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## **Litian Pictures Holdings Limited**

**力天影業控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 9958)**

### **ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2022, PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION AND PROPOSED ADOPTION OF THE AMENDED AND RESTATED ARTICLES OF ASSOCIATION**

#### **FINANCIAL HIGHLIGHTS**

- Revenue for the year ended 31 December 2022 decreased by approximately 92.4% to approximately RMB23.1 million from approximately RMB305.0 million for the year ended 31 December 2021.
- Gross loss for the year ended 31 December 2022 increased by approximately 280.0% to approximately RMB189.2 million from loss of approximately RMB49.8 million for the year ended 31 December 2021.
- Loss attributable to equity shareholders of the Company for the year ended 31 December 2022 increased by approximately 293.6% to approximately RMB295.7 million from loss of approximately RMB75.1 million for the year ended 31 December 2021.
- Basic and diluted loss per share for the year ended 31 December 2022 increased by approximately 296.0% to approximately RMB0.99 from loss of approximately RMB0.25 for the year ended 31 December 2021.
- The Board resolved not to recommend the payment of any final dividends for the year ended 31 December 2022.

The board (the “**Board**”) of directors (the “**Directors**”) of Litian Pictures Holdings Limited (the “**Company**”) hereby announces the audited consolidated financial results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the year ended 31 December 2022 (the “**Year**”), together with the comparative figures for the year ended 31 December 2021. The annual results of the Group have been reviewed by the audit committee of the Board (the “**Audit Committee**”).

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

*For the year ended 31 December 2022*

*(Expressed in Renminbi (“RMB”))*

	<i>Note</i>	<b>2022</b> <i>RMB’000</i>	2021 <i>RMB’000</i>
<b>Revenue</b>	3	<b>23,121</b>	304,958
Cost of sales		<u>(212,344)</u>	<u>(354,749)</u>
<b>Gross loss</b>	3(b)	<b>(189,223)</b>	(49,791)
Other income	4	<b>978</b>	2,251
Selling and marketing expenses		<b>(1,081)</b>	(2,567)
Administrative expenses		<b>(25,287)</b>	(26,442)
Impairment loss on trade and other receivables	5(c)	<u>(35,379)</u>	<u>(18,028)</u>
<b>Loss from operations</b>		<b>(249,992)</b>	(94,577)
Finance costs	5(a)	<u>(20,960)</u>	<u>(4,713)</u>
<b>Loss before taxation</b>	5	<b>(270,952)</b>	(99,290)
Income tax	6	<u>(24,706)</u>	<u>24,167</u>
<b>Loss attributable to equity shareholders of the Company for the year</b>		<b>(295,658)</b>	(75,123)
<b>Other comprehensive income for the year (after tax):</b>			
Items that may be reclassified subsequently to profit or loss:			
– Exchange differences on translation of the financial statements denominated in foreign currencies into the Group’s presentation currency		<u>4,787</u>	<u>(2,030)</u>
<b>Total comprehensive income attributable to equity shareholders of the Company for the year</b>		<u><b>(290,871)</b></u>	<u>(77,153)</u>
<b>Loss per share</b>	7		
Basic and diluted ( <i>RMB</i> )		<u><b>(0.99)</b></u>	<u>(0.25)</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2022

(Expressed in RMB)

		At 31 December 2022	At 31 December 2021
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Non-current assets</b>			
Property and equipment		8,166	11,325
Other financial assets	8	1,220	2,720
Deferred tax assets		17,821	42,527
		<u>27,207</u>	<u>56,572</u>
<b>Current assets</b>			
Drama series copyrights	9	545,630	522,694
Trade and bills receivables	10	155,364	282,103
Prepayments, deposits and other receivables		32,904	67,802
Restricted deposits		49,576	47,421
Cash and cash equivalents		10,002	38,185
		<u>793,476</u>	<u>958,205</u>
<b>Current liabilities</b>			
Trade payables	11	252,480	265,900
Other payables and accrued expenses		125,132	101,471
Contract liabilities	12	34,266	31,022
Bank and other loans	13	212,670	128,151
Lease liabilities		1,872	1,602
Current taxation		4,713	4,713
		<u>631,133</u>	<u>532,859</u>
<b>Net current assets</b>		<u>162,343</u>	<u>425,346</u>
<b>Total assets less current liabilities</b>		189,550	481,918
<b>Non-current liabilities</b>			
Lease liabilities		2,670	4,167
<b>NET ASSETS</b>		<u>186,880</u>	<u>477,751</u>

		<b>At 31 December 2022</b>	At 31 December 2021
	<i>Note</i>	<b><i>RMB'000</i></b>	<i>RMB'000</i>
<b>CAPITAL AND RESERVES</b>	14		
Share capital		<b>2,742</b>	2,742
Reserves		<b>184,138</b>	475,009
		<hr/>	<hr/>
<b>TOTAL EQUITY ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY</b>		<b>186,880</b>	477,751
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# NOTES TO THE FINANCIAL INFORMATION EXTRACTED FROM CONSOLIDATED FINANCIAL STATEMENTS

*(Expressed in RMB unless otherwise indicated)*

## 1 CORPORATE INFORMATION

Litian Pictures Holdings Limited (the “**Company**”) was incorporated in the Cayman Islands on 17 June 2019 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 22 June 2020 (the “**Listing Date**”).

The Company and its subsidiaries (collectively referred to as the “**Group**”) are principally engaged in the production, distribution and licensing of broadcasting rights of drama series.

## 2 SIGNIFICANT ACCOUNTING POLICIES

### (a) Statement of compliance

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

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

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

The consolidated financial statements for the year ended 31 December 2022 comprise the Group.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that investments in equity securities are stated at their fair value as explained in the accounting policies as set in annual report.

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

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

Judgements made by management in the application of IFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in annual report.

The principal business of the Group was carried out by Zhejiang LiTian TV & Film Co., Ltd. (“**LiTian TV & Film**”), which was established as a limited liability company in the People’s Republic of China (the “**PRC**”), and its subsidiaries. Since the business conducted by LiTian TV & Film and its subsidiaries is subject to foreign investment restrictions under the relevant laws and regulations in the PRC, as part of a corporate reorganisation underwent by the Group in preparation of the listing of the Company’s shares on the Stock Exchange, Haining Marshal Films Planning Co., Ltd. (“**LiTian WFOE**”), a wholly-owned subsidiary of the Company, entered into a series of agreements (the “**Contractual Arrangements**”) with LiTian TV & Film and its equity holders. As a result of the Contractual Arrangements, the Group has rights to exercise power over LiTian TV & Film and its subsidiaries, receives variable returns from its involvement in LiTian TV & Film and its subsidiaries, has the ability to affect those returns through its power over LiTian TV & Film and its subsidiaries, and hence, the control over LiTian TV & Film and its subsidiaries. Consequently, the Group regards LiTian TV & Film and its subsidiaries as controlled entities. The directors of the Company have determined that the Contractual Arrangements are in compliance with PRC laws and are legally enforceable.

For the year ended 31 December 2022, the Group had net loss before impairment losses on drama series copyrights, of RMB96,830,000 and net cash used in operating activities of RMB76,415,000. The Group’s business operations were adversely affected by the challenging market conditions and macroeconomic environment, in particular the delay in new drama series production and their licensing and broadcasting. Notwithstanding these, the directors of the Company consider that there are no material uncertainties related to events or conditions which, individually or collectively, may cast significant doubt on the Group’s ability to continue as a going concern. This is because of a cash flow forecast of the Group for at least the next twelve months from the end of the reporting period prepared by the management, which has taken into account the following:

- The Group had unutilised bank facilities of RMB50,000,000 as at 31 December 2022 and subsequent to the year end, RMB40,000,000 of which was drawn down. The directors of the Company are of the opinion that renewal or new banking facilities is likely to be obtained during the year ending 31 December 2023;
- Included in the current liabilities were RMB109,078,000 which will only be due upon broadcasting of related drama series or cash collection from the Group’s customers and the Group is closely monitoring the payment schedule in accordance with the contract terms with vendors;
- The Group continues to streamline its operations and accelerate the negotiation of the broadcasting of the Group’s self-produced drama series and expedite the cash collection after the completion of the sales; and/or
- The Group has obtained financial support committed by its ultimate controlling parties, Mr. Yuan Li and Ms. Tian Tian.

The directors of the Company therefore are of the opinion that the Group would have sufficient working capital to meet its liabilities as and when they fall due at least twelve months from the end of the reporting period. Accordingly, the directors of the Company consider it is appropriate to prepare the consolidated financial statements on a going concern basis.

(c) **Changes in accounting policies**

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

- Amendments to IAS 16, *Property, plant and equipment: Proceeds before intended use*
- Amendments to IAS 37, *Provisions, contingent liabilities and contingent assets: Onerous contracts – cost of fulfilling a contract*

None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

**3 REVENUE AND SEGMENT REPORTING**

(a) **Revenue**

The Group is principally engaged in the production, distribution and licensing of broadcasting rights of drama series. All of the Group's revenue was recognised at a point in time.

Further details regarding the Group's principal activities are disclosed in Note 3(b).

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Revenue from the distribution and licensing of broadcasting rights of self-produced drama series	7,666	2,910
Revenue from the distribution and licensing of broadcasting rights of outright-purchased drama series	14,960	290,086
Revenue from the distribution and licensing of broadcasting rights under co-financing arrangements and others	495	11,962
	<u>23,121</u>	<u>304,958</u>

The Group's customers with whom transactions have exceeded 10% of the Group's revenue are set out below:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Customer A	7,783	25,472
Customer B	7,315	–
Customer C	4,075	25,358
	<u>19,173</u>	<u>50,830</u>

Details of concentration of credit risks of the Group are set out in annual report.

**(b) Segment reporting**

The Group manages its businesses by products and services. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following three reportable segments.

- Self-produced drama series: this segment includes primarily the production, distribution and licensing of broadcasting rights of self-produced drama series.
- Outright-purchased drama series: this segment includes primarily the acquisition, distribution and licensing of broadcasting rights of outright-purchased drama series.
- Others: this segment includes miscellaneous revenue streams such as distribution and licensing of broadcasting rights of drama series under co-financing arrangements, acquisition and sale of script copyrights, and others.

**(i) Segment results**

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

Revenue and expenses are allocated to the reportable segments with reference to revenue generated by those segments and the expenses incurred by those segments. The measure used for reporting segment result is gross profit/(loss). No inter-segment sales have occurred for the years ended 31 December 2022 and 2021. Assistance provided by one segment to another, including sharing of assets and technical know-how, is not measured.

The Group's other operating income and expenses, such as other income, selling and marketing expenses, administrative expenses, impairment loss on trade and other receivables, and finance costs, and assets and liabilities are not measured under individual segments. Accordingly, neither information on segment assets and liabilities nor information concerning capital expenditure, interest income and interest expenses is presented.

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2022 and 2021 is set out below.

	2022			
	Self-produced drama series RMB'000	Outright- purchased drama series RMB'000	Others RMB'000	Total RMB'000
Revenue from external customers	<u>7,666</u>	<u>14,960</u>	<u>495</u>	<u>23,121</u>
Reportable segment gross (loss)/profit	<u>(170,217)</u>	<u>3,002</u>	<u>(22,008)</u>	<u>(189,223)</u>

	2021			
	Self- produced drama series <i>RMB'000</i>	Outright- purchased drama series <i>RMB'000</i>	Others <i>RMB'000</i>	Total <i>RMB'000</i>
Revenue from external customers	2,910	290,086	11,962	304,958
Reportable segment gross (loss)/profit	(63,370)	10,488	3,091	(49,791)

(ii) *Reconciliations of reportable segment revenues and profit or loss*

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Revenue:		
– Reportable segment revenue	23,121	304,958
– Elimination of inter-segment revenue	–	–
Consolidated revenue	<u>23,121</u>	<u>304,958</u>
	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Loss:		
Reportable segment gross loss	(189,223)	(49,791)
Elimination of inter-segment revenue	–	–
Reportable segment gross loss derived from group's external customers	(189,223)	(49,791)
Other income	978	2,251
Selling and marketing expenses	(1,081)	(2,567)
Depreciation expenses	(4,112)	(2,254)
Other administrative expenses	(21,175)	(24,188)
Impairment loss on trade and other receivables	(35,379)	(18,028)
Finance costs	(20,960)	(4,713)
Consolidated loss before taxation	<u>(270,952)</u>	<u>(99,290)</u>

(iii) *Geographic information*

All of the Group's customers are located in the PRC and the Group's non-current assets are substantially located in the PRC, and accordingly, no analysis of geographic information is presented.

#### 4 OTHER INCOME

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Government grants	1,855	2,085
Interest income	710	925
Net foreign exchange loss	(87)	(920)
Changes in fair value of financial assets measured at FVPL	(1,500)	(280)
Others	–	441
	<u>978</u>	<u>2,251</u>

#### 5 LOSS BEFORE TAXATION

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

##### (a) Finance costs

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Interest expenses on:		
– bank and other loans	27,978	6,743
– lease liabilities	222	257
	<u>28,200</u>	<u>7,000</u>
Less: interest expenses capitalised into drama series copyrights*	(7,240)	(2,287)
	<u>20,960</u>	<u>4,713</u>

\* The borrowing costs have been capitalised at a rate of 15% per annum for the year ended 31 December 2022 (2021: 15%).

##### (b) Staff costs

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Salaries, wages and other benefits	12,418	12,450
Contributions to defined contribution retirement plans	1,481	1,363
	<u>13,899</u>	<u>13,813</u>

The employees of the subsidiaries of the Group established in the PRC (other than Hong Kong) participate in defined contribution retirement benefit plans managed by the local government authorities. Employees of these subsidiaries are entitled to retirement benefits, calculated based on a percentage of the average salaries level in the PRC (other than Hong Kong), from the above mentioned retirement plans at their normal retirement age.

The Group has no further material obligation for payment of other retirement benefits beyond the above contributions.

(c) **Other items**

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Depreciation expenses:		
– owned property and equipment	2,415	634
– right-of-use assets	1,697	1,620
	<u>4,112</u>	<u>2,254</u>
Impairment losses on:		
– drama series copyrights ( <i>Note 9</i> )	198,828	81,767
– trade and other receivables	35,379	18,028
Operating lease expenses relating to short-term leases and leases of low-value assets	76	133
Auditors' remuneration:		
– audit services	1,600	1,600
Cost of drama series copyrights ( <i>Note 9</i> )	9,193	88,895
	<u>9,193</u>	<u>88,895</u>

**6 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

(a) **Taxation in the consolidated statement of profit or loss represents:**

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
<b>Current taxation</b>		
Provision for the year	–	592
<b>Deferred taxation</b>		
Origination and reversal of temporary differences	24,706	(24,759)
	<u>24,706</u>	<u>(24,167)</u>

*Notes:*

- (i) The Company and the subsidiary of the Group incorporated in the British Virgin Islands (the “BVI”) are not subject to any income tax pursuant to the rules and regulations of their respective countries of incorporation.
- (ii) The Company and the subsidiary of the Group incorporated in Hong Kong did not have assessable profits which are subject to Hong Kong Profits Tax rate of 16.5% for the year ended 31 December 2022 (2021: 16.5%).
- (iii) The subsidiaries of the Group established in the PRC (excluding Hong Kong) are subject to PRC Corporate Income Tax rate of 25% for the year ended 31 December 2022 (2021: 25%).
- (iv) In accordance with the income tax rules and regulations in the PRC, entities established in the Xinjiang Kashi/Horgos special economic areas before 31 December 2020 can enjoy full exemption on PRC Corporate Income Tax for five years starting from the year in which revenue was generated. The Group has established subsidiaries in the Xinjiang Kashi/Horgos special economic areas in 2017, 2018 and 2020, and accordingly, these subsidiaries are entitled to full exemption on PRC Corporate Income Tax from the calendar year of their respective establishments to the calendar year of 2021, 2022 and 2024, respectively.

## 7 LOSS PER SHARE

### (a) Basic loss per share

The calculation of basic loss per share for the year ended 31 December 2022 is based on the loss attributable to ordinary equity shareholders of the Company of RMB295,658,000 (2021: RMB75,123,000) and the weighted average of 300,000,000 ordinary shares (2021: 300,000,000 ordinary shares) in issue during the year.

### (b) Diluted earnings per share

There were no dilutive potential shares outstanding during the years ended 31 December 2022 and 2021.

## 8 OTHER FINANCIAL ASSETS

	At 31 December 2022 RMB'000	At 31 December 2021 RMB'000
Unlisted equity securities measured at FVPL	<u>1,220</u>	<u>2,720</u>

The investment in unlisted equity securities represent the Group's 9.38% equity interests (i.e. a limited partner) in Jiaxing Chengling Equity Investment Limited Partnership, a limited partnership established in the PRC principally engages in investing activities.

## 9 DRAMA SERIES COPYRIGHTS

	At 31 December 2022 RMB'000	At 31 December 2021 RMB'000
Self-produced drama series ( <i>Note (i)</i> )		
– under production	68,507	–
– with production completed	<u>463,876</u>	<u>344,143</u>
	532,383	344,143
Outright-purchased drama series	24,505	24,505
Co-financed drama series with production completed ( <i>Note (ii)</i> )	69,405	70,064
Script copyrights ( <i>Note (iii)</i> )	<u>211,421</u>	<u>177,238</u>
	837,714	615,950
Less: impairment losses	<u>(292,084)</u>	<u>(93,256)</u>
	<u>545,630</u>	<u>522,694</u>

Notes:

- (i) The Group acts either as sole investor or executive producer under co-financing arrangements.
- (ii) The Group acts as non-executive producers under these co-financing arrangements.
- (iii) The carrying amount of script copyrights represents the payments on obtaining the literature patent and the costs incurred in relation to adaptation of these intellectual properties.
- (iv) At 31 December 2022, the amounts of drama series copyrights that are expected to be recognised in profit or loss after more than one year are RMB257,460,000 (2021: RMB103,637,000). Other than the above, the remaining drama series copyrights are expected to be recognised in profit or loss within one year.
- (v) At 31 December 2022, resulted from the challenging market conditions and macroeconomic environment, the Group assessed the recoverable amounts of drama series copyrights. According to the assessment, the carrying amounts of drama series copyrights were written down to their recoverable amounts, with a total impairment loss of RMB198,828,000 recognised in “cost of sales”. The estimates of recoverable amounts were based on value in use. The discount rates used in the impairment assessment of drama series copyrights as at 31 December 2022 were between 18% to 20%.

Movements of drama series copyrights are set out below:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
At 1 January	522,694	385,448
Additions	230,957	307,908
Recognised in cost of sales ( <i>Note(5c)</i> )	(9,193)	(88,895)
Impairment losses ( <i>Note(5c)</i> )	(198,828)	(81,767)
	<u>545,630</u>	<u>522,694</u>
At 31 December	<u><u>545,630</u></u>	<u><u>522,694</u></u>

## 10 TRADE AND BILLS RECEIVABLES

	At 31 December 2022 <i>RMB'000</i>	At 31 December 2021 <i>RMB'000</i>
Trade receivables	238,430	344,254
Less: loss allowance ( <i>Note 10(b)</i> )	(111,566)	(76,199)
	<u>126,864</u>	<u>268,055</u>
Bills receivables	28,500	14,048
	<u>155,364</u>	<u>282,103</u>

All of the trade and bills receivables are expected to be recovered within one year.

(a) **Ageing analysis**

The ageing analysis of trade and bills receivables, based on the dates of revenue being recognised and net of loss allowance, of the Group is as follows:

	<b>At 31 December 2022 RMB'000</b>	At 31 December 2021 RMB'000
Within 6 months	<b>21,803</b>	58,831
6 to 12 months	<b>18,008</b>	57,225
1 to 2 years	<b>43,763</b>	111,234
2 to 3 years	<b>66,048</b>	48,837
Over 3 years	<b>5,742</b>	5,976
	<b>155,364</b>	282,103

Further details on the Group's credit policy and credit risk are set out in annual report.

(b) **Impairment of trade and bills receivables**

The movements in the loss allowance account during the year are as follows:

	<b>2022 RMB'000</b>	2021 RMB'000
At 1 January	<b>76,199</b>	58,213
Impairment losses recognised during the year	<b>35,367</b>	17,986
At 31 December	<b>111,566</b>	76,199

- (c) The Group has discounted certain bills it received from customers at banks. Upon the above discounting, the Group has not derecognised the bills receivables as the Group remains to have a significant exposure to the credit risk of these bills receivables. At 31 December 2022, the carrying amounts of the associated bank loans, and trade and other payables amounted to RMB27,890,000 (2021: RMB3,141,000).

**11 TRADE PAYABLES**

	<b>At 31 December 2022 RMB'000</b>	At 31 December 2021 RMB'000
Payables for productions and acquisitions of drama series	<b>252,480</b>	265,900

All of the trade payables are expected to be settled within one year or are repayable on demand, except for those of RMB20,802,000 which will only be due upon broadcasting of related drama series or cash collection from the Group's customers. The ageing analysis of trade payables, based on the transaction date, is as follows:

	At 31 December 2022 RMB'000	At 31 December 2021 RMB'000
Within 6 months	4,647	59,482
6 to 12 months	6,189	31,801
1 to 2 years	78,558	75,816
More than 2 years	163,086	98,901
	<u>252,480</u>	<u>265,900</u>

## 12 CONTRACT LIABILITIES

	At 31 December 2022 RMB'000	At 31 December 2021 RMB'000
Receipts in advance from customers	<u>34,266</u>	<u>31,022</u>

All of the contract liabilities are expected to be recognised as income within one year.

## 13 BANK AND OTHER LOANS

The Group's short-term bank and other loans are analysed as follows:

	At 31 December 2022 RMB'000	At 31 December 2021 RMB'000
Bank loans:		
– Secured by the Group's trade receivables and guaranteed by controlling parties	–	16,384
– Secured by bills receivables	27,890	899
– Guaranteed by controlling parties	<u>20,000</u>	–
	47,890	17,283
Other loans from third parties ( <i>Note (ii)</i> ):		
– Unsecured and unguaranteed	113,280	110,868
– Guaranteed by controlling parties	<u>21,000</u>	–
	134,280	110,868
Other loans from related parties:		
– Guaranteed by controlling parties	<u>30,500</u>	–
	<u>212,670</u>	<u>128,151</u>

Notes:

- (i) After the end of the reporting period, a bank loan of RMB40,000,000 was drawn down, where this loan was secured by the Group's restricted deposits.
- (ii) The balance represents loans from third-party non-executive producers with fixed repayment terms and bears interest at a rate of 15% per annum (2021: 15%), except for those of RMB25,657,000 which will only be due upon broadcasting of related drama series or cash collection from the Group's customers.

## 14 CAPITAL, RESERVES AND DIVIDENDS

### (a) Share capital

	At 31 December 2022		At 31 December 2021	
	Number of shares '000	Amount HK\$'000	Number of shares '000	Amount HK\$'000
Authorised share capital, HK\$0.01 each	<b>500,000</b>	<b>5,000</b>	500,000	5,000
	<b>300,000</b>	<b>2,742</b>	300,000	2,742

  

	At 31 December 2022		At 31 December 2021	
	Number of shares '000	Amount RMB'000	Number of shares '000	Amount RMB'000
Ordinary shares, issued and fully paid	<b>300,000</b>	<b>2,742</b>	300,000	2,742

### (b) Dividends

(i) *Dividends payable to equity shareholders of the Company attributable to the year*

The directors of the Company do not recommend the payment of a final dividend for the year ended 31 December 2022 (2021: Nil).

(ii) *Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved during the year*

The directors of the Company did not recommend the payment of a dividend for the year ended 31 December 2022 (2021: Nil).

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW AND PROSPECTS

We are a drama series distribution company in the PRC. The Group was established in 2013, and is primarily engaged in the business of licensing the broadcasting rights of self-produced and outright-purchased drama series. For the years ended 31 December 2021 and 2022, we distributed a total of 29 and 16 drama series, respectively, which were mainly comprised of self-produced drama series and outright-purchased drama series we purchased outright from third-party copyright owners/licensors.

For the year ended 31 December 2022, we had licensed a total of 5 drama series to well-known TV stations, including the first-run broadcast and rerun broadcast.

The outbreak of the 2019 coronavirus disease (“COVID-19”) has impacted our operations and financial position adversely. Although the outbreak of COVID-19 has caused some suppliers to implement work-from-home arrangements and impose travel restrictions on their employees, the content review and inspection of the relevant outright-purchased drama series could be completed remotely through mobile phones and/or video conferences. We still focused on expanding our business of licensing the broadcasting rights of outright-purchased drama series and self-produced drama series during the Year. We actively communicated with third-party copyright owners/licensors to procure the broadcasting rights of quality drama series and recommended suitable genres of drama series to our customers.

During the Year, we successfully licensed the first-run broadcasting rights of “Blue Flame Assault” (藍焰突擊), which was our outright-purchased drama series.

In addition, we successfully licensed the rerun broadcasting rights of “A Lifelong Journey” (人世間), “Devil Hunting” (獵魔) and “The Story of Xing Fu” (幸福到萬家) to the satellite channels, which were our outright-purchased drama series.

In 2023, we will work closely with the third-party copyright owners/licensors to obtain the copyrights of additional outright-purchased drama series of different genres to cater to the different preferences of our customers. In addition, we will try our best to constantly film our expected self-produced drama series and expediate our distribution and licensing of broadcasting rights of existing self-produced drama series.

Nevertheless, our management is confident in the future growth of our business. Notwithstanding the uncertainties brought about by the COVID-19 pandemic to the industry and the overall competitive business environment, the Group will continue to be dedicated to implementing the business strategies as set out in the Prospectus.

## FINANCIAL REVIEW

### Revenue

The following table sets forth a breakdown of our revenue by business segments for the years indicated:

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Revenue from the distribution and licensing of broadcasting rights of self-produced drama series	7,666	2,910
Revenue from the distribution and licensing of broadcasting rights of outright-purchased drama series	14,960	290,086
Revenue from the distribution and licensing of broadcasting rights under co-financing arrangements and others	495	11,962
<b>Total</b>	<b>23,121</b>	<b>304,958</b>

Our revenue decreased by approximately 92.4% from approximately RMB305.0 million for the year ended 31 December 2021 to approximately RMB23.1 million for the Year. The decrease was mainly due to a decrease of approximately RMB275.1 million in revenue from the distribution and licensing of broadcasting rights of outright-purchased drama series, partially offset by an increase of approximately RMB4.8 million in revenue from the distribution and licensing of broadcasting rights of self-produced drama series.

Reference is made to the profit warning announcement of the Company dated 15 March 2023. The Board hereby clarifies that whilst the revenue from the business segment of distribution and licensing of the broadcasting rights of self-produced drama series for the year ended 31 December 2022 recorded an increase of approximately RMB4.8 million, such increase was unable to offset the negative impact of the significant decrease in revenue from distribution and licensing of broadcasting rights of outright-purchased drama series, as a result, the aggregate revenue from the distribution and licensing of the broadcasting rights of self-produced drama series and outright-purchased drama series as a whole for the year ended 31 December 2022 recorded a significant decrease.

### *Revenue by Business Segments*

#### *(i) Distribution and licensing of broadcasting rights of self-produced drama series*

Revenue generated from the licensing of the broadcasting rights of self-produced drama series increased by approximately 163.4% from approximately RMB2.9 million for the year ended 31 December 2021, primarily because a total of 8 self-produced drama series were licensed in 2022.

Under this business segment, revenue generated from our customers that are TV channels accounted for approximately 96.4% and 9.9% of our revenue generated from licensing the broadcasting rights of self-produced drama series for the years ended 31 December 2021 and 2022, respectively, while the remainder of this segment revenue was attributable to other third-party customers.

Among revenue generated from licensing the broadcasting rights of self-produced drama series, approximately nil and nil was generated from first-run broadcast on satellite TV channels for the years ended 31 December 2021 and 2022, respectively.

For the same years, approximately 96.4% and 9.9% of the revenue, respectively, was generated from rerun broadcast and terrestrial broadcast on satellite TV channels. The remainder was generated from licensing the broadcasting rights of self-produced drama series to other third-party customers.

(ii) *Distribution and licensing of broadcasting rights of outright-purchased drama series*

In addition to distribution and licensing the broadcasting rights of outright-purchased drama series, we are engaged in distribution and licensing the broadcasting rights of drama series which we purchased from third-party copyright owners/licensors.

Under this business segment, we either purchase the entire copyrights of the drama series (in which case, we will be able to license the broadcasting rights to our customers in any region in the PRC for any period of time at our discretion), or we only purchase the rights to use, or the rights to transfer the broadcasting rights of, the drama series in certain designated regions of the PRC for a specific period of time. We generally enter into the content distribution agreements with the copyright owners/licensors to obtain copyrights or the rights to use, or the rights to license the broadcasting rights of, the particular drama series, as the case may be. Subsequently, we distribute the relevant drama series to our customers.

Revenue generated from the distribution and licensing the broadcasting rights of outright-purchased drama series decreased by approximately 94.8% from approximately RMB290.1 million for the year ended 31 December 2021 to approximately RMB15.0 million, resulted from the challenging market conditions and macroeconomic environment in 2022.

Under this business segment, revenue generated from our customers that are TV channels accounted for approximately 100% and 84.8% of our revenue generated from distribution and licensing the broadcasting rights of outright-purchased drama series for the years ended 31 December 2021 and 2022 respectively, while the remainder of our segment revenue was attributable to other third-party customers.

In addition, for the years ended 31 December 2021 and 2022, among revenue generated from distribution and licensing the broadcasting rights of outright-purchased drama series, approximately 66.3% and 52.0%, respectively, was generated from first-run broadcast on satellite TV channels. For the same years, approximately 33.5% and 32.8% was generated from rerun broadcast on satellite TV channels, respectively, and the remainder was attributable to terrestrial TV channels and other third-party customers.

Our revenue from the distribution and licensing of the broadcasting rights of outright-purchased drama series for the year ended 31 December 2022 is primarily generated from the distribution and licensing of the first-run broadcasting rights on satellite TV channels of drama series “Blue Flame Assault” (藍焰突擊).

*(iii) Revenue from the distribution and licensing of broadcasting rights under co-financing arrangements and others*

Revenue generated from the distribution and licensing of broadcasting rights under co-financing arrangements and others decreased by approximately 95.9% from approximately RMB12.0 million for the year ended 31 December 2021 to approximately RMB0.5 million for the Year.

### Cost of Sales

The following table sets forth our cost of sales by business segment for the years ended 31 December 2021 and 2022:

	<b>Year ended 31 December</b>	
	<b>2022</b>	2021
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Costs of the distribution and licensing of broadcasting rights of self-produced drama series	<b>177,883</b>	66,280
Costs of the distribution and licensing of broadcasting rights of outright-purchased drama series	<b>11,958</b>	279,598
Costs of the distribution and licensing of broadcasting rights under co-financing arrangements and others	<b>22,503</b>	8,871
<b>Total</b>	<b>212,344</b>	354,749

Our cost of sales decreased by approximately 40.1% from approximately RMB354.7 million for the year ended 31 December 2021 to approximately RMB212.3 million for the Year, primarily due to a decrease in the costs relating to our outright-purchased drama series, partially offset by the increase in costs of the distribution and licensing of broadcasting rights series of self-produced drama series.

Our costs of the distribution and licensing of broadcasting rights of self-produced drama series increased by approximately 168.4% from approximately RMB66.3 million for the year ended 31 December 2021 to approximately RMB177.9 million for the Year. The increase in the costs of the distribution and licensing of broadcasting rights of self-produced drama series was primarily due to an increase in inventory impairment provision resulted from certain drama series.

For the business segment of distribution and licensing of the broadcasting rights of outright-purchased drama series, the costs of sales decreased by approximately 95.7% from approximately RMB279.6 million for the year ended 31 December 2021 to approximately RMB12.0 million for the Year, which is in line with the decrease in revenue from the broadcasting rights of outright-purchased drama series.

For the business segment of distribution and licensing of broadcasting rights under co-financing arrangements and others, the costs of sales increased by approximately 153.7% from approximately RMB8.9 million for the year ended 31 December 2021 to approximately RMB22.5 million for the Year, primarily due to an increase in inventory impairment provision resulted from some co-financing drama series.

***Impairment of drama series copyrights (“Copyrights”)***

(a) The analysis of impairment losses by each category of the Copyrights:

	<b>FY2022</b> <i>RMB'000</i>
Self-produced drama series:	
– under production	–
– with production completed	154,852
Outright-purchased drama series	–
Co-financed drama series with production completed	22,503
Script copyrights	21,473
	<hr/>
<b>Total impairment losses</b>	<b>198,828</b>
	<hr/> <hr/>

- (b) The Group’s business operations were adversely affected by the challenging market conditions and macroeconomic environment, in particular the delay in new drama series production and their licensing and broadcasting. The Group noted that the actual demand of certain Copyrights were significantly behind the forecasted drama series distribution life cycle. Accordingly, the Group has revised the amount of estimated future cash flows of these Copyrights that resulted in the impairment losses of these Copyrights for the year ended 31 December 2022. The relevant drama series mainly include self-produced drama series “Unparalleled at Thirty” (無與倫比的美麗), “Meteor with White Plume” (白羽流星), “Great Days with Green Mountains and Clear Waters” (綠水青山紅日子), and Co-financed drama series “Dream on the Side of the Sea” (夢在海這邊), etc.
- (c) The discount rates used in the impairment assessment of the Copyrights as at 31 December 2022 were between 18% to 20%.

### Gross (Loss)/profit and Gross (Loss)/profit Margin

The following table sets forth a breakdown of our gross (loss)/profit and gross (loss)/profit margin by business segments for the years indicated:

	Year ended 31 December			
	2022		2021	
	Gross (Loss)/profit RMB’000	Gross (Loss)/profit Margin %	Gross (Loss)/profit RMB’000	Gross (Loss)/profit Margin %
The distribution and licensing of broadcasting rights of self-produced drama series	(170,217)	(2,220.4)	(63,370)	(2,177.7)
The distribution and licensing of broadcasting rights of outright-purchased drama series	3,002	20.1	10,488	3.6
The distribution and licensing of broadcasting rights under co-financing arrangements and others	(22,008)	(4,446.1)	3,091	25.8
<b>Total</b>	<b>(189,223)</b>	<b>(818.4)</b>	<b>(49,791)</b>	<b>(16.3)</b>

**(i) Gross (loss)/profit**

Our gross loss was approximately RMB189.2 million for the Year, representing an increase by approximately 280.0% as compared to gross loss of approximately RMB49.8 million for the year ended 31 December 2021, primarily due to (a) an increase in gross loss from the distribution and licensing of the broadcasting rights of self-produced drama series; (b) a decrease in gross profit from the distribution and licensing of the broadcasting rights of outright-purchased drama series; and (c) a change from the distribution and licensing of broadcasting rights under co-financing arrangements and others.

**(ii) Gross (loss)/profit margin**

Our gross loss margin was approximately 818.4% for the Year, representing an increase as compared to gross loss margin of approximately 16.3% for the year ended 31 December 2021, mainly because (a) we recorded RMB170.2 million gross loss from the distribution and licensing of the broadcasting rights of self-produced drama series for the year ended 31 December 2022; and (b) we recorded RMB22.0 million gross loss from the distribution and licensing of broadcasting rights under co-financing arrangements and others.

In addition, our gross loss margin of the distribution and licensing the broadcasting rights of self-produced drama series was approximately 2,177.7% and 2,220.4%, respectively, for the years ended 31 December 2021 and 2022.

Our gross profit margin of the distribution and licensing the broadcasting rights of outright-purchased drama series was approximately 3.6% and 20.1%, respectively, for the years ended 31 December 2021 and 2022. Our gross profit margin of the distribution and licensing the broadcasting rights of outright-purchased drama series for the Year was higher than that for 2021, primarily due to the low gross profit margin of our outright-purchased drama series “Blue Flame Assault” (藍焰突擊), from which were generated most of the revenue during the Year.

## Other income

The following table sets forth a breakdown of our other income for the years indicated:

	Year ended 31 December	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Government grants	1,855	2,085
Interest income	710	925
Net foreign exchange loss	(87)	(920)
Changes in fair value of financial assets measured at FVPL	(1,500)	(280)
Others	—	441
<b>Total</b>	<b>978</b>	<b>2,251</b>

Our other income decreased by approximately 56.6% from approximately RMB2.3 million for the year ended 31 December 2021 to approximately RMB978 thousand for the Year, primarily due to an increase of the loss of approximately RMB1.2 million in fair value of financial assets measured at FVPL.

## Selling and Marketing Expenses

Selling and marketing expenses primarily consist of (i) staff costs relating to our sales and marketing employees; (ii) travel and transportation expenses of our marketing staff; and (iii) conference expenses relating to booth displays for television conferences and festivals we attended. The following table sets forth the breakdown of our selling and marketing expenses for the years indicated:

	Year ended 31 December	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Staff costs	647	750
Travel and transportation expenses	8	42
Conference expenses	20	86
Others	406	1,689
<b>Total</b>	<b>1,081</b>	<b>2,567</b>

Our selling and marketing expenses decreased by approximately 57.9% from approximately RMB2.6 million for the year ended 31 December 2021 to approximately RMB1.1 million for the Year, primarily due to a decrease in other selling costs.

## Administrative Expenses

Administrative expenses primarily consist of (i) staff costs relating to our administrative department; (ii) rental fees, which includes the rental expenses and property management fees in connection with our leased properties; (iii) depreciation and amortisation; (iv) office expenses; (v) consultancy fees, which mainly represents professional services fees, such as legal consulting fees, in connection with our business operations; (vi) transportation fees; (vii) travel expenses; (viii) entertainment expenses; (ix) taxes and surcharges, which primarily consist of construction tax, stamp duty and other education surcharges; and (x) bank charges, which primarily represent bank transaction fees.

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Staff costs	13,252	13,062
Rental fees	253	367
Depreciation and amortisation	4,112	2,887
Office expenses	473	375
Consultancy fees	4,504	5,249
Transportation fees	320	239
Travel expenses	423	300
Entertainment expenses	1,022	1,881
Taxes and surcharges	48	893
Bank charges	90	99
Others	790	1,090
<b>Total</b>	<b>25,287</b>	<b>26,442</b>

Administrative expenses decreased by approximately 4.4% from approximately RMB26.4 million for the year ended 31 December 2021 to approximately RMB25.3 million for the Year.

## Impairment Loss on Trade and Other Receivables

We recorded impairment loss on trade and other receivables amounting to approximately RMB35.4 million during the Year (2021: RMB18.0 million).

## Finance Costs

Finance costs primarily consist of (i) interest on bank and other loans, which primarily includes interest on the investments made by passive investors in drama series that allow the investors (who may or may not participate in the production and/or distribution of such drama series) to receive the fixed contractual cash flows regardless of the sales performance of such drama series, which is partially capitalized, and interest on other loans; and (ii) interest on lease liabilities. The following table sets forth a breakdown of our finance costs for the years indicated:

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Interest expenses on:		
– bank and other loans	27,978	6,743
– lease liabilities	222	257
Less: interest expenses capitalised into drama series copyrights	(7,240)	(2,287)
<b>Total</b>	<b>20,960</b>	<b>4,713</b>

Our finance costs increased by approximately 344.7% from approximately RMB4.7 million for the year ended 31 December 2021 to approximately RMB21.0 million for the Year, primarily due to an increase in bank and other loans.

## Income Tax

Income tax expenses represent the tax expenses arising from the assessable profit generated by the Group in the PRC. The Company and subsidiaries are incorporated in different jurisdictions with different taxation requirements.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands and accordingly, is exempted from Cayman Islands income tax. The Group entities established under the International Business Companies Acts of BVI are exempted from BVI income taxes. Pursuant to the PRC Income Tax Law and respective regulations, the Group operating income are subject to enterprise income tax (“EIT”) at a rate of 25% on the taxable income. No provision for Hong Kong profits tax was made as the Group had no assessable profit subject to Hong Kong profits tax for the years ended 31 December 2021 and 2022.

In addition, according to the Notice on Preferential EIT Policies in Relation to Kashgar and Horgos as Two Special Economic Development Zones in Xinjiang (《關於新疆喀什霍爾果斯兩個特殊經濟開發區企業所得稅優惠政策的通知》) promulgated by the Ministry of Finance and the State Taxation Administration of the PRC on 29 November 2011, an enterprise established in Horgos between 1 January 2010 to 31 December 2020 and falling within the scope of the Catalog of EIT Incentives for Industries Particularly Encouraged in Underprivileged Areas of Xinjiang for Development (《新疆困難地區重點鼓勵發展產業企業所得稅優惠目錄》) shall be exempted from the EIT entirely for five years beginning from the first year in which operational income is earned. According to the preferential filing record of EIT (企業所得稅優惠事項備案表) of our consolidated affiliated entities, (i) Xinjiang Qingchun LiTian Film Co., Ltd.\* (新疆青春力天影業有限公司) is entitled to EIT exemption from January 2018 to December 2022; and (ii) Horgos Yuema Film Co., Ltd\* (霍爾果斯躍馬影業有限公司), Horgos Baima Film Co., Ltd. (霍爾果斯白馬影業有限公司) and Horgos Zhizhen Film Co., Ltd. (霍爾果斯至臻影視有限公司) are entitled to EIT exemption from January 2020 to December 2024.

The following table sets forth the major components of our income tax expense for the years indicated:

	<b>Year ended 31 December</b>	
	<b>2022</b>	2021
	<b>RMB'000</b>	<b>RMB'000</b>
<b>Current taxation</b>		
Provision for the year	–	592
<b>Deferred taxation</b>		
Origination and reversal of temporary differences	<u>24,706</u>	<u>(24,759)</u>
<b>Total</b>	<b><u>24,706</u></b>	<b><u>(24,167)</u></b>

#### **Loss Attributable to Equity Shareholders of the Company for the Year**

As a result of the foregoing, our loss attributable to equity shareholders of the Company was approximately RMB295.7 million for the Year, representing an increase of approximately 293.6% as compared to loss attributable to equity shareholders of the Company of approximately RMB75.1 million for the year ended 31 December 2021.

## **Liquidity and Financial Resources**

The Group's capital expenditure, daily operations and investments are mainly funded by cash generated from its operations, bank loans and proceeds from the global offering.

As of 31 December 2022, we had cash at bank and on hand of approximately RMB59.6 million as compared to cash at bank and on hand of approximately RMB85.6 million as of 31 December 2021, which were predominantly denominated in RMB.

As of 31 December 2022, we had net current assets of approximately RMB162.3 million as compared to the net current assets of approximately RMB425.3 million as of 31 December 2021.

The Group primarily obtains borrowings from banks and other third parties to finance our business operations and to fulfil working capital requirements. In addition, we had total bank and other loans of approximately RMB212.7 million as of 31 December 2022 as compared to total bank and other loans of approximately RMB128.2 million as of 31 December 2021.

As of 31 December 2022, we had bank loans of RMB47.9 million, among which RMB20.0 million were guaranteed by controlling parties.

In addition, we had unsecured and unguaranteed loans from third party non-executive producers with fixed repayment terms and bears interest at a rate of 15.0% per annum approximately RMB113.3 million as of 31 December 2022.

Going forward, we believe that our liquidity requirements will be satisfied by using a combination of cash generated from operating activities, bank loans and other borrowings and other funds raised from the capital markets from time to time. Our objective is to maintain a balance between continuity of funding and flexibility through the use of internally generated cash flows from operations and banks loans and other borrowings. We regularly review its major funding positions to ensure that we have adequate financial resources in meeting its financial obligations.

## **Key Financial Ratios**

### ***Return on equity***

The return on equity decreased from approximately negative 14.5% for the year ended 31 December 2021 to approximately negative 89.0% for the Year. Return on equity equals net loss for the year divided by the average of beginning and ending balances of total equity of the relevant year.

### ***Return on total assets***

The return on total assets decreased from approximately negative 6.9% for the year ended 31 December 2021 to approximately negative 32.2% for the Year. Return on total assets equals net loss for the year divided by the average of beginning and ending balances of total assets of the relevant year.

### ***Current ratio***

The Group's current ratio decreased from approximately 1.8 times as at 31 December 2021 to approximately 1.3 times as of 31 December 2022. Current ratio equals our current assets divided by current liabilities as of the end of the year.

### ***Gearing ratio***

The Group's gearing ratio increased from approximately 26.8% as of 31 December 2021 to approximately 113.8% as of 31 December 2022. Gearing ratio equals total debt as of the end of the year divided by total equity as of the end of the year. Total debt includes all interest-bearing bank loans and other borrowings.

### **Capital Expenditures**

Our capital expenditure primarily consists of expenditures on the improvements to leased properties and purchase of office furniture and other equipment. Our capital expenditures for the Year and the year ended 31 December 2021 were insignificant and were primarily financed by cash flows from our operating activities.

### **Foreign Exchange Exposure**

The Group operates in the PRC and the functional currency is RMB. The majority of the Group's revenue and expenditures are denominated in RMB. As of 31 December 2022, only certain bank balances were denominated in HKD.

The Group currently does not have any foreign currency hedging policies. The management will continue to monitor the Group's foreign exchange risk exposure and consider adopting prudent measures as appropriate.

### **Pledge of Assets and Contingent Liabilities**

As of 31 December 2021 and 31 December 2022, our deposits and trade and bills receivables, which had an aggregate amount of approximately RMB120.4 million and RMB78.1 million, respectively, were pledged to secure the bank loans of approximately RMB17.3 million and RMB47.9 million granted to the Group.

As of 31 December 2022, the Group did not have any material contingent liabilities (nil as of 31 December 2021).

## **Human Resources and Remuneration Policy**

As of 31 December 2022, the Group had 47 employees (70 as of 31 December 2021). As required by the PRC laws and regulations, the Group participates in various employee social security plans for our employees that are administered by local governments, including housing, pension, medical insurance, maternity insurance and unemployment insurance. The remuneration policies of the Group are determined based on prevailing market levels and performance of the Group as well as the individual employees. These policies are reviewed on a regular basis. In addition to salary, the Group also offers to its employees other fringe benefits, including year-end bonus, discretionary bonus, share options to be granted under the Company's share option scheme, contributory provident fund, social security fund and medical benefits. We also provide suitable technical training according to the needs of different positions in order to improve their abilities. The Group believes that we maintain a good working relationship with our employees, and we have not experienced any material labor disputes during the Year.

### **Share Option Scheme**

The Company's share option scheme (the "**Share Option Scheme**") was adopted pursuant to the resolution passed on 24 May 2020 to give the Eligible Persons (as mentioned in the following paragraph) an opportunity to have a personal stake in the Company and help motivate them to optimize their future contributions to the Group and/or to reward them for their past contributions, to attract and retain or otherwise maintain on-going relationships with such Eligible Persons who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of the Group, and additionally in the case of Executives (as defined below), to enable the Group to attract and retain individuals with experience and ability and/or to reward them for their past contributions. Eligible Persons of the Share Option Scheme include (a) any executive director of, manager of, or other employee holding an executive, managerial, supervisory or similar position in any member of the Group (the "**Executive**"), any proposed employee, any full-time or part-time employee, or a person for the time being seconded to work full-time or part-time for any member of the Group; (b) a director or proposed director (including an independent non-executive director) of any member of the Group; (c) a direct or indirect shareholder of any member of the Group; (d) a supplier of goods or services to any member of the Group; (e) a customer, consultant, business or joint venture partner, franchisee, contractor, agent or representative of any member of the Group; (f) a person or entity that provides design, research, development or other support or any advisory, consultancy, professional or other services to any member of the Group; (g) an associate of any of the persons referred to in paragraphs (a) to (f) above; and (h) any person involved in the business affairs of the Company whom the Board determines to be appropriate to participate in the Share Option Scheme.

No share options have been granted since the adoption date of the Share Option Scheme and there are no outstanding share options as at 31 December 2022.

## Significant Investment, Material Acquisition and Disposal

For the Year, the Group did not have any significant investment and material acquisition or disposal of subsidiaries, associates and joint ventures.

## EVENTS AFTER THE YEAR

The Directors are not aware of any significant event requiring disclosure that has taken place subsequent to 31 December 2022 and up to the date of this announcement.

## USE OF NET PROCEEDS

The Shares of the Company were listed on the main board of the Stock Exchange on 22 June 2020. Net proceeds from the global offering of the Company in 2020 amounted to approximately HK\$152.0 million, after deducting underwriting commission fee and relevant expenses in connection with the global offering.

The following table sets forth a breakdown of the utilisation and proposed utilisation of net proceeds as of 31 December 2022:

No.	Purpose	Percentage of total amount %	Net proceeds HK\$ million	Utilised amount as of 31 December 2021 HK\$ million	Utilised amount for the Year HK\$ million	Unutilised amount HK\$ million	Expected timeline for utilisation of proceeds
1	Produce own drama series	50.0	76.0	38.6	18.9	18.5	By December 2023
2	Outright-purchase the copyrights (or broadcasting rights) associated with drama series from third-party copyright owners/ licensors	37.5	57.0	31.5	6.7	18.8	By December 2023
3	Hire additional experienced professionals and provide staff training	7.5	11.4	2.9	4.7	3.8	By December 2023
4	Working capital and general corporate purposes	5.0	7.6	3.4	2.9	1.3	By December 2023
Total		<u>100.0</u>	<u>152.0</u>	<u>76.4</u>	<u>33.2</u>	<u>42.4</u>	

As of 31 December 2022, the Group has used approximately HK\$109.6 million, representing approximately 72.1% of the net proceeds from the global offering. The Group will utilise the net proceeds in the manners as stated in the Prospectus.

## **COMPLIANCE WITH CORPORATE GOVERNANCE CODE**

The Company is committed to maintain high standards of corporate governance practices and procedures with a view to being a transparent and responsible organization which is open and accountable to the Shareholders. The Company has studied relevant regulations thoroughly as stipulated in the Listing Rules and introduced corporate governance practices appropriate for its operation and management. The Board believes that good corporate governance is one of the essential factors leading to the success and sustainability of the Group.

During the Year, the Company had complied with all the applicable code provisions as set out in the Corporate Governance Code and adopted most of the recommended best practices as set out therein.

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company had also adopted the Model Code as its code of conduct regarding securities transactions by the Directors. Having made specific enquiry with all Directors, all Directors confirmed that they have complied with the required standard set out in the Model Code during the Year.

## **AUDIT COMMITTEE**

The Company established the Audit Committee which currently comprises two independent non-executive Directors, Mr. Liu Hanlin (劉翰林先生) and Mr. Gan Weimin (甘為民先生) and a non-executive Director, Mr. Yu Yang (余楊先生). Mr. Liu Hanlin is the chairman of the Audit Committee. The primary duties of the Audit Committee include but not limited to supervising our internal control, risk management, financial information disclosure and financial reporting matters. The Audit Committee's composition and written terms of reference are in line with the Corporate Governance Code.

The Audit Committee, together with the management and the external auditor of the Company, has reviewed the annual results of the Group for the Year. The Audit Committee has also reviewed the accounting principles and practices adopted by the Group.

The Audit Committee considered that the preparation of the relevant financial statements complied with the applicable accounting standards and requirements and that adequate disclosure has been made.

## **SCOPE OF WORK OF THE AUDITORS**

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2022 as set out in this announcement have been agreed by the Group's auditor, KPMG, to the amounts set out in the Group's audited consolidated financial statements for the Year. The work performed by KPMG in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance had been expressed by KPMG on this announcement.

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the Year.

## **ANNUAL GENERAL MEETING**

The forthcoming annual general meeting of the Company will be held on Monday, 29 May 2023, the notice of which will be published and despatched to the Shareholders as soon as practicable in accordance with the Company's articles of association and the Listing Rules.

## **CLOSURE OF REGISTER OF MEMBERS**

In order to determine the entitlement to attend and vote at the forthcoming annual general meeting of the Company to be held on Monday, 29 May 2023, the register of members of the Company will be closed from Tuesday, 23 May 2023 to Monday, 29 May 2023 (both days inclusive), during which no transfer of Shares will be registered. Shareholders are reminded to ensure that all completed share transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration not later than 4:30 p.m. on Monday, 22 May 2023.

## **FINAL DIVIDEND**

The Board resolved not to recommend the payment of any final dividends for the year ended 31 December 2022 (2021: nil).

## **PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT**

This annual results announcement is published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.litian.tv](http://www.litian.tv)). The annual report of the Company for the year ended 31 December 2022 will be despatched to the Shareholders and published on the respective websites of the Stock Exchange and the Company in due course.

## **PROPOSED AMENDMENTS TO ARTICLES OF ASSOCIATION AND PROPOSED ADOPTION OF THE AMENDED AND RESTATED ARTICLES OF ASSOCIATION**

The Board announces that it proposes to amend the existing articles of association of the Company (the “**Articles**”) and to adopt the amended and restated articles of association of the Company incorporating the amendments (the “**Amended and Restated Articles of Association**”) for the purpose of, among others, (i) bringing the Articles in line with the Core Shareholders Protection Standards as set out in Appendix 3 to the Listing Rules effective from 1 January 2022; and (ii) incorporating certain housekeeping amendments.

The proposed amendments and the adoption of the Amended and Restated Articles of Association are subject to the approval of the Shareholders by way of a special resolution at the forthcoming annual general meeting of the Company. A circular containing, among other things, particulars relating to the proposed amendments to the existing Articles brought about by the adoption of the Amended and Restated Articles of Association together with a notice convening the forthcoming annual general meeting will be despatched to the Shareholders in due course.

### **DEFINITIONS**

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

“Audit Committee”	the audit committee of the Company
“Board”	the board of directors of the Company
“China” or “PRC”	the People’s Republic of China, excluding for the purpose of this announcement, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Company”	Litian Pictures Holdings Limited (力天影業控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability on 17 June 2019 and whose Shares are listed on the Main Board of the Stock Exchange (Stock code: 9958)
“Corporate Governance Code”	the corporate governance code contained in Appendix 14 to the Listing Rules
“Director(s)”	the director(s) of the Company
“Group” or “We”	the Company and its subsidiaries
“HK\$” or “HKD”	Hong Kong dollars, the lawful currency of Hong Kong

“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“Listing”	the Shares were listed on the Main Board of the Stock Exchange
“Listing Date”	22 June 2020, the date on which the Shares were listed on the Main Board of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Main Board of the Stock Exchange
“Model Code”	the model code for securities transactions by directors of listed issuers as set out in Appendix 10 of the Listing Rules
“Prospectus”	the prospectus of the Company dated 10 June 2020
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	the ordinary share(s) of the Company with a nominal value of HK\$0.01 each, in the share capital of the Company
“Shareholder(s)”	the holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it in sections 15 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
“%”	per cent

If there is any inconsistency between the Chinese names of PRC nationals, entities, departments, facilities, certificates, titles, etc. and their English translations, the Chinese names shall prevail. The English translation of PRC nationals, entities, departments, facilities, certificates, titles, etc. which are marked with “\*” is for identification purpose only.

By order of the Board  
**Litian Pictures Holdings Limited**  
**Yuan Li**  
*Chairman*

Hong Kong, 31 March 2023

*As at the date of this announcement, the Board comprises Mr. Yuan Li, Ms. Tian Tian and Ms. Fu Jieyun as executive directors, Mr. Yu Yang and Mr. Tang Zhiwei as non-executive directors and Mr. Teng Bing Sheng, Mr. Liu Hanlin and Mr. Gan Weimin as independent non-executive directors.*