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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 2023

FINANCIAL HIGHLIGHTS

- Revenue for the year ended 31 December 2023 increased by approximately 390.7% to approximately RMB113.4 million from approximately RMB23.1 million for the year ended 31 December 2022.
- Gross loss for the year ended 31 December 2023 decreased by approximately 64.2% to approximately RMB67.7 million from loss of approximately RMB189.2 million for the year ended 31 December 2022.
- Loss attributable to equity shareholders of the Company for the year ended 31 December 2023 decreased by approximately 47.4% to approximately RMB155.5 million from loss of approximately RMB295.7 million for the year ended 31 December 2022.
- Basic and diluted loss per share for the year ended 31 December 2023 decreased by approximately 47.5% to approximately RMB0.52 from loss of approximately RMB0.99 for the year ended 31 December 2022.
- The Board resolved not to recommend the payment of any final dividends for the year ended 31 December 2023.

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 2023 (the “**Year**”), together with the comparative figures for the year ended 31 December 2022. 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 2023

(Expressed in Renminbi (“RMB”))

	<i>Note</i>	2023 RMB’000	2022 RMB’000
Revenue	3	113,445	23,121
Cost of sales		<u>(181,121)</u>	<u>(212,344)</u>
Gross loss	3(b)	(67,676)	(189,223)
Other (loss)/income	3(b)	(81)	978
Selling and marketing expenses		(2,379)	(1,081)
Administrative expenses		(22,833)	(25,287)
Impairment loss on trade and other receivables	5(c)	<u>(31,868)</u>	<u>(35,379)</u>
Loss from operations		(124,837)	(249,992)
Finance costs	5(a)	<u>(18,683)</u>	<u>(20,960)</u>
Loss before taxation	5	(143,520)	(270,952)
Income tax	6	<u>(11,938)</u>	<u>(24,706)</u>
Loss attributable to equity shareholders of the Company for the year		(155,458)	(295,658)
Other comprehensive income for the year (after tax):			
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>1,454</u>	<u>4,787</u>
Total comprehensive income attributable to equity shareholders of the Company for the year		<u>(154,004)</u>	<u>(290,871)</u>
Loss per share	7		
Basic and diluted (<i>RMB</i>)		<u>(0.52)</u>	<u>(0.99)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2023

(Expressed in RMB)

	<i>Note</i>	At 31 December 2023 RMB'000	At 31 December 2022 RMB'000
Non-current assets			
Property and equipment		4,634	8,166
Other financial assets	8	–	1,220
Deferred tax assets		5,883	17,821
		10,517	27,207
Current assets			
Drama series copyrights	9	550,222	545,630
Trade and bills receivables	10	126,823	155,364
Prepayments, deposits and other receivables		29,344	32,904
Cash at bank and on hand		4,503	59,578
		710,892	793,476
Current liabilities			
Trade payables	11	221,307	252,480
Other payables and accrued expenses		147,415	125,132
Contract liabilities	12	149,980	34,266
Bank and other loans	13	158,775	212,670
Lease liabilities		3,371	1,872
Current taxation		4,713	4,713
		685,561	631,133
Net current assets		25,331	162,343
Total assets less current liabilities		35,848	189,550
Non-current liabilities			
Bank loan		1,740	–
Lease liabilities		1,232	2,670
		2,972	2,670
NET ASSETS		32,876	186,880

		At 31 December 2023	At 31 December 2022
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
CAPITAL AND RESERVES	14		
Share capital		2,742	2,742
Reserves		30,134	184,138
		<hr/>	<hr/>
TOTAL EQUITY ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY		32,876	186,880
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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 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 MATERIAL ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with IFRS Accounting Standards 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**”).

The IASB has issued certain amendments to IFRS Accounting Standards 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 2023 comprise the Group.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that are stated at their fair values.

The preparation of financial statements in conformity with IFRS Accounting Standards 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.

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.

Going concern assessment

The Group incurred a net loss of RMB155,458,000 during the year ended 31 December 2023. The Group expects to pay financial liabilities of RMB549,691,000 as and when they fall due within one year. However, despite the net current assets of RMB25,331,000 as at 31 December 2023, majority of the current assets were drama series copyrights of RMB550,222,000, which may not be realised in full within one year. The Group’s cash at bank and on hand only amounted to RMB4,503,000 as at 31 December 2023. The Group will be unable to meet its liabilities in full when they fall due unless the Group is able to generate sufficient cash flow from future operations and/or other sources.

The Group has been experiencing liquidity pressure in view of the slow recovery of the entertainment industry and more intensified competition in the drama series market, resulted in the tightening of the procurement budgets of broadcast platforms. These have led to delays in drama series production and their licensing and broadcasting, which has affected the Group’s ability to realise cash from its drama series copyrights, settle trade and other payables, produce and acquire drama series, and repay bank and other loans. The Group’s drama series operations remain under pressure in the near term, which may consequently result in the Group being unable to meet its working capital and financial requirements in the next twelve months.

In addition certain subsidiaries of the Group is under various litigations initiated by certain creditors and lenders. Of the above claim amount, principals and interest accrued thereof of RMB35,683,000 have been recognised in the Group’s consolidated financial statements as at 31 December 2023. Depending on the outcome of the proceedings, the Group may be required to settle the claims on demand in future.

These events or conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group’s ability to continue as a going concern.

The directors of the Company have been undertaking a number of measures to mitigate the Group's liquidity pressure, which include, but not limited to, the following:

- For self-produced drama series where advances had been received from broadcast platforms (i.e. the Group's contract liabilities), the Group will continue to negotiate with these platforms to accelerate the broadcasting of these drama series in order to accelerate their recognition as the Group's revenue, and in doing so, obtaining the rights to collect the remaining proceeds for such broadcasts;
- For all other completed self-produced drama series, the Group will continue to price them commensurately during negotiations with the various broadcast platforms with a view to accelerate their broadcastings, which includes the sale of the broadcasting rights of these drama series for a longer period, in order to accelerate their recognition as the Group's revenue and expedite the recovery of the costs of the drama series;
- To expedite the sale of outright-purchased drama series to broadcast platforms;
- Subject to availability of liquidity to the Group, to further develop new and existing script copyrights while cooperating with broadcast platforms, such that with more certainty, to progress them into the production stage and their eventual broadcasting, or to consider the sale of existing script copyrights to other producers;
- To increase the Group's efforts in expediting the collection of outstanding debtors from the distribution and licensing of broadcasting rights of drama series in prior periods;
- To continue to negotiate with creditors and lenders in restructuring the terms and settlement schedules of existing payables and borrowings with a view to alleviate the liquidity pressure of the Group;
- To monitor the progress of outstanding claims and litigations with an aim to reach an amicable solution with the claimants/plaintiffs as soon as possible; and/or
- The ultimate controlling parties, Mr. Yuan Li and Ms. Tian Tian, have undertaken to provide continuing financial support and also to assist the Group in obtaining additional sources of financing from banks and other financial institutions, as and when needed, to ensure the Group's continuing operation for a period of at least twelve months from 31 December 2023.

Based on the cash flow forecast of the Group prepared by the management and assuming success of the above measures, the directors of the Company are of the opinion that the Group would have adequate funds 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.

Should the Group be unable to continue to operate as a going concern, and adjustments would have to be made to write down the value of assets to their recoverable amounts, to provide for further liabilities which may arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effect of these adjustments has not been reflected in the consolidated financial statements.

(c) **Changes in accounting policies**

(i) *New and amended IFRS Accounting Standards*

The Group has applied the following new and amended IFRS Accounting Standards issued by the IASB to these financial statements for the current accounting period:

- IFRS 17, Insurance contracts
- Amendments to IAS 8, *Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates*
- Amendments to IAS 1, *Presentation of financial statements* and IFRS Practice Statement 2, *Making materiality judgements: Disclosure of accounting policies*
- Amendments to IAS 12, *Income taxes: Deferred tax related to assets and liabilities arising from a single transaction*
- Amendments to IAS 12, *Income taxes: International tax reform – Pillar Two model rules*

The Group has not applied any new IFRS Accounting Standards that is not yet effective for the current accounting period. Impacts of the adoption of the new and amended IFRS Accounting Standards are discussed below:

Amendments to IAS 8, Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates

The amendments provide further guidance on the distinction between changes in accounting policies and changes in accounting estimates. The amendments do not have a material impact on these financial statements as the Group's approach in distinguishing changes in accounting policies and changes in accounting estimates is consistent with the amendments.

Amendments to IAS 1, Presentation of financial statements and IFRS Practice Statement 2, Making materiality judgements: Disclosure of accounting policies

The amendments require entities to disclose material accounting policy information and provide guidance on applying the concept of materiality to accounting policy disclosure. The Group has revisited the accounting policy information it has been disclosing and considered it is consistent with the amendments.

Amendments to IAS 12, Income taxes: Deferred tax related to assets and liabilities arising from a single transaction

The amendments narrow the scope of the initial recognition exemption such that it does not apply to transactions that give rise to equal and offsetting temporary differences on initial recognition such as leases. For leases, the associated deferred tax assets and liabilities are required to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. For all other transactions, the amendments are applied to those transactions that occur after the beginning of the earliest period presented.

Prior to the amendments, the Group did not apply the initial recognition exemption to lease transactions and had recognised the related deferred tax, except that the Group previously determined the temporary difference arising from a right-of-use asset and the related lease liability on a net basis on the basis they arise from a single transaction. Following the amendments, the Group has determined the temporary differences in relation to right-of-use assets and lease liabilities separately. The change primarily impacts disclosures of components of deferred tax assets and liabilities in annual report, but does not impact the overall deferred tax balances presented in the consolidated statement of financial position as the related deferred tax balances qualify for offsetting under IAS 12.

None of the other 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.

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.

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

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Revenue from the distribution and licensing of broadcasting rights of self-produced drama series	69,133	7,666
Revenue from the distribution and licensing of broadcasting rights of outright-purchased drama series	36,100	14,960
Revenue from the distribution and licensing of broadcasting rights under co-financing arrangements and others	8,212	495
	<u>113,445</u>	<u>23,121</u>

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

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Customer A	45,306	–
Customer B	30,967	7,783
	<u>76,273</u>	<u>7,783</u>

(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 2023 and 2022. 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/loss, 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 2023 and 2022 is set out below.

	2023			
	Self-produced drama series RMB'000	Outright- purchased drama series RMB'000	Others RMB'000	Total RMB'000
Revenue from external customers	<u>69,133</u>	<u>36,100</u>	<u>8,212</u>	<u>113,445</u>
Reportable segment gross (loss)/profit	<u>(51,682)</u>	<u>5,588</u>	<u>(21,582)</u>	<u>(67,676)</u>

	2022			
	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	7,666	14,960	495	23,121
Reportable segment gross (loss)/profit	(170,217)	3,002	(22,008)	(189,223)

(ii) *Reconciliation of reportable segment profit or loss*

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Reportable segment gross loss	(67,676)	(189,223)
Other (loss)/income	(81)	978
Selling and marketing expenses	(2,379)	(1,081)
Administrative expenses	(22,833)	(25,287)
Impairment loss on trade and other receivables	(31,868)	(35,379)
Finance costs	(18,683)	(20,960)
Consolidated loss before taxation	(143,520)	(270,952)

(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 (LOSS)/INCOME

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Government grants	1,053	1,855
Interest income	31	710
Net foreign exchange gain/(loss)	74	(87)
Changes in fair value of financial assets measured at FVPL	(1,220)	(1,500)
Others	(19)	–
	(81)	978

5 LOSS BEFORE TAXATION

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

(a) Finance costs

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Interest expenses on:		
– bank and other loans	23,167	27,978
– lease liabilities	152	222
	<u>23,319</u>	<u>28,200</u>
Less: interest expenses capitalised into drama series copyrights*	<u>(4,636)</u>	<u>(7,240)</u>
	<u><u>18,683</u></u>	<u><u>20,960</u></u>

* The borrowing costs have been capitalised at a rate of 15% per annum for the year ended 31 December 2023 (2022: 15%).

(b) Staff costs

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Salaries, wages and other benefits	8,255	12,418
Contributions to defined contribution retirement plans	1,357	1,481
	<u>9,612</u>	<u>13,899</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**

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Depreciation expenses:		
– owned property and equipment	2,472	2,415
– right-of-use assets	1,745	1,697
	<u>4,217</u>	<u>4,112</u>
Impairment losses on:		
– drama series copyrights	57,440	198,828
– trade and other receivables	31,868	35,379
Operating lease expenses relating to short-term leases and leases of low-value assets	32	76
Auditors' remuneration:		
– audit services	1,600	1,600
Cost of drama series copyrights	107,256	9,193
	<u><u>107,256</u></u>	<u><u>9,193</u></u>

6 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

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

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Current taxation		
Provision for the year	–	–
Deferred taxation		
Origination and reversal of temporary differences	11,938	24,706
	<u><u>11,938</u></u>	<u><u>24,706</u></u>

7 LOSS PER SHARE

(a) **Basic loss per share**

The calculation of basic loss per share for the year ended 31 December 2023 is based on the loss attributable to ordinary equity shareholders of the Company of RMB155,458,000 (2022: RMB295,658,000) and the weighted average of 300,000,000 ordinary shares (2022: 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 2023 and 2022.

8 OTHER FINANCIAL ASSETS

	At 31 December 2023 RMB'000	At 31 December 2022 RMB'000
Unlisted equity securities measured at FVPL	–	1,220

9 DRAMA SERIES COPYRIGHTS

	At 31 December 2023 RMB'000	At 31 December 2022 RMB'000
Self-produced drama series (<i>Note (i)</i>)		
– under production	–	68,507
– with production completed	583,702	463,876
	583,702	532,383
Outright-purchased drama series	24,505	24,505
Co-financed drama series with production completed (<i>Note (ii)</i>)	73,178	69,405
Script copyrights (<i>Note (iii)</i>)	182,339	211,421
	863,724	837,714
Less: impairment losses	(313,502)	(292,084)
	550,222	545,630

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 the adaptation of these intellectual properties.
- (iv) At 31 December 2023, the amounts of drama series copyrights that are expected to be recognised in profit or loss after more than one year are RMB215,437,000 (2022: RMB257,460,000). 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 2023, as a result from the continuous challenging market conditions and the slow recovery of the entertainment industry, 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 RMB57,440,000 (2022: RMB198,828,000) recognised in “cost of sales”. The estimates of recoverable amounts were based on value in use as described in annual report. The discount rates used in the impairment assessment of drama series copyrights as at 31 December 2023 were between 18% to 20% (2022: 18% to 20%).

Movements of drama series copyrights are set out below:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
At 1 January	545,630	522,694
Additions	169,288	230,957
Recognised in cost of sales	(107,256)	(9,193)
Impairment losses	(57,440)	(198,828)
	<u>550,222</u>	<u>545,630</u>

10 TRADE AND BILLS RECEIVABLES

	At 31 December 2023 <i>RMB'000</i>	At 31 December 2022 <i>RMB'000</i>
Trade receivables	261,032	238,430
Less: loss allowance	(142,434)	(111,566)
	<u>118,598</u>	<u>126,864</u>
Bills receivables	8,225	28,500
	<u>126,823</u>	<u>155,364</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:

	At 31 December 2023 <i>RMB'000</i>	At 31 December 2022 <i>RMB'000</i>
Within 6 months	22,942	21,803
6 to 12 months	36,019	25,201
1 to 2 years	18,700	60,455
2 to 3 years	34,886	42,163
Over 3 years	14,276	5,742
	<u>126,823</u>	<u>155,364</u>

(b) Impairment of trade and bills receivables

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

	2023	2022
	RMB'000	RMB'000
At 1 January	111,566	76,199
Impairment losses recognised during the year	30,868	35,367
At 31 December	142,434	111,566

- (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 2023, the carrying amounts of the associated bank loans, and trade and other payables amounted to RMB8,167,000 (2022: RMB27,890,000).

11 TRADE PAYABLES

	At 31 December	At 31 December
	2023	2022
	RMB'000	RMB'000
Payables for productions and acquisitions of drama series	221,307	252,480

All of the trade payables are expected to be settled within one year or are repayable on demand.

The ageing analysis of trade payables, based on the transaction date, is as follows:

	At 31 December	At 31 December
	2023	2022
	RMB'000	RMB'000
Within 6 months	25,969	4,647
6 to 12 months	–	6,189
1 to 2 years	5,693	78,558
More than 2 years	189,645	163,086
	221,307	252,480

12 CONTRACT LIABILITIES

	At 31 December	At 31 December
	2023	2022
	RMB'000	RMB'000
Receipts in advance from customers	149,980	34,266

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

13 BANK AND OTHER LOANS

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

	At 31 December 2023 RMB'000	At 31 December 2022 RMB'000
Bank loans:		
– Secured by the Group's bills receivables	8,167	27,890
– Guaranteed by the controlling parties	<u>–</u>	<u>20,000</u>
	8,167	47,890
Other loans from third parties (<i>Notes (i) and (ii)</i>):		
– Guaranteed by the controlling parties (<i>Note (iii)</i>)	92,000	21,000
– Unsecured and unguaranteed	<u>58,608</u>	<u>113,280</u>
	150,608	134,280
Other loans from related parties:		
– Guaranteed by the controlling parties	<u>–</u>	<u>30,500</u>
	158,775	212,670

Notes:

- (i) The balance represents loans from third-party non-executive producers with fixed repayment terms and bears interest at a rate of 15% per annum (2022: 15% per annum).
- (ii) At 31 December 2023, RMB108,151,000 of the Group's short-term other loans were overdue. The Group is in the process of negotiating with the lenders in restructuring the repayment terms and schedules.
- (iii) At 31 December 2023, the Group's short-term other loans included RMB10,000,000 where the lender has initiated a litigation against a subsidiary of the Group in requesting this subsidiary to repay the outstanding balances and related interests.

(b) The Group's long-term bank loan are analysed as follows:

	At 31 December 2023 RMB'000	At 31 December 2022 RMB'000
Bank loan:		
– Guaranteed by the controlling parties	<u>1,740</u>	<u>–</u>

The Group's long-term bank loans is repayable after one year but within two years.

14 CAPITAL, RESERVES AND DIVIDENDS

(a) Share capital

	At 31 December 2023		At 31 December 2022	
	Number of shares '000	Amount HK\$'000	Number of shares '000	Amount HK\$'000
Authorised share capital, HK\$0.01 each	500,000	5,000	500,000	5,000

	At 31 December 2023		At 31 December 2022	
	Number of shares '000	Amount RMB'000	Number of shares '000	Amount RMB'000
Ordinary shares, issued and fully paid:	300,000	2,742	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 2023 (2022: RMBNil).

(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 2023 (2022: RMBNil).

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 2022 and 2023, we distributed a total of 16 and 24 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 2023, we had licensed a total of 9 drama series to well-known TV stations, including the first-run broadcast and rerun broadcast.

We focused on expanding our business of licensing the broadcasting rights of self-produced drama series and continued to conduct business of licensing the broadcasting rights of outright-purchased 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 “Unparalleled at Thirty” (無與倫比的美麗) and “Youth in the Flames of War” (戰火中的青春), which were our self-produced drama series and outright-purchased drama series, respectively.

In addition, we successfully licensed the rerun broadcasting rights of “The Wise are Invincible” (智者無敵), “The Righteous are Invincible” (義者無敵) and so on to the satellite channels, which were our outright-purchased drama series. During the Year, we have finished filming the drama series named “As Husband As Wife” (小夫妻), one of our self-produced drama series.

In 2024, 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. In addition, 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.

FINANCIAL REVIEW

Revenue

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

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Revenue from the distribution and licensing of broadcasting rights of self-produced drama series	69,133	7,666
Revenue from the distribution and licensing of broadcasting rights of outright-purchased drama series	36,100	14,960
Revenue from the distribution and licensing of broadcasting rights under co-financing arrangements and others	8,212	495
Total	113,445	23,121

Our revenue increased by approximately 390.7% from approximately RMB23.1 million for the year ended 31 December 2022 to approximately RMB113.4 million for the Year. The increase was mainly due to an increase of approximately RMB61.5 million in revenue from the distribution and licensing of broadcasting rights of self-produced drama series and an increase of approximately RMB21.1 million in revenue from the distribution and licensing of broadcasting rights of outright-purchased drama series.

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 801.8% from approximately RMB7.7 million for the year ended 31 December 2022, primarily because a total of 5 self-produced drama series were licensed in 2023.

Under this business segment, revenue generated from our customers that are TV channels accounted for approximately 9.9% and 32.2% of our revenue generated from licensing the broadcasting rights of self-produced drama series for the years ended 31 December 2022 and 2023, 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 31.5% was generated from first-run broadcast on satellite TV channels for the years ended 31 December 2022 and 2023, respectively.

For the same years, approximately 9.9% and 0.6% 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 self-produced 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 increased by approximately 141.3% from approximately RMB15.0 million for the year ended 31 December 2022 to approximately RMB36.1 million, resulted from the challenging market conditions and macroeconomic environment in 2023.

Under this business segment, revenue generated from our customers that are TV channels accounted for approximately 84.8% and 100.0% of our revenue generated from distribution and licensing the broadcasting rights of outright-purchased drama series for the years ended 31 December 2022 and 2023 respectively, while the remainder of our segment revenue was attributable to other third-party customers.

In addition, for the years ended 31 December 2022 and 2023, among revenue generated from distribution and licensing the broadcasting rights of outright-purchased drama series, approximately 52.0% and 30.6%, respectively, was generated from first-run broadcast on satellite TV channels. For the same years, approximately 32.8% and 26.3% 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 2023 was primarily generated from the distribution and licensing of the first-run broadcasting rights on satellite TV channels of drama series “Youth in the Flames of War” (戰火中的青春).

(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 increased by approximately 1559.0% from approximately RMB0.5 million for the year ended 31 December 2022 to approximately RMB8.2 million for the Year, primarily generated from the sale of the script copyrights “New Youth” (新青年) and “Meteorite Hunter” (隕石獵人).

Cost of Sales

The following table sets forth our cost of sales by business segment for the years ended 31 December 2022 and 2023:

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Costs of the distribution and licensing of broadcasting rights of self-produced drama series	120,815	177,883
Costs of the distribution and licensing of broadcasting rights of outright-purchased drama series	30,512	11,958
Costs of the distribution and licensing of broadcasting rights under co-financing arrangements and others	29,794	22,503
Total	<u>181,121</u>	<u>212,344</u>

Our cost of sales decreased by approximately 14.7% from approximately RMB212.3 million for the year ended 31 December 2022 to approximately RMB181.1 million for the Year, primarily due to a decrease in the costs relating to the distribution and licensing of broadcasting rights of self-produced drama series.

Our costs of the distribution and licensing of broadcasting rights of self-produced drama series decreased by approximately 32.1% from approximately RMB177.9 million for the year ended 31 December 2022 to approximately RMB120.8 million for the Year. The decrease in the costs of the distribution and licensing of broadcasting rights of self-produced drama series was primarily due to a decrease 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 increased by approximately 155.2% from approximately RMB12.0 million for the year ended 31 December 2022 to approximately RMB30.5 million for the Year, which is in line with the increase 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 32.4% from approximately RMB22.5 million for the year ended 31 December 2022 to approximately RMB29.8 million for the Year, primarily due to an increase in revenue from the sale of the script copyrights which are “New Youth” (新青年) and “Meteorite Hunter” (隕石獵人).

Impairment of Drama Series Copyrights (“Copyrights”)

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

	FY2023 RMB’000
Self-produced drama series:	
– under production	–
– with production completed	47,440
Outright-purchased drama series	–
Co-financed drama series with production completed	–
Script copyrights	10,000
	<hr/>
Total impairment losses	<u><u>57,440</u></u>

(b) The Group’s business operations were adversely affected by the challenging market conditions and macroeconomic environment, in particular the over budget of the “As Husband As Wife” (小夫妻) which is inconsistent with the forecast of revenue resulted in the impairment loss.

(c) The discount rates used in the impairment assessment of the Copyrights as at 31 December 2023 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			
	2023		2022	
	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	(51,682)	(74.8)	(170,217)	(2,220.4)
The distribution and licensing of broadcasting rights of outright-purchased drama series	5,588	15.5	3,002	20.1
The distribution and licensing of broadcasting rights under co-financing arrangements and others	(21,582)	(262.8)	(22,008)	(4,446.1)
Total	(67,676)	(59.7)	(189,223)	(818.4)

(i) Gross (Loss)/Profit

Our gross loss was approximately RMB67.7 million for the Year, representing a decrease by approximately 64.2% as compared to gross loss of approximately RMB189.2 million for the year ended 31 December 2022, primarily due to (a) a decrease in gross loss from the distribution and licensing of the broadcasting rights of self-produced drama series; (b) an increase in gross profit from the distribution and licensing of the broadcasting rights of outright-purchased drama series; and (c) a decrease in gross loss 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 59.7% for the Year, representing an increase as compared to gross loss margin of approximately 818.4% for the year ended 31 December 2022, mainly because (a) we recorded RMB51.7 million gross loss from the distribution and licensing of the broadcasting rights of self-produced drama series for the year ended 31 December 2023; and (b) we recorded RMB22.2 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 2,220.4% and 74.8%, respectively, for the years ended 31 December 2022 and 2023.

Our gross profit margin of the distribution and licensing the broadcasting rights of outright-purchased drama series was approximately 20.1% and 15.5%, respectively, for the years ended 31 December 2022 and 2023. Our gross profit margin of the distribution and licensing the broadcasting rights of outright-purchased drama series for the Year was lower than that for 2022, primarily due to the low gross profit margin of our outright-purchased drama series “Youth in the Flames of War” (戰火中的青春), from which we generated most of the revenue during the Year.

Other (Loss)/Income

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

	Year ended 31 December	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Government grants	1,053	1,855
Interest income	31	710
Net foreign exchange loss	74	(87)
Changes in fair value of financial assets measured at FVPL	(1,220)	(1,500)
Others	(19)	–
Total	(81)	978

Our other income decreased by approximately 108.2% from approximately RMB1.0 million for the year ended 31 December 2022 to approximately negative RMB0.8 million for the Year, primarily due to changes in fair value of financial assets measured at FVPL which was partially offset by government grants and interest income.

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	
	2023	2022
	RMB'000	RMB'000
Staff costs	177	647
Travel and transportation expenses	27	8
Conference expenses	–	20
Publicity expenses	1,679	112
Others	496	294
	<u> </u>	<u> </u>
Total	<u> 2,379 </u>	<u> 1,081 </u>

Our selling and marketing expenses increased by approximately 120.1% from approximately RMB1.1 million for the year ended 31 December 2022 to approximately RMB2.4 million for the Year, primarily due to an increase in publicity expenses.

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	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Staff costs	9,435	13,252
Rental fees	80	253
Depreciation and amortisation	4,217	4,112
Office expenses	292	473
Consultancy fees	5,465	4,504
Transportation fees	257	320
Travel expenses	470	423
Entertainment expenses	1,346	1,022
Taxes and surcharges	233	48
Bank charges	212	90
Others	826	790
	<hr/>	<hr/>
Total	22,833	25,287
	<hr/> <hr/>	<hr/> <hr/>

Administrative expenses decreased by approximately 9.7% from approximately RMB25.3 million for the year ended 31 December 2022 to approximately RMB22.8 million for the Year.

Impairment Loss on Trade and Other Receivables

We recorded impairment loss on trade and other receivables amounting to approximately RMB31.9 million during the Year (2022: RMB35.4 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	
	2023	2022
	RMB'000	RMB'000
Interest expenses on:		
– bank and other loans	23,167	27,978
– lease liabilities	152	222
Less: interest expenses capitalised into drama series copyrights	(4,636)	(7,240)
Total	18,683	20,960

Our finance costs decreased by approximately 10.9% from approximately RMB21.0 million for the year ended 31 December 2022 to approximately RMB18.7 million for the Year, primarily due to a decrease in interest expenses on 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 2022 and 2023.

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:

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Current taxation		
Provision for the year	–	–
Deferred taxation		
Origination and reversal of temporary differences	<u>11,938</u>	<u>24,706</u>
Total	<u>11,938</u>	<u>24,706</u>

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 RMB155.5 million for the Year, representing a decrease of approximately 47.4% as compared to loss attributable to equity shareholders of the Company of approximately RMB295.7 million for the year ended 31 December 2022.

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 2023, we had cash at bank and on hand of approximately RMB4.5 million as compared to cash at bank and on hand of approximately RMB59.6 million as of 31 December 2022, which were predominantly denominated in RMB.

As of 31 December 2023, we had net current assets of approximately RMB25.3 million as compared to the net current assets of approximately RMB162.3 million as of 31 December 2022.

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 RMB160.5 million as of 31 December 2023 as compared to total bank and other loans of approximately RMB212.7 million as of 31 December 2022.

As of 31 December 2023, we had bank loans of RMB1.7 million, among which RMB1.7 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 RMB58.6 million as of 31 December 2023.

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 89.0% for the year ended 31 December 2022 to approximately negative 141.5% 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 32.2% for the year ended 31 December 2022 to approximately negative 20.2% 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 1.3 times as at 31 December 2022 to approximately 1.0 times as of 31 December 2023. 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 113.8% as of 31 December 2022 to approximately 488.2% as of 31 December 2023. 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 2022 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 2023, 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.

Contingent Liabilities

In December 2023 and January 2024, certain subsidiaries of the Group were sued by a creditor of the Group to settle the consideration of a drama series acquired by the Group in prior years, and by a lender of the Group to settle a short-term other loan granted to the Group. The total amount of the above claims, including principals, interest and add-ons, amounted to RMB46,873,000. Of the above claim amount, principals and interest accrued thereof of RMB35,683,000 have been recognised in the Group's consolidated financial statements as at 31 December 2023. Based on legal advice from the Company's legal counsel, the directors of the Company continue to deny any liability in respect of the remaining claim amount, and do not believe the court will find against these subsidiaries. No provision has therefore been made in respect of the remaining claim amount.

Human Resources and Remuneration Policy

As of 31 December 2023, the Group had 44 employees (47 as of 31 December 2022). 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 2023.

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 2023 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 2023:

No.	Purpose	Percentage of total amount %	Net proceeds HK\$ million	Utilised amount as of 31 December 2022 HK\$ million	Utilised amount for the Year HK\$ million	Unutilised amount HK\$ million
1	Produce own drama series	50.0	76.0	57.5	18.5	–
2	Outright-purchase the copyrights (or broadcasting rights) associated with drama series from third-party copyright owners/licensors	37.5	57.0	38.2	18.8	–
3	Hire additional experienced professionals and provide staff training	7.5	11.4	7.6	3.8	–
4	Working capital and general corporate purposes	5.0	7.6	6.3	1.3	–
Total		<u>100.0</u>	<u>152.0</u>	<u>109.6</u>	<u>42.4</u>	<u>–</u>

As of 31 December 2023, the Group has utilized all of the net proceeds from the global offering. The Group utilized 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.

EXTRACT OF THE INDEPENDENT AUDITOR’S REPORT

KPMG was engaged to audit the consolidated financial statements of the Group. The section below sets out an extract of independent auditor’s report regarding the consolidated financial statements of the Group for the year ended 31 December 2023:

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards issued by the International Accounting Standards Board (the “**IASB**”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing (“**HKSAs**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”). Our responsibilities under those standards are further described in the Auditor’s responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the HKICPA’s Code of Ethics for Professional Accountants (the “**Code**”) together with any ethical requirements that are relevant to our audit of the consolidated financial statements in the Cayman Islands, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to Note 2(b) to the consolidated financial statements which indicates that the Group had incurred a net loss of RMB155,458,000 during the year ended 31 December 2023 and expects to pay financial liabilities of RMB549,691,000 within one year. However, the Group’s cash at bank and on hand only amounted to RMB4,503,000 as at 31 December 2023. The Group’s ability to meet its liabilities depends on its ability to generate sufficient cash flows from future operations and/or other sources. However, the Group’s drama series operations have been, and may continue to be, affected by delays in drama series production, licensing and broadcasting, which may consequently result in the Group being unable to meet its working capital and financial requirements in the next twelve months. As stated in Note 2(b), these events or conditions, along with other matters set forth in Note 2(b), indicate the existence of material uncertainties which may cast significant doubt on the Group’s ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

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 2023 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 Friday, 31 May 2024, 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 Friday, 31 May 2024, the register of members of the Company will be closed from Tuesday, 28 May 2024 to Friday, 31 May 2024 (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, 27 May 2024.

FINAL DIVIDEND

The Board resolved not to recommend the payment of any final dividends for the year ended 31 December 2023 (2022: nil).

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This annual results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.litian.tv). The annual report of the Company for the year ended 31 December 2023 will be despatched to the Shareholders and published on the respective websites of the Stock Exchange and the Company 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 C1 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 C3 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, 28 March 2024

As at the date of this announcement, the Board comprises Mr. Yuan Li, Ms. Tian Tian, Ms. Fu Jieyun and Ms. Huang Jingyu 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.