and devices, cloud-based gaming implementation and operation system, multimedia entertainment and control equipment and video search and output system etc.

Throughout the years, the Group has developed and maintained an abundant amount of drama and film-related IP resources but has been focusing such resources on drama and movie production through its Media Business. With the recent unprecedented COVID-19 pandemic and shift in viewers' preference towards more light-hearted, entertaining shows, the Group has been considering broaden the commercial applications of the drama and film-related IP through the increasingly popular Metaverse, in addition to utilising these IP resources for drama and film production. For example, with the IPs owned by the Target Group and the technical expertise from the Core Management and Technical Team, the Group could be able to utilise its own drama and film-related IP resources for commercialised use, ranging from the design of digital skin for avatar in existing game for purchase to the reconstruction of digital world replicas with interactive avatars that allow users to own, sell and transfer digital items or properties.

Having considered the above together with the considerations mentioned under the section "REASONS FOR AND BENEFITS OF THE ACQUISITION" of the Announcement, the Directors consider that the terms of the Acquisition are fair and reasonable, on normal commercial terms and the Acquisition is in the interest of the Company and the Shareholders as a whole.

BASIS OF DETERMINING THE VALUE OF THE INTELLECTUAL PROPERTIES OWNED BY THE TARGET GROUP

The market value of the IPs which was reflected in the NAV of the Target Company is based on the valuation of the IPs in the amount of approximately RMB16,877,800 as at 30 September 2021 (the "IP Valuation") as assessed by an independent valuer (the "Independent IP Valuer"). According to the valuation report issued by the Independent IP Valuer (the "IP Valuation Report"), the Independent IP Valuer adopted cost approach in determining the market value of the IPs owned by the Target Group as at 30 September 2021.

The Board having reviewed the key assumptions and major inputs of the IP Valuation Report (a) understood that the cost approach was most appropriate in calculating the market value of the IPs, as there is a lack of appropriate comparable for IPs with a similar nature and the nature of the IPs (which is more of underlying or ancillary technology nature) render it difficult to assign specific revenue-generating items to determine the market value; and (b) is satisfied that the persons responsible for conducting the IP Valuation possess the appropriate qualifications and have over 20 years of experience for performing the valuation, and are third parties independent to the Company, the Vendor, the Target Group and their respective connected persons. Accordingly, the Directors consider that the basis for determining the value of the IPs owned by the Target Group to be fair and reasonable.

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

Beijing, the PRC, 22 November 2021

As at the date of this announcement, the Board comprises seven Directors, namely Mr. LIU Dong, Mr. LIU Zongjun, Ms. YANG Qinyan 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.