

INTERIM REPORT

2023



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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Yuan Li (袁力) (Chairman)
Ms. Tian Tian (田甜) (Chief Executive Officer)
Ms. Fu Jieyun (傅潔雲)

Non-executive Directors

Mr. Yu Yang (余楊)
Mr. Tang Zhiwei (唐志偉)
Mr. Luo Jianxing (羅建幸)
(resigned on 16 January 2023)

Independent Non-executive Directors

Mr. Teng Bing Sheng (滕斌聖)
Mr. Liu Hanlin (劉翰林)
Mr. Gan Weimin (甘為民)

AUDIT COMMITTEE

Mr. Liu Hanlin (劉翰林) (Chairman)
Mr. Yu Yang (余楊)
Mr. Gan Weimin (甘為民)

REMUNERATION COMMITTEE

Mr. Gan Weimin (甘為民) (Chairman)
Mr. Teng Bing Sheng (滕斌聖)
Mr. Liu Hanlin (劉翰林)

NOMINATION COMMITTEE

Mr. Teng Bing Sheng (滕斌聖) (Chairman)
Mr. Liu Hanlin (劉翰林)
Ms. Fu Jieyun (傅潔雲)

JOINT COMPANY SECRETARIES

Ms. Fu Jieyun (傅潔雲)
Ms. Ho Yin Kwan (何燕群)

AUTHORISED REPRESENTATIVES

Ms. Tian Tian (田甜)
Ms. Fu Jieyun (傅潔雲)

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive, PO Box 2681
Grand Cayman, KY1-1111
Cayman Islands

REGISTERED OFFICE

Cricket Square, Hutchins Drive, PO Box 2681
Grand Cayman, KY1-1111
Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

No. 5A, Tongniu Dianying Industrial Park
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Beijing, the PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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No. 248 Queen's Road East
Wanchai, Hong Kong

LEGAL ADVISORS

As to Hong Kong law
Morgan, Lewis & Bockius
Suites 1902-09, 19/F
Edinburgh Tower
The Landmark
15 Queen's Road Central
Hong Kong

As to PRC law
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11/F, Block A, Dragon Century Square
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Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR

Tricor Investor Services Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

PRINCIPAL BANKS

China Merchants Bank
(Hangzhou Science and Technology City Branch)
China Minsheng Bank (Hangzhou Jiefang Branch)

AUDITOR

KPMG
8th Floor, Prince's Building
10 Chater Road
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COMPANY WEBSITE

www.litian.tv

STOCK CODE

9958

LISTING DATE

22 June 2020

Financial Highlights

Revenue for the six months ended 30 June 2023 increased by 352.1% to RMB77.1 million from RMB17.0 million for the corresponding period in 2022.

Gross profit for the six months ended 30 June 2023 increased by 6.9% to RMB9.8 million from RMB9.2 million for the corresponding period in 2022.

Loss attributable to equity shareholders of the Company for the six months ended 30 June 2023 decreased by 48.3% to RMB6.8 million from RMB13.3 million for the corresponding period in 2022.

Basic and diluted loss per share for the six months ended 30 June 2023 decreased by 50.0% to RMB0.02 from RMB0.04 for the corresponding period in 2022.

The Board resolved not to declare the payment of interim dividends for the six months ended 30 June 2023.

Chairman's Statement

Dear Shareholders,

The Group embarked on its journey into the drama series industry in China in 2013. With continuous dedication to pursuing excellence in the industry, the Shares were successfully listed on the Main Board of the Stock Exchange on 22 June 2020 after seven years of effort.

The Listing marked an important milestone of the Company's development, which also fully reflected the strong development prospects of the Company. The proceeds raised from the Listing enhanced our financial strength and put us in a better position to grasp the fleeting development opportunities of the drama series industry, providing capital support for fostering our main business and diversifying business development, as well as laying a solid foundation for our long term growth.

BUSINESS REVIEW

For the six months ended 30 June 2023, the Group recorded a revenue of approximately RMB77.1 million with a year-on-year increase of 352.1%; loss attributable to equity shareholders of the Company was approximately RMB6.8 million for the six months ended 30 June 2023, as compared to loss attributable to equity shareholders of the Company of approximately RMB13.3 million for the six months ended 30 June 2022.

During the first half of 2023, we successfully licensed the first-run broadcasting rights of "Smiling Mom" (微笑媽媽), which was our self-produced drama series. In addition, we successfully licensed the first-run broadcasting rights of "Youth in flames of war" (戰火中的青春) to the satellite channels, which was our outright-purchased drama series.

FUTURE DEVELOPMENT

Going forward, the business development strategies of the Company will mainly focus on the following aspects:

- Continuing to strengthen and improve the results of drama series production and distribution. We will further expand the licensing of the broadcasting rights of self-produced drama series and outright-purchased drama series and invest in the production of drama series of various genres and themes with a view to diversifying the drama series portfolio of the Company.
- China will further step up its efforts in the protection and management of intellectual property ("IP") rights, accordingly, the Company will enhance market research to gain accurate insights into industry development and latest trends of the market, as well as expand our scripts and IP inventories.

Chairman's Statement

ACKNOWLEDGEMENT

Last but not least, on behalf the Board, I would like to thank the team of the Company for their ongoing efforts and take this opportunity to express our most sincere gratitude towards the customers, business partners and Shareholders of the Company for their long-standing and unwavering support.

Yuan Li

Chairman and Executive Director

Hong Kong, 30 August 2023

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 six months ended 30 June 2022 and 2023, we distributed a total of 13 and 7 drama series, respectively, which were comprised of self-produced drama series and drama series we purchased outright from third-party copyright owners/licensors.

During the first half of 2023, we successfully licensed the first-run broadcasting rights of “Smiling Mom” (微笑媽媽), which was our self-produced drama series. In addition, we successfully licensed the first-run broadcasting rights of “Youth in flames of war” (戰火中的青春) to the satellite channels, which was our outright-purchased drama series.

In the second half of 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 begin filming our expected self-produced drama series.

Nevertheless, our management is confident in the future growth of our business.

Notwithstanding the uncertainties in the industry and the overall competitive business environment, the Group will continuously dedicate to implement the business strategies.

Management Discussion and Analysis

FINANCIAL REVIEW

Revenue

The table below sets forth a breakdown of our revenue by business segments for six months ended 30 June 2022 and 2023.

| | Six months ended 30 June | |
|--|--------------------------|---------|
| | 2023 | 2022 |
| | RMB'000 | RMB'000 |
| Revenue from the licensing of the broadcasting rights of self-produced drama series | 61,313 | 5,734 |
| Revenue from the licensing of the broadcasting rights of outright-purchased drama series | 15,717 | 10,839 |
| Others | 34 | 473 |
| Total | 77,064 | 17,046 |

Our revenue increased by approximately 352.1% from approximately RMB17.0 million for the six months ended 30 June 2022 to approximately RMB77.1 million for the six months ended 30 June 2023. The increase was mainly due to an increase of approximately RMB55.6 million in revenue from the licensing of the broadcasting rights of self-produced drama series.

Revenue by business segments

(i) *Licensing of the broadcasting rights of self-produced drama series*

Revenue generated from the licensing of the broadcasting rights of self-produced drama series increased by approximately 969.3% from approximately RMB5.7 million for the six months ended 30 June 2022 to approximately RMB61.3 million for the six months ended 30 June 2023, primarily because no self-produced drama series was licensed the first-run broadcast on satellite channels in the corresponding period in 2022.

Under this business segment, revenue generated from our customers which are third-party customers accounted for approximately 88.0% and 99.6% of our revenue generated from licensing the broadcasting rights of self-produced drama series for the six months ended 30 June 2022 and 2023, respectively, while the remainder was attributable to TV channels customers.

Among revenue generated from licensing the broadcasting rights of self-produced drama series, approximately nil and 6.1% was generated from first-run broadcast on satellite TV channels for the six months ended 30 June 2022 and 2023, respectively. For the same periods, approximately 88.0% and 93.5% of the revenue, respectively, was generated from the third-party customers. The remainder was generated from rerun broadcast and terrestrial broadcast on satellite TV channels.

Management Discussion and Analysis

(ii) *Licensing of the broadcasting rights of outright-purchased drama series*

In addition to licensing the broadcasting rights of our self-produced drama series, we are engaged in 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.

Our revenue generated from the licensing of the broadcasting rights of outright-purchased drama series increased by approximately 45.0% from approximately RMB10.8 million for the six months ended 30 June 2022 to approximately RMB15.7 million for the six months ended 30 June 2023, primarily because the Group recorded the revenue of approximately RMB11.0 million from the licensing of the first-run broadcasting rights of “Youth in flames of war” (戰火中的青春).

Under this business segment, revenue generated from our customers which are TV channels accounted for approximately 79.0% and 100.0% of our revenue generated from licensing the broadcasting rights of outright-purchased drama series for the six months ended 30 June 2022 and 2023, respectively, while the remainder was attributable to other third-party customers.

In addition, for the six months ended 30 June 2022 and 2023, among revenue generated from licensing the broadcasting rights of outright-purchased drama series, approximately 71.8% and 70.2%, respectively, was generated from first-run broadcast on satellite TV channels. For the same periods, approximately 7.2% and 29.8% was generated from rerun broadcast on satellite TV channels, respectively.

Management Discussion and Analysis

Cost of Sales

The following table sets forth our cost of sales by business segment for the six months ended 30 June 2022 and 2023.

| | Six months ended 30 June | |
|--|--------------------------|--------------|
| | 2023 | 2022 |
| | RMB'000 | RMB'000 |
| Costs of the licensing of broadcasting rights of self-produced drama series | 54,475 | 236 |
| Costs of the licensing of broadcasting rights of outright-purchased drama series | 12,745 | 7,632 |
| Others | 34 | – |
| Total | 67,254 | 7,868 |

Our cost of sales increased by approximately 754.8% from approximately RMB7.9 million for the six months ended 30 June 2022 to approximately RMB67.3 million for the six months ended 30 June 2023, primarily due to the increase in costs of the licensing of broadcasting rights of self-produced drama series.

Our costs of the licensing of broadcasting rights of self-produced drama series increased by approximately 22,982.6% from approximately RMB236,000 for the six months ended 30 June 2022 to approximately RMB54.5 million for the six months ended 30 June 2023. This increase was in line with the increase in revenue from the licensing of broadcasting rights of self-produced drama series.

For the business segment of licensing of the broadcasting rights of outright-purchased drama series, the costs of sales increased by approximately 67.0% from approximately RMB7.6 million for the six months ended 30 June 2022 to approximately RMB12.7 million for the six months ended 30 June 2023. This increase was in line with the increase in revenue from the licensing of broadcasting rights of outright-purchased drama series.

Management Discussion and Analysis

Gross Profit and Gross Profit Margin

The following table sets forth a breakdown of our gross profit and gross profit margin by business segments for the periods indicated:

| | Six months ended 30 June | | | |
|---|--------------------------|-----------------------------|----------------------------|-----------------------------|
| | 2023 | | 2022 | |
| | Gross profit RMB'000 | Gross profit margin % | Gross profit RMB'000 | Gross profit margin % |
| Licensing of the broadcasting rights of self-produced drama series | 6,838 | 11.2 | 5,498 | 95.9 |
| Licensing of the broadcasting rights of outright-purchased drama series | 2,972 | 18.9 | 3,207 | 29.6 |
| Others | – | – | 473 | 100.0 |
| Total | 9,810 | 12.7 | 9,178 | 53.8 |

(i) *Gross profit*

Our gross profit increased by approximately 6.9% from approximately RMB9.2 million for the six months ended 30 June 2022 to approximately RMB9.8 million for the six months ended 30 June 2023, primarily due to an increase in gross profit from the licensing of the broadcasting rights of self-produced drama series.

(ii) *Gross profit margin*

Our gross profit margin decreased from approximately 53.8% for the six months ended 30 June 2022 to approximately 12.7% for the six months ended 30 June 2023, mainly because the lower gross profit margin of licensing the broadcasting rights of self-produced drama series and outright-purchased drama series for the six months ended 30 June 2023.

In addition, our gross profit margin of licensing the broadcasting rights of self-produced drama series was approximately 95.9% and 11.2%, respectively, for the six months ended 30 June 2022 and 2023. Our gross profit margin of licensing the broadcasting rights of self-produced drama series for the six months ended 30 June 2023 was lower than that for 2022, primarily because the low gross profit margin from licensing of the first-run broadcasting rights of “Meteor with White Plume” (白羽流星), from which the Group generated the majority of our revenue from the licensing of broadcasting rights of self-produced drama series during the six months ended 30 June 2023.

Our gross profit margin of licensing the broadcasting rights of outright-purchased drama series was approximately 29.6% and 18.9%, respectively, for the six months ended 30 June 2022 and 2023. Our gross profit margin of licensing the broadcasting rights of outright-purchased drama series for the six months ended 30 June 2023 was lower than that for 2022, primarily because the low gross profit margin of our outright-purchased drama series “Youth in flames of war” (戰火中的青春), from which the Group generated the majority of the revenue from licensing of broadcasting rights of outright-purchased drama series during the six months ended 30 June 2023.

Management Discussion and Analysis

Other income/(loss)

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

| | Six months ended 30 June | |
|--|--------------------------|---------|
| | 2023 | 2022 |
| | RMB'000 | RMB'000 |
| Government grants | 550 | 585 |
| Interest income | 10 | 9 |
| Changes in fair value of financial assets measured at fair value through profit or loss ("FVPL") | 75 | (1,552) |
| Others | 75 | 31 |
| Total | 710 | (927) |

Our other income increased by 176.6% primarily due to the changes in fair value of financial assets measured at FVPL.

Selling and Marketing Expenses

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

| | Six months ended 30 June | |
|------------------------------------|--------------------------|---------|
| | 2023 | 2022 |
| | RMB'000 | RMB'000 |
| Marketing and promotion expenses | 104 | 93 |
| Staff costs | 87 | 372 |
| Travel and transportation expenses | 2 | 3 |
| Conference expenses | – | 6 |
| Others | 61 | 24 |
| Total | 254 | 498 |

Our selling and marketing expenses decreased by approximately 49.0% from approximately RMB498,000 for the six months ended 30 June 2022 to approximately RMB254,000 for the six months ended 30 June 2023, primarily due to a decrease in staff costs relating to sales and marketing employees.

Management Discussion and Analysis

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; (x) bank charges, which primarily represent bank transaction fees; and (xi) others. The following table sets forth a breakdown of our administrative expenses for the periods indicated:

| | Six months ended 30 June | |
|-------------------------------|--------------------------|-----------------|
| | 2023 RMB'000 | 2022 RMB'000 |
| Staff costs | 4,748 | 7,610 |
| Rental fees | 51 | 86 |
| Depreciation and amortisation | 2,061 | 1,624 |
| Office expenses | 124 | 217 |
| Consultancy fees | 800 | 610 |
| Transportation fees | 118 | 179 |
| Travel expenses | 296 | 240 |
| Entertainment expenses | 315 | 731 |
| Taxes and surcharges | 157 | 34 |
| Bank charges | 27 | 57 |
| Others | 545 | 434 |
| Total | 9,242 | 11,822 |

Administrative expenses decreased by approximately 21.8% from approximately RMB11.8 million for the six months ended 30 June 2022 to approximately RMB9.2 million for the six months ended 30 June 2023. This decrease was primarily due to a decrease of staff costs relating to administrative department, partially offset by an increase in depreciation and amortisation.

Management Discussion and Analysis

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 periods indicated:

| | Six months ended 30 June | |
|--|--------------------------|---------|
| | 2023 | 2022 |
| | RMB'000 | RMB'000 |
| Interest expenses on: | | |
| – bank and other loans | 8,712 | 11,087 |
| – lease liabilities | 82 | 124 |
| | 8,794 | 11,211 |
| Less: interest expenses capitalized into drama series copyrights | (1,949) | (3,295) |
| Total | 6,845 | 7,916 |

Our finance costs decreased by 13.5% from RMB7.9 million for the six months ended 30 June 2022 to RMB6.8 million for the six months ended 30 June 2023, primarily due to a decrease in interest expenses on bank and other loans as a result of a decrease in the effective interest rate per annum for the six months ended 30 June 2023 compared to that for the six months ended 30 June 2022.

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 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 six months ended 30 June 2022 and 2023.

Management Discussion and Analysis

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

| | Six months ended 30 June | |
|---|--------------------------|-------------|
| | 2023 | 2022 |
| | RMB'000 | RMB'000 |
| Current taxation | | |
| Provision for the period | - | - |
| Deferred taxation | | |
| Origination and reversal of temporary differences | - | (22) |
| Total | - | (22) |

Our income tax benefit decreased by 100.0% from RMB22,000 for the six months ended 30 June 2022 to nil for the six months ended 30 June 2023, primarily due to the decrease of provision of origination and reversal of temporary differences.

Loss Attributable to Equity Shareholders of the Company for the Period

As a result of the foregoing, our loss attributable to equity shareholders of the Company decreased by 48.3% from RMB13.3 million for the six months ended 30 June 2022 to RMB6.8 million for the six months ended 30 June 2023.

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 30 June 2023, we had cash at bank and on hand of approximately RMB54.4 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 30 June 2023, we had net current assets of approximately RMB158.0 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 RMB205.0 million as of 30 June 2023 as compared to total bank and other loans of approximately RMB212.7 million as of 31 December 2022.

As of 30 June 2023, we had bank loans of RMB66.0 million, among which RMB56.0 million were secured by the Group's bills receivables and restricted deposits. In addition, we had unsecured and unguaranteed loans of approximately RMB129.9 million as of 30 June 2023 from third-party non-executive producers with fixed repayment terms and bears interest at rates between 12% and 15% per annum.

Management Discussion and Analysis

Key Financial Ratios

Return on equity

The return on equity decreased from approximately negative 2.8% for the six months ended 30 June 2022 to approximately negative 3.7% for the six months ended 30 June 2023. Return on equity equals net profit for the period divided by the average of beginning and ending balances of total equity of the relevant period.

Return on total assets

The return on total assets decreased from approximately negative 1.3% for the six months ended 30 June 2022 to approximately negative 0.8% for the six months ended 30 June 2023. Return on total assets equals net profit for the period divided by the average of beginning and ending balances of total assets of the relevant period.

Current ratio

The Group's current ratio decreased from approximately 1.3 times as of 30 June 2022 to approximately 1.2 times as of 30 June 2023. Current ratio equals our current assets divided by current liabilities as of the end of the period.

Gearing ratio

The Group's gearing ratio decreased from approximately 113.8% as of 30 June 2022 to approximately 112.7% as of 30 June 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 six months ended 30 June 2022 and 2023 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 30 June 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.

PLEDGE OF ASSETS AND CONTINGENT LIABILITIES

As of 31 December 2022 and 30 June 2023, our deposits and trade and bills receivables, which had an aggregate amount of approximately RMB78.1 million and RMB67.6 million, respectively, were pledged to secure the bank loans of approximately RMB47.9 million and RMB66.0 million granted to the Group.

As of 30 June 2023, the Group did not have any material contingent liabilities (as of 31 December 2022: nil).

HUMAN RESOURCES AND REMUNERATION POLICY

As of 30 June 2023, the Group had 48 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 six months ended 30 June 2023.

SIGNIFICANT INVESTMENT, MATERIAL ACQUISITION AND DISPOSAL

For the six months ended 30 June 2023, the Group did not have any significant investment and material acquisition or disposal of subsidiaries, associates and joint ventures.

EVENTS AFTER THE REPORTING PERIOD

The Directors are not aware of any significant event requiring disclosure that has taken place subsequent to 30 June 2023 and up to the date of this report.

Management Discussion and Analysis

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 30 June 2023:

Unit: Hong Kong dollar million

| No. | Purpose | Percentage of total Amount % | Net proceeds HK\$ million | Utilised amount as of 31 December 2022 HK\$ million | Utilised amount during the six months ended 30 June 2023 HK\$ million | Unutilised amount HK\$ million | Expected timeline for utilisation of proceeds |
|-------|---|---------------------------------------|---------------------------------|---|--|--------------------------------------|--|
| 1. | Produce own drama series | 50.0 | 76.0 | 57.5 | 12.0 | 6.5 | 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 | 38.2 | 9.0 | 9.8 | By December 2023 |
| 3. | Hire additional experienced professionals and provide staff training | 7.5 | 11.4 | 7.6 | 2.2 | 1.6 | By December 2023 |
| 4. | Working capital and general corporate purposes | 5.0 | 7.6 | 6.3 | 0.8 | 0.5 | By December 2023 |
| Total | | 100.0 | 152.0 | 109.6 | 24.0 | 18.4 | |

As of 30 June 2023, the Company has used approximately HK\$133.6 million of the net proceeds, representing approximately 87.9% of the net proceeds. The Company will utilise such amounts according to the allocation set out in the Prospectus.

Corporate Governance and Other Information

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company is committed to maintaining high standards of corporate governance practices and procedures in improving its corporate governance practices, 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 six months ended 30 June 2023, the Company had complied with all the applicable code provisions as set out in the Part 2 of Corporate Governance Code and adopted most of the recommended best practices as set out therein.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as its code of conduct regarding securities transactions by the Directors. Following specific enquiries by the Company, all Directors confirmed that they have complied with the required standards set out in the Model Code during the six months ended 30 June 2023.

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, have reviewed the interim results of the Group for the six months ended 30 June 2023 and its interim report. 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.

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 six months ended 30 June 2023.

INTERIM DIVIDENDS

The Board resolved not to recommend the payment of any interim dividend for the six months ended 30 June 2023 (six months ended 30 June 2022: Nil).

Corporate Governance and Other Information

CHANGES IN DIRECTORS' OR CHIEF EXECUTIVES' INFORMATION

The Directors and the chief executives of the Company confirmed that no information is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

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

As of 30 June 2023, the interests and short positions of Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations, within the meaning of Part XV of the SFO, which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they have taken or are deemed to have taken under such provisions of the SFO); or which were required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein; or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

(i) Interests in the Company

| Name | Capacity/ Nature of interest | Number of Shares | Long/short position | Approximate percentage of shareholding in the Company ⁽¹⁾ |
|---------------|---|---------------------|------------------------|--|
| Mr. Yuan Li | Interest in a controlled corporation ⁽²⁾ | 68,282,350 | Long position | 22.76% |
| | Spouse interest ⁽³⁾ | 64,380,501 | Long position | 21.46% |
| Ms. Tian Tian | Interest in a controlled corporation ⁽⁴⁾ | 64,380,501 | Long position | 21.46% |
| | Spouse interest ⁽⁵⁾ | 68,282,350 | Long position | 22.76% |
| Ms. Fu Jieyun | Interest in a controlled corporation ⁽⁶⁾ | 4,389,580 | Long position | 1.46% |

Notes:

- (1) As of 30 June 2023, the total number of issued Share of the Company was 300,000,000 Shares.
- (2) Mr. Yuan Li is the sole shareholder of Litian Century and he is therefore deemed to be interested in the Shares held by Litian Century under the SFO.
- (3) Ms. Tian Tian is the spouse of Mr. Yuan Li. Therefore, Mr. Yuan Li is deemed to be interested in the Shares held by Marshal Investment under the SFO.
- (4) Ms. Tian Tian is the sole shareholder of Marshal Investment and she is therefore deemed to be interested in the Shares held by Marshal Investment under the SFO.
- (5) Mr. Yuan Li is the spouse of Ms. Tian Tian. Therefore, Ms. Tian Tian is deemed to be interested in the Shares held by Litian Century under the SFO.
- (6) Ms. Fu Jieyun is the sole shareholder of Sky Development Investment Co. Ltd. (a company established under the laws of the British Virgin Islands) ("Sky Development") and she is therefore deemed to be interested in the Shares held by Sky Development under the SFO.

Corporate Governance and Other Information

(ii) Interests in associated corporations of the Company

| Name | Name of associated corporation | Capacity/ Nature of interest | Long/short position | Registered capital contributed to the associated corporation RMB | Approximate percentage of shareholding in the associated corporation |
|---------------|--------------------------------|---------------------------------|---------------------|---|--|
| Mr. Yuan Li | LiTian TV & Film | Beneficial owner | Long position | 14.0 million | 30.35% |
| | | Spouse interest ⁽¹⁾ | Long position | 13.2 million | 28.61% |
| Ms. Tian Tian | LiTian TV & Film | Beneficial owner | Long position | 13.2 million | 28.61% |
| | | Spouse interest ⁽¹⁾ | Long position | 14.0 million | 30.35% |
| Ms. Fu Jieyun | LiTian TV & Film | Beneficial owner | Long position | 0.4 million | 0.87% |

Note:

- (1) Ms. Tian Tian is the spouse of Mr. Yuan Li. Therefore, Mr. Yuan and Ms. Tian is respectively deemed to be interested in the shares held by Ms. Tian and Mr. Yuan in LiTian TV & Film under the SFO.

Save as disclosed above, as of 30 June 2023, no Directors or chief executives of the Company had an interest or a short position in the shares, underlying shares or debentures of the Company or its associated corporations, within the meaning of Part XV of the SFO, which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; or which were required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

Corporate Governance and Other Information

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN THE SHARES AND UNDERLYING SHARES

As of 30 June 2023, to the knowledge of the Directors, the following persons, other than Directors and chief executives of the Company, had interests or short positions in the shares or underlying shares of the Company which were required to be notified to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required, pursuant to section 336 of the SFO, to be recorded in the register referred to therein:

| Name | Capacity/ Nature of interest | Number of Shares | Long/short position | Approximate percentage of shareholding in the Company ⁽¹⁾ |
|--|--|------------------|------------------------|--|
| Litian Century | Beneficial owner | 68,282,350 | Long position | 22.76% |
| Marshal Investment | Beneficial owner | 64,380,501 | Long position | 21.46% |
| Joint Fortune Huayi Emerging Industry Investment Co. Ltd. ("Joint Fortune") | Beneficial owner ⁽²⁾ | 19,806,339 | Long position | 6.60% |
| Mr. Xie Ailong (謝愛龍) | Interest in a controlled corporation ⁽²⁾ | 19,806,339 | Long position | 6.60% |
| Ms. Li Yiwei (李逸微) | Interest in a controlled corporation ⁽²⁾ | 19,806,339 | Long position | 6.60% |

Notes:

(1) As of 30 June 2023, the total number of issued Shares of the Company was 300,000,000 Shares.

(2) Joint Fortune, a company established under the laws of the British Virgin Islands, is owned by Ms. Li Yiwei and Mr. Xie Ailong as to 40% and 60%, respectively. Therefore, they are deemed to be interested in the Shares held by Joint Fortune under the SFO.

Save as disclosed above, as of 30 June 2023, to the knowledge of the Directors, no other persons (other than Directors or chief executives of the Company) had an interest or a short position in the shares or underlying shares of the Company which were required to be notified to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required, pursuant to section 336 of the SFO, to be recorded in the register referred to therein.

Corporate Governance and Other Information

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in this report, at no time during the six months ended 30 June 2023 was the Company, its holding company, or any of its subsidiary corporations or fellow subsidiary corporations, a party to any arrangement that would enable the Directors of the Company to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors of the Company or any of their respective spouses or children under the age of 18 were granted any right to subscribe for the share capital or debt securities of the Company or any other body corporate or had exercised by them any of such rights.

SHARE OPTION SCHEME

The Share Option Scheme was adopted pursuant to the shareholders' resolution of the Company 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 ("**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 items (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. Pursuant to the amendments to the Listing Rules with effect from 1 January 2023, the eligible persons under the Share Option Scheme is subject to Rule 17.03A of the Listing Rules.

No share options has been granted since the adoption date of the Share Option Scheme and there are no outstanding share options as of 30 June 2023. The number of options available for grant under the scheme mandate limit of the Share Option Scheme at the beginning and the end of the six months ended 30 June 2023 is 30,000,000. The total number of Shares which may be issued upon the exercise of all options to be granted under the Share Option Scheme was 30,000,000 Shares, representing 10% of the issued Shares as at 30 June 2023 and the date of this report.

Corporate Governance and Other Information

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company maintains a sufficient public float (at least 25% of the Company's issued Shares) as required under the Listing Rules throughout the six months ended 30 June 2023.

By order of the Board

Yuan Li

Chairman and Executive Director

Hong Kong, 30 August 2023

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2023 – unaudited
(Expressed in Renminbi (“RMB”))

| | Note | Six months ended 30 June | |
|--|------|--------------------------|-----------------|
| | | 2023 RMB'000 | 2022 RMB'000 |
| Revenue | 4 | 77,064 | 17,046 |
| Cost of sales | | (67,254) | (7,868) |
| Gross profit | 4 | 9,810 | 9,178 |
| Other income/(loss) | 5 | 710 | (927) |
| Selling and marketing expenses | | (254) | (498) |
| Administrative expenses | | (9,242) | (11,822) |
| Impairment loss on trade and other receivables | | (1,028) | (1,288) |
| Loss from operations | | (4) | (5,357) |
| Finance costs | 6(a) | (6,845) | (7,916) |
| Loss before taxation | 6 | (6,849) | (13,273) |
| Income tax | 7 | – | 22 |
| Loss attributable to equity shareholders of the Company for the period | | (6,849) | (13,251) |
| Other comprehensive income for the period (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 | | 1,796 | 2,394 |
| Total comprehensive income attributable to equity shareholders of the Company for the period | | (5,053) | (10,857) |
| Loss per share | 8 | | |
| Basic and diluted (RMB) | | (0.02) | (0.04) |

The notes on pages 30 to 44 form part of this interim financial report.

Consolidated Statement of Financial Position

At 30 June 2023 – unaudited

(Expressed in RMB)

| | Note | At 30 June 2023 RMB'000 | At 31 December 2022 RMB'000 (audited) |
|--|------|----------------------------------|---|
| Non-current assets | | | |
| Property and equipment | 9 | 6,168 | 8,166 |
| Other financial assets | | 1,294 | 1,220 |
| Deferred tax assets | 18 | 17,821 | 17,821 |
| | | 25,283 | 27,207 |
| Current assets | | | |
| Drama series copyrights | 10 | 623,649 | 545,630 |
| Trade and bills receivables | 11 | 184,038 | 155,364 |
| Prepayments, deposits and other receivables | 12 | 26,916 | 32,904 |
| Restricted deposits | 13 | 51,258 | 49,576 |
| Cash and cash equivalents | 13 | 3,190 | 10,002 |
| | | 889,051 | 793,476 |
| Current liabilities | | | |
| Trade payables | 14 | 244,633 | 252,480 |
| Other payables and accrued expenses | 15 | 129,022 | 125,132 |
| Contract liabilities | 16 | 144,614 | 34,266 |
| Bank and other loans | 17 | 204,984 | 212,670 |
| Lease liabilities | | 3,069 | 1,872 |
| Current taxation | | 4,713 | 4,713 |
| | | 731,035 | 631,133 |
| Net current assets | | 158,016 | 162,343 |
| Total assets less current liabilities | | 183,299 | 189,550 |
| Non-current liabilities | | | |
| Lease liabilities | | 1,472 | 2,670 |
| NET ASSETS | | 181,827 | 186,880 |

The notes on pages 30 to 44 form part of this interim financial report.

Consolidated Statement of Financial Position

At 30 June 2023 – unaudited
(Expressed in RMB)

| | Note | At 30 June 2023 RMB'000 | At 31 December 2022 RMB'000 (audited) |
|--|------|--|---|
| <hr/> | | | |
| CAPITAL AND RESERVES | 19 | | |
| Share capital | | 2,742 | 2,742 |
| Reserves | | 179,085 | 184,138 |
| <hr/> | | | |
| TOTAL EQUITY ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY | | 181,827 | 186,880 |
| <hr/> | | | |

Approved and authorised for issue by the board of directors on 30 August 2023.

Yuan Li
Chairman

Fu Jieyun
Director

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2023 – unaudited
(Expressed in RMB)

| | Attributable to equity shareholders of the Company | | | | | Total equity RMB'000 |
|---|--|--------------------------|--------------------------|-----------------------------|--|-------------------------|
| | Share capital RMB'000 | Share premium RMB'000 | Other reserve RMB'000 | Exchange reserve RMB'000 | Retained profits/ (accumulated losses) RMB'000 | |
| At 1 January 2022 | 2,742 | 160,389 | 165,870 | (13,509) | 162,259 | 477,751 |
| Changes in equity for the six months ended 30 June 2022: | | | | | | |
| Loss for the period | - | - | - | - | (13,251) | (13,251) |
| Other comprehensive income | - | - | - | 2,394 | - | 2,394 |
| Total comprehensive income | - | - | - | 2,394 | (13,251) | (10,857) |
| At 30 June 2022 and 1 July 2022 | 2,742 | 160,389 | 165,870 | (11,115) | 149,008 | 466,894 |
| Changes in equity for the six months ended 31 December 2022: | | | | | | |
| Loss for the period | - | - | - | - | (282,407) | (282,407) |
| Other comprehensive income | - | - | - | 2,393 | - | 2,393 |
| Total comprehensive income | - | - | - | 2,393 | (282,407) | (280,014) |
| At 31 December 2022 and 1 January 2023 | 2,742 | 160,389 | 165,870 | (8,722) | (133,399) | 186,880 |
| Changes in equity for the six months ended 30 June 2023: | | | | | | |
| Loss for the period | - | - | - | - | (6,849) | (6,849) |
| Other comprehensive income | - | - | - | 1,796 | - | 1,796 |
| Total comprehensive income | - | - | - | 1,796 | (6,849) | (5,053) |
| At 30 June 2023 | 2,742 | 160,389 | 165,870 | (6,926) | (140,248) | 181,827 |

The notes on pages 30 to 44 form part of this interim financial report.

Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2023 – unaudited
(Expressed in RMB)

| | Note | Six months ended 30 June | |
|---|------|--------------------------|-----------------|
| | | 2023 RMB'000 | 2022 RMB'000 |
| Operating activities | | | |
| Cash generated from/(used in) operations | | 10,366 | (80,173) |
| Income tax paid | | – | – |
| Net cash generated from/(used in) operating activities | | 10,366 | (80,173) |
| Investing activities | | | |
| Payments for purchase of property and equipment | | (63) | (831) |
| Interest received | | 10 | 9 |
| Net cash used in investing activities | | (53) | (822) |
| Financing activities | | | |
| Proceeds from bank and other loans | | 127,064 | 86,896 |
| Repayment of bank and other loans | | (134,750) | (31,283) |
| Capital element of lease rentals paid | | – | (288) |
| Interest element of lease rentals paid | | (82) | (124) |
| Interest paid | | (11,153) | (6,734) |
| Net cash (used in)/generated from financing activities | | (18,921) | 48,467 |
| Net decrease in cash and cash equivalents | | (8,608) | (32,528) |
| Cash and cash equivalents at the beginning of the period | 13 | 10,002 | 38,185 |
| Effect of foreign exchanges rates changes | | 1,796 | 2,394 |
| Cash and cash equivalents at the end of the period | 13 | 3,190 | 8,051 |

The notes on pages 30 to 44 form part of this interim financial report.

Notes to the Unaudited Interim Financial Statement

(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 Act of the Cayman Islands. The Company’s shares 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 BASIS OF PREPARATION

These interim financial statements have been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange, including compliance with International Accounting Standard (“**IAS**”) 34, *Interim financial reporting*, issued by the International Accounting Standards Board (the “**IASB**”). It was authorised for issue on 30 August 2023.

The interim financial statements have been prepared in accordance with the same accounting policies adopted in the 2022 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2023 annual financial statements. Details of any changes in accounting policies are set out in Note 3.

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

These interim financial statements contain condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2022 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with International Financial Reporting Standards (“**IFRSs**”).

The financial information relating to the financial year ended 31 December 2022 that is included in the interim financial report as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that financial year but is derived from those financial statements.

Notes to the Unaudited Interim Financial Statement

(Expressed in RMB unless otherwise indicated)

2 BASIS OF PREPARATION (continued)

For the six months period ended 30 June 2023, the Group had net loss before impairment losses on drama series copyrights, of RMB6,849,000. 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 RMB10,000,000 as at 30 June 2023. The directors of the Company are of the opinion that renewal or new banking facilities is likely to be obtained during the twelve months ending 30 June 2024;
- Included in the current liabilities were RMB108,999,000 as at 30 June 2023 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.

Notes to the Unaudited Interim Financial Statement

(Expressed in RMB unless otherwise indicated)

3 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:

- IFRS 17, *Insurance contracts*
- Amendments to IAS 8, *Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates*
- 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*

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

4 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

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

| | Six months ended 30 June | |
|---|--------------------------|-----------------|
| | 2023 RMB'000 | 2022 RMB'000 |
| Revenue from the distribution and licensing of broadcasting rights of self-produced drama series | 61,313 | 5,734 |
| Revenue from the distribution and licensing of broadcasting rights of outright-purchased drama series | 15,717 | 10,839 |
| Others | 34 | 473 |
| | 77,064 | 17,046 |

Notes to the Unaudited Interim Financial Statement

(Expressed in RMB unless otherwise indicated)

4 REVENUE AND SEGMENT REPORTING (continued)

(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, provision of producing services of drama series 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. No inter-segment sales have occurred for the six months ended 30 June 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, selling and marketing expenses, administrative expenses, 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.

Notes to the Unaudited Interim Financial Statement

(Expressed in RMB unless otherwise indicated)

4 REVENUE AND SEGMENT REPORTING (continued)

(b) Segment reporting (continued)

(i) Segment results (continued)

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 six months ended 30 June 2023 and 2022 is set out below.

| | Six months ended 30 June 2023 | | | |
|---------------------------------|---------------------------------------|--|-------------------|------------------|
| | Self-produced drama series RMB'000 | Outright-purchased drama series RMB'000 | Others RMB'000 | Total RMB'000 |
| Revenue from external customers | 61,313 | 15,717 | 34 | 77,064 |
| Reportable segment gross profit | 6,838 | 2,972 | – | 9,810 |
| | Six months ended 30 June 2022 | | | |
| | Self-produced drama series RMB'000 | Outright-purchased drama series RMB'000 | Others RMB'000 | Total RMB'000 |
| Revenue from external customers | 5,734 | 10,839 | 473 | 17,046 |
| Reportable segment gross profit | 5,498 | 3,207 | 473 | 9,178 |

Notes to the Unaudited Interim Financial Statement

(Expressed in RMB unless otherwise indicated)

4 REVENUE AND SEGMENT REPORTING (continued)

(b) Segment reporting (continued)

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

| | Six months ended 30 June | |
|---|--------------------------|-----------------|
| | 2023 RMB'000 | 2022 RMB'000 |
| Revenue: | | |
| – Reportable segment revenue | 77,064 | 17,046 |
| – Elimination of inter-segment revenue | – | – |
| Consolidated revenue | 77,064 | 17,046 |
| Reportable segment gross profit | 9,810 | 9,178 |
| Elimination of inter-segment revenue | – | – |
| Reportable segment gross loss derived from group's external customers | 9,810 | 9,178 |
| Other income/(loss) | 710 | (927) |
| Selling and marketing expenses | (254) | (498) |
| Depreciation expenses | (2,061) | (1,624) |
| Other administrative expenses | (7,181) | (10,198) |
| Impairment loss on trade and other receivables | (1,028) | (1,288) |
| Finance costs | (6,845) | (7,916) |
| Consolidated loss before taxation | (6,849) | (13,273) |

(iii) Geographic information

The Group generated all revenue in the PRC and its non-current assets are substantially located in the PRC, and accordingly, no analysis of geographic information is presented.

5 OTHER INCOME/(LOSS)

| | Six months ended 30 June | |
|--|--------------------------|-----------------|
| | 2023 RMB'000 | 2022 RMB'000 |
| Government grants | 550 | 585 |
| Interest income | 10 | 9 |
| Changes in fair value of financial assets measured at FVPL | 75 | (1,552) |
| Others | 75 | 31 |
| | 710 | (927) |

Notes to the Unaudited Interim Financial Statement

(Expressed in RMB unless otherwise indicated)

6 LOSS BEFORE TAXATION

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

(a) Finance costs

| | Six months ended 30 June | |
|--|--------------------------|-----------------|
| | 2023 RMB'000 | 2022 RMB'000 |
| Interest expenses on: | | |
| – bank and other loans | 8,712 | 11,087 |
| – lease liabilities | 82 | 124 |
| | 8,794 | 11,211 |
| Less: interest expenses capitalised into drama series copyrights | (1,949) | (3,295) |
| | 6,845 | 7,916 |

(b) Other items

| | Six months ended 30 June | |
|---|--------------------------|-----------------|
| | 2023 RMB'000 | 2022 RMB'000 |
| Depreciation expenses | | |
| – owned property and equipment | 1,189 | 770 |
| – right-of-use assets | 872 | 854 |
| | 2,061 | 1,624 |
| Operating lease expenses relating to short-term leases and leases of low-value assets | 12 | 48 |
| Cost of drama series copyrights (Note 10) | 64,047 | 5,675 |

Notes to the Unaudited Interim Financial Statement

(Expressed in RMB unless otherwise indicated)

7 INCOME TAX

| | Six months ended 30 June | |
|---|--------------------------|-----------------|
| | 2023 RMB'000 | 2022 RMB'000 |
| Current taxation | | |
| Provision for the period | - | - |
| Deferred taxation (Note 18) | | |
| Origination and reversal of temporary differences | - | (22) |
| | - | (22) |

Notes:

- (i) The Company and the subsidiaries 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 six months ended 30 June 2023 (six months ended 30 June 2022: RMBNil).
- (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 six months ended 30 June 2023 (six months ended 30 June 2022: 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 2021 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.

8 LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to ordinary equity shareholders of the Company of RMB6,849,000 (six months ended 30 June 2022: RMB13,251,000) and the weighted average of 300,000,000 ordinary shares (six months ended 30 June 2022: 300,000,000 shares) in issue during the interim period.

(b) Diluted earnings per share

There were no dilutive potential shares outstanding during the six months ended 30 June 2023 and 2022.

Notes to the Unaudited Interim Financial Statement

(Expressed in RMB unless otherwise indicated)

9 PROPERTY AND EQUIPMENT

During the six months ended 30 June 2023, the Group acquired equipment with a cost of RMB63,000 (six months ended 30 June 2022: RMB831,000).

10 DRAMA SERIES COPYRIGHTS

| | At 30 June 2023 RMB'000 | At 31 December 2022 RMB'000 |
|--|----------------------------------|--------------------------------------|
| Self-produced drama series (Note (i)) | | |
| – under production | 196,660 | 68,507 |
| – with production completed | 409,258 | 463,876 |
| | 605,918 | 532,383 |
| Outright-purchased drama series | 24,924 | 24,505 |
| Co-financed drama series with production completed (Note (ii)) | 73,178 | 69,405 |
| Script copyrights (Note (iii)) | 211,713 | 211,421 |
| | 915,733 | 837,714 |
| Less: impairment losses | (292,084) | (292,084) |
| | 623,649 | 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 payment on obtaining the literature patent and the cost incurred in relation to adaptation of these intellectual properties.

Movements of drama series copyrights are set out below:

| | Six months ended 30 June | |
|---|--------------------------|-----------------|
| | 2023 RMB'000 | 2022 RMB'000 |
| At 1 January | 545,630 | 522,694 |
| Additions | 142,066 | 35,739 |
| Recognised in cost of sales (Note 6(b)) | (64,047) | (5,675) |
| At 30 June | 623,649 | 552,758 |

Notes to the Unaudited Interim Financial Statement

(Expressed in RMB unless otherwise indicated)

11 TRADE AND BILLS RECEIVABLES

| | At 30 June 2023 RMB'000 | At 31 December 2022 RMB'000 |
|----------------------|----------------------------------|--------------------------------------|
| Trade receivables | 279,402 | 238,430 |
| Less: loss allowance | (112,594) | (111,566) |
| | 166,808 | 126,864 |
| Bills receivables | 17,230 | 28,500 |
| | 184,038 | 155,364 |

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 date revenue is recognised and net of loss allowance, of the Group is as follows:

| | At 30 June 2023 RMB'000 | At 31 December 2022 RMB'000 |
|-----------------|----------------------------------|--------------------------------------|
| Within 6 months | 68,510 | 21,803 |
| 6 to 12 months | 11,055 | 18,008 |
| 1 to 2 years | 17,044 | 43,763 |
| 2 to 3 years | 74,185 | 66,048 |
| Over 3 years | 13,244 | 5,742 |
| | 184,038 | 155,364 |

- (b) The Group has discounted certain bills it received from customers at banks, and endorsed certain bills it received from customers to its suppliers and other creditors for settlement of the Group's trade and other payables on a full recourse basis. Upon the above discounting or endorsement, 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 30 June 2023, the carrying amounts of the associated bank loans, and trade and other payables amounted to RMB16,874,000 (31 December 2022: RMB27,890,000).

Notes to the Unaudited Interim Financial Statement

(Expressed in RMB unless otherwise indicated)

12 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

| | At 30 June 2023 RMB'000 | At 31 December 2022 RMB'000 |
|---|----------------------------------|--------------------------------------|
| VAT recoverable | 24,114 | 28,149 |
| Prepayments for productions of drama series | – | 3,774 |
| Others | 2,932 | 1,111 |
| | 27,046 | 33,034 |
| Less: loss allowance | (130) | (130) |
| | 26,916 | 32,904 |

13 CASH AT BANK AND ON HAND

| | At 30 June 2023 RMB'000 | At 31 December 2022 RMB'000 |
|---|----------------------------------|--------------------------------------|
| Cash at bank | 54,437 | 59,520 |
| Cash on hand | 11 | 58 |
| Cash at bank and on hand included in the consolidated statement of financial position | 54,448 | 59,578 |
| Less: restricted deposits (Note (i)) | (51,258) | (49,576) |
| Cash and cash equivalents included in the consolidated cash flow statement | 3,190 | 10,002 |

The Group's operations in the PRC (excluding Hong Kong) conducted its business in RMB. RMB is not a freely convertible currency and the remittance of funds out of the PRC (excluding Hong Kong) is subject to the exchange restrictions imposed by the PRC government.

Note:

- (i) Restricted deposits represent deposits placed at banks as pledged assets for the Group's bank and other loans (see Note 17) and deposits frozen by courts due to a litigation against a third party.

Notes to the Unaudited Interim Financial Statement

(Expressed in RMB unless otherwise indicated)

14 TRADE PAYABLES

| | At 30 June 2023 RMB'000 | At 31 December 2022 RMB'000 |
|---|----------------------------------|--------------------------------------|
| Payables for productions and acquisitions of drama series | 244,633 | 252,480 |

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 (31 December 2022: 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 30 June 2023 RMB'000 | At 31 December 2022 RMB'000 |
|-------------------|----------------------------------|--------------------------------------|
| Within 6 months | 9,408 | 4,647 |
| 6 to 12 months | 2,403 | 6,189 |
| 1 to 2 years | 43,954 | 78,558 |
| More than 2 years | 188,868 | 163,086 |
| | 244,633 | 252,480 |

15 OTHER PAYABLES AND ACCRUED EXPENSES

| | At 30 June 2023 RMB'000 | At 31 December 2022 RMB'000 |
|--|----------------------------------|--------------------------------------|
| Payables to co-investors of drama series under co-financing arrangements | 102,903 | 95,881 |
| Interest payables | 21,294 | 23,735 |
| Payables for staff related costs | 3,735 | 3,587 |
| Payables for other taxes | 101 | 86 |
| Others | 989 | 1,843 |
| Financial liabilities measured at amortised cost | 129,022 | 125,132 |

All of the other payables and accrued expenses are expected to be settled within one year or are repayable on demand, except for those of RMB69,540,000 (31 December 2022: RMB62,619,000) which will only be due upon broadcasting of related drama series or cash collection from the Group's customers.

Notes to the Unaudited Interim Financial Statement

(Expressed in RMB unless otherwise indicated)

16 CONTRACT LIABILITIES

| | At 30 June 2023 RMB'000 | At 31 December 2022 RMB'000 |
|------------------------------------|----------------------------------|--------------------------------------|
| Receipts in advance from customers | 144,614 | 34,266 |

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

17 BANK AND OTHER LOANS

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

| | At 30 June 2023 RMB'000 | At 31 December 2022 RMB'000 |
|---|----------------------------------|--------------------------------------|
| Bank loans: | | |
| – Secured by bills receivables | 16,044 | 27,890 |
| – Secured by the Group's restricted deposits (Note (i)) | 40,000 | – |
| – Guaranteed by controlling parties | 10,000 | 20,000 |
| | 66,044 | 47,890 |
| Other loans from third parties: | | |
| – Unsecured and unguaranteed (Note (ii)) | 129,940 | 113,280 |
| – Guaranteed by controlling parties | 9,000 | 21,000 |
| | 138,940 | 134,280 |
| Other loans from related parties: | | |
| – Guaranteed by controlling parties | – | 30,500 |
| | 204,984 | 212,670 |

Notes:

- (i) At 30 June 2023, the aggregate amount of deposits pledged is RMB51,170,000 (31 December 2022: RMB49,576,000) (see Note 13).
- (ii) The balance represents loans from third-party non-executive producers with fixed repayment terms and bears interest at rates between 12% and 15% per annum (31 December 2022: 15%), except for those of RMB18,657,000 (31 December 2022: RMB25,657,000) which will only be due upon broadcasting of related drama series or cash collection from the Group's customers.

Notes to the Unaudited Interim Financial Statement

(Expressed in RMB unless otherwise indicated)

18 DEFERRED TAX ASSETS

The deferred tax assets recognised in the consolidated statement of financial position and the movements are as follows:

| Deferred tax assets arising from: | Credit loss allowance RMB'000 | Impairment losses on drama series copyrights RMB'000 | Accruals RMB'000 | Total RMB'000 |
|--|----------------------------------|---|---------------------|------------------|
| At 1 January 2022 | 19,079 | 23,314 | 134 | 42,527 |
| Charged to the consolidated statement of profit or loss | (12,067) | (12,505) | (134) | (24,706) |
| At 31 December 2022 and 1 January 2023 | 7,012 | 10,809 | – | 17,821 |
| Charged to the consolidated statement of profit or loss (Note 7) | – | – | – | – |
| At 30 June 2023 | 7,012 | 10,809 | – | 17,821 |

19 CAPITAL, RESERVES AND DIVIDENDS

(a) Share capital

| | At 30 June 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 30 June 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 |

Notes to the Unaudited Interim Financial Statement

(Expressed in RMB unless otherwise indicated)

19 CAPITAL, RESERVES AND DIVIDENDS (continued)

(b) Dividends

The directors of the Company did not recommend an interim dividend for the six months ended 30 June 2023 (six months ended 30 June 2022: Nil).

20 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

Fair values of financial assets and liabilities carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as of 30 June 2023 and 31 December 2022.

21 MATERIAL RELATED PARTY TRANSACTIONS

Transactions with the controlling parties and senior management of the Company during the period:

| | Six months ended 30 June | |
|--|--------------------------|-----------------|
| | 2023 RMB'000 | 2022 RMB'000 |
| Proceeds of loans from controlling parties | 8,000 | – |
| Repayment of loans to controlling parties | 28,000 | – |
| Proceeds of loans from senior management | 6,650 | – |
| Repayment of loans to senior management | 17,150 | – |
| Guarantees received from controlling parties for bank and other loans at the end of the reporting period | 19,000 | 8,000 |

Definitions

| | |
|-----------------------------|---|
| “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 report, 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 Listing of Shares 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 Stock Exchange |
| “Litian Century” | Litian Century Media Co., Ltd., a company established under the laws of the British Virgins Islands and is wholly owned by the Director, Mr. Yuan Li (袁力) |
| “LiTian TV & Film” | Zhejiang LiTian TV & Film Co., Ltd.* (浙江力天影視有限公司), a company established under the laws of the People's Republic of China, and a consolidated affiliated entity of the Company, which is owned as to approximately 30.35% by the Director, Mr. Yuan Li (袁力) and approximately 28.61% by his spouse, Ms. Tian Tian (田甜) and approximately 0.87% by the Director, Ms. Fu Jieyun (傅潔雲) as at the date of this report |

Definitions

| | |
|----------------------|--|
| “Marshal Investment” | Marshal Investment Co. Ltd. (元帥投資有限公司), a company established under the laws of the British Virgin Islands and is wholly owned by Ms. Tian Tian (田甜), the spouse of the Director, Mr. Yuan Li (袁力) |
| “Model Code” | the model code for securities transactions by directors of listed issuers as set out in Appendix 10 to the Listing Rules |
| “Prospectus” | the prospectus of the Company dated 10 June 2020 |
| “RMB” | Renminbi, the lawful currency of the PRC |
| “SFO” | the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended and supplemented from time to time |
| “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 the Listing Rules |
| “%” | 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.*