



Litian Pictures Holdings Limited
力天影业控股有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 9958)

2023 ANNUAL REPORT



Contents

2	Corporate Information
4	Financial Highlights
5	Chairman's Statement
7	Management Discussion and Analysis
21	Directors and Senior Management
33	Corporate Governance Report
50	Report of the Directors
75	Environmental, Social and Governance Report
107	Independent Auditor's Report
115	Consolidated Statement of Profit or Loss and Other Comprehensive Income
116	Consolidated Statement of Financial Position
118	Consolidated Statement of Changes in Equity
119	Consolidated Cash Flow Statement
121	Notes to the Financial Statements
174	Definition
176	Five-Year Financial Summary

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)
Ms. Huang Jingyu (黃淨榆)
(appointed on 19 January 2024 and
resigned on 26 April 2024)

Non-executive Directors

Mr. Yu Yang (余楊)
(resigned on 26 April 2024)
Mr. Tang Zhiwei (唐志偉)
(resigned on 26 April 2024)
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)
(resigned on 26 April 2024)
Mr. Gan Weimin (甘為民)
Mr. Teng Bing Sheng (滕斌聖)
(appointed on 26 April 2024)

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
19/F Edinburgh Tower
The Landmark
15 Queen's Road Central
Hong Kong

As to PRC law
Zhejiang T&C Law Firm
11/F, Block A, Dragon Century Square
No. 1 Hangda Road
Hangzhou, 310007
The PRC

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Conyers Dill & Pearman
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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)

AUDITORS

KPMG
Certified Public Accountants
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10 Chater Road
Central, Hong Kong

COMPANY WEBSITE

www.litian.tv

STOCK CODE

9958

LISTING DATE

22 June 2020

Financial Highlights

SELECTED CONSOLIDATED STATEMENT OF PROFIT OR LOSS DATA

	Year ended 31 December		Percentage change
	2023 RMB'000 (Audited)	2022 RMB'000 (Audited)	
Revenue	113,445	23,121	390.7%
Gross loss	(67,676)	(189,223)	(64.2%)
Loss attributable to equity shareholders of the Company	(155,458)	(295,658)	(47.4%)
Basic and diluted loss per Share (RMB)	(0.52)	(0.99)	(47.5%)

Chairman's Statement

Dear Shareholders,

Litian Pictures Holdings Limited (the "**Company**") and its subsidiaries (collectively referred to as 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 the main business and diversifying business development, as well as laying a solid foundation for our long term growth.

BUSINESS REVIEW

For the year ended 31 December 2023, the Group recorded a revenue of RMB113.4 million with a year-on-year increase of 390.7%; loss attributable to equity shareholders of the Company for the Year of RMB155.5 million with a year-on-year decrease of 47.4%. In the Year, despite the adverse effect on the drama series industry in China caused by the COVID-19 (as defined below), the Company still responded positively and adhered to the business development strategies of the Company.

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.

FUTURE DEVELOPMENT

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

- We will continue 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 operation 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.
- Given the emphasis on copyright protection in the China-US trade negotiations, 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 for their long-standing and unwavering support.

Yuan Li

Chairman and Executive Director

Hong Kong, 28 March 2024

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.

Management Discussion and Analysis

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 RMB'000	2022 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.

Management Discussion and Analysis

(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).

Management Discussion and Analysis

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 RMB'000	2022 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	181,121	212,344

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).

Management Discussion and Analysis

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
Total impairment losses	57,440

(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)

Management Discussion and Analysis

(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 RMB'000	2022 RMB'000
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)	–
Total	(81)	978

Management Discussion and Analysis

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

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.

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; and (x) bank charges, which primarily represent bank transaction fees.

	Year ended 31 December	
	2023 RMB'000	2022 RMB'000
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
Total	22,833	25,287

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).

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 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.

Management Discussion and Analysis

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 RMB'000	2022 RMB'000
Current taxation		
Provision for the year	–	–
Deferred taxation		
Origination and reversal of temporary differences	11,938	24,706
Total	11,938	24,706

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.

Management Discussion and Analysis

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.

Management Discussion and Analysis

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 report.

FUTURE PLAN FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

As of 31 December 2023, the Group did not have any future plan for material investments or capital assets.

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 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		100.0	152.0	109.6	42.4	–

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.

Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Yuan Li (袁力), aged 46, was appointed as a Director on 17 June 2019 and was re-designated to the chairman of the Board and an executive Director on 27 September 2019. Mr. Yuan has over 24 years' experience in the television and film industry. The following table shows the key working experience of Mr. Yuan:

Period	Company	Latest position	Roles and responsibilities
August 2013 to present	LiTian TV & Film	Director and general manager	Oversee management and operations of the company
June 1998 to June 2013	Great Wall Movie and Television Co., Ltd.* (長城影視股份有限公司, "Great Wall Movie and Television"), a company listed on the Shenzhen Stock Exchange (stock code: 002071)	Deputy general manager	Oversee management and operations of the distribution department

Mr. Yuan was an executive director, supervisor and/or legal representative of the below companies established in the PRC at the time of or within one year prior to its dissolution. Mr. Yuan confirmed that (i) these companies were solvent and not in operation immediately prior to their dissolution, (ii) there was no wrongful act on his part leading to the dissolution of these companies, (iii) he was not aware of any actual or potential claim which has been or will be made against him as a result of the dissolution of these companies, and (iv) that no misconduct or misfeasance has been involved in the dissolution of these companies.

Company	Principal business	Methods of dissolution	Role(s)
Dongyang Changli Firm Services Co. Ltd.* (東陽長立影視服務有限公司)	Rental & sale of film and television equipment	Dissolved by deregistration	Legal representative and supervisor
Beijing Great Wall Huanyu International Film Advertising Co. Ltd.* (北京長城環宇國際影視廣告有限公司)	Design, production, agency and release of domestic and foreign advertisements	Dissolved by deregistration	Legal representative and executive director

Mr. Yuan has graduated from The Open University of China (國家開放大學) in Beijing, the PRC in January 2016 with a diploma in administration management. Mr. Yuan was awarded the Outstanding Distributor Award (優秀發行人) by the Shanghai Eastern Television Channel (上海東方電影頻道) in 2017.

Ms. Tian Tian is the spouse of Mr. Yuan Li.

Directors and Senior Management

Ms. Tian Tian (田甜), aged 41, was appointed as an executive Director on 27 September 2019 and the chief executive officer of the Group on 24 May 2020.

Ms. Tian has over 18 years' experience in the television and film industry. The following table shows the key working experience of Ms. Tian:

Period	Company	Latest position	Roles and responsibilities
August 2016 to present	LiTian TV & Film	Director	Oversee operation of the company
August 2018 to February 2019	Chongqing Wanmei Zhenzhi Film Co., Ltd.* ⁽¹⁾ (重慶完美臻至影視文化有限公司)	Director and general manager	Oversee management and operations of the company
October 2017 to February 2019	Beijing Perfect World Pictures Limited Liability Company* (北京完美影視傳媒有限責任公司)	Vice president	Responsible for the investment, production, promotion and distribution of film
February 2004 to November 2016	Beijing Enlight Media Co., Ltd.* (北京光線傳媒股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 300251)	General manager of distribution department and producer	Responsible for the investment, production, promotion and distribution of film

Note:

(1) Chongqing Wanmei Zhenzhi Film Co., Ltd is a subsidiary of Perfect World Joint Stock Company* (完美世界股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 002624).

Ms. Tian has graduated from the Beijing Normal University (北京師範大學) in Beijing, the PRC in June 2004 with a diploma in music education. Ms. Tian is in the course of obtaining a degree in EMBA from the Cheung Kong Graduate School of Business (長江商學院) in Beijing, the PRC.

Mr. Yuan Li is the spouse of Ms. Tian Tian.

Directors and Senior Management

Ms. Fu Jieyun (傅潔雲), aged 42, was appointed as an executive Director on 27 September 2019, the chief financial officer of the Group on 24 May 2020 and the joint company secretary of the Company on 13 January 2021.

Ms. Fu has over 19 years' experience in accounting. The following table shows the key working experience of Ms. Fu:

Period	Company	Latest position	Roles and responsibilities
September 2015 to present	LiTian TV & Film	Chief financial officer, deputy manager and the joint company secretary	Oversee financial operations of the company
May 2011 to September 2015	Hangzhou Unimas Data Technology Co., Ltd.* (杭州合眾信息技術股份有限公司)	Secretary to the board of directors and deputy general manager	Participate in management and operations of the company and assisting the operations of the board of directors
September 2004 to April 2011	Zhejiang Dongfang Accounting Firm* (浙江東方會計師事務所) which was merged into Pan-China Certified Public Accountants LLP* (天健會計師事務所) in 2009	Accountant – auditing manager	Manage auditing projects

Ms. Fu received bachelor's degrees in management and economics from the Zhejiang University of Finance & Economics (浙江財經大學) in Zhejiang, the PRC, majoring in accounting and finance, respectively, in June 2004. Ms. Fu has received her qualification in intermediate accounting in December 2008.

Directors and Senior Management

Ms. Huang Jingyu (黃淨榆), aged 23, was appointed as an executive Director, a deputy general manager and advertising director of the Company on 19 January 2024. Ms. Huang resigned as an executive Director on 26 April 2024.

The following table shows the key working experience of Ms. Huang:

Period	Company	Latest position	Roles and responsibilities
March 2021 to present	Shishi City Dingle Ticket Service Agency Co., Ltd. (石獅市頂樂票務代理有限公司)	Executive director	Participate in management and operations of the company and the board of directors
September 2023 to present	Fujian Dingle Culture Media Co., Ltd. (福建頂樂文化傳媒有限公司)	General manager	Participate in management and operations of the company and the board of directors

Ms. Huang graduated from Fujian Economic and Trade School (福建經貿學校) with a junior college degree in Business English in July 2019. Ms. Huang obtained a Bachelor of Business Administration degree and a Master of Business Administration degree from Panamerican University in June 2022 and September 2023, respectively.

Directors and Senior Management

NON-EXECUTIVE DIRECTORS

Mr. Yu Yang (余楊), aged 42, was appointed as a non-executive Director on 27 September 2019. Mr. Yu resigned as a non-executive Director on 26 April 2024.

The following table shows the key working experience of Mr. Yu:

Period	Company	Latest position	Roles and responsibilities
May 2019 to present	Hangzhou Xiaoshan Ansheng Asset Management Co., Ltd.* (杭州蕭山安晟資產管理有限公司)	General manager	Overall operation and management
October 2018 to April 2019	An Yang Asset Management Hangzhou Co., Ltd.* (安揚資產管理(杭州)有限公司)	Managing director	Oversee management and operations of the company
March 2011 to September 2018	Zhejiang Yongle TV & Film Production Co., Ltd.* (浙江永樂影視製作有限公司)	Deputy general manager and secretary to the board of directors	Participate in management and operations of the company and the board of directors
November 2008 to February 2011	Zhejiang Development Asset Operations Co., Ltd.* (浙江省發展資產經營有限公司)	Investment manager	Participate in project investment
March 2006 to February 2008	Tongyi Nengyuan (Hangzhou) Investment Management Consulting Co., Ltd.* (統一能源(杭州)投資管理諮詢有限公司)	Planning manager	Participate in project planning

Mr. Yu received a master's degree in political economics from the School of Economics of the Zhejiang University (浙江大學) in Zhejiang, the PRC in March 2006.

Directors and Senior Management

Mr. Tang Zhiwei (唐志偉), aged 51, was appointed as a non-executive Director on 27 September 2019. Mr. Tang resigned as a non-executive Director on 26 April 2024.

Mr. Tang joined the Group as a director of LiTian TV & Film on 24 December 2018. The following table shows the other key working experience of Mr. Tang:

Period	Company	Latest position	Roles and responsibilities
June 2011 to present	Shenzhen Junfeng Chuangye Investment Management Co., Ltd.* (深圳市君豐創業投資基金管理有限公司)	Director and general manager	Oversee management and operations of the company

Mr. Tang graduated from Guizhou Industrial College (貴州工學院) (later known as Guizhou Industrial University (貴州工業大學) which has now merged into Guizhou University (貴州大學)) in Guizhou, the PRC in August 1994 with a diploma in architecture.

Mr. Luo Jianxing (羅建幸), aged 51, was appointed as a non-executive Director on 27 September 2019.

Mr. Luo joined the Group as a director of LiTian TV & Film since 1 August 2016. The following table shows the other key working experience of Mr. Luo:

Period	Company	Latest position	Roles and responsibilities
September 2005 to present	Faculty of Creative Art and Management of the Zhejiang Institute of Communications* (浙江傳媒學院文化創意與管理學院)	Associate professor	Teaching
July 2001 to May 2004	Beingmate Baby & Child Food Co., Ltd.* (貝因美嬰童食品股份有限公司), a company listed on the Shenzhen Stock Exchange, stock code: 002570	Marketing director	Development and implementation of the brand strategy
March 2000 to June 2001	Guangdong Strong Group Co., Ltd.* (廣東喜之郎集團有限公司)	Market research manager	Oversee market research department and development of the marketing strategy
May 1998 to February 2000	Johnson & Johnson (China) Co., Ltd.* (強生(中國)有限公司)	District sales manager	Establish sales goals and implement sales strategy
July 1994 to May 1998	Hangzhou Wahaha Group Co., Ltd.* (杭州娃哈哈集團有限公司)	Secretary to general manager, market supervisor	Management and organisation of projects and division

Directors and Senior Management

Mr. Luo graduated from the Shandong University (山東大學) in Shandong, the PRC in July 1994 with a bachelor's degree in marketing. Mr. Luo also received a master's degree in Management from Shanghai University of Finance and Economics (上海財經大學) in Shanghai, PRC in September 2005.

Mr. Luo has received his qualification as an associate professor in Management Science and Engineering from the Department of Personnel of Zhejiang Province in September 2011.

Mr. Luo was an executive director, supervisor and/or legal representative of the below companies established in the PRC at the time of or within one year prior to its dissolution. Mr. Luo confirmed that (i) these companies were solvent and not in operation immediately prior to their dissolution, (ii) there was no wrongful act on his part leading to the dissolution of these companies, (iii) he was not aware of any actual or potential claim which has been or will be made against him as a result of the dissolution of these companies, and (iv) that no misconduct or misfeasance has been involved in the dissolution of these companies:

Company	Principal business	Methods of dissolution	Role(s)
Hangzhou Taolinqi Network Technology Co. Ltd.* (杭州淘臨期網絡科技有限公司)	Electronic business technology, consultancy	Dissolved by deregistration	Legal representative, executive director and general manager
Hangzhou Youxianjia E-Commerce Co. Ltd.* (杭州悠閒家電子商務有限公司)	E-commerce	Revoked ⁽¹⁾	Supervisor

Note:

(1) The license of Hangzhou Youxianjia E-Commerce Co. Ltd.* was revoked by the authority as the company did not complete the incorporation procedure.

Mr. Luo has tendered his resignation as a non-executive Director with effect from 16 January 2023 as he intended to pursue other personal commitments.

Directors and Senior Management

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Teng Bing Sheng (滕斌聖), aged 53, was appointed as an independent non-executive Director on 24 May 2020.

The following table shows the key working experience of Mr. Teng:

Period	Company	Latest position	Roles and responsibilities
January 2007 to present	Cheung Kong Graduate School of Business (CKGSB) (長江商學院)	Professor of strategic management and the associate dean for CKGSB	Teaching strategic management courses
August 1998 to February 2007	George Washington University	Tenured associate professor of Strategic Management	Doctoral advisor and lead professor of the departmental doctoral program

Mr. Teng received a Doctor of Philosophy degree in business from the City University of New York in October 1998 in New York, the United States.

Mr. Teng concurrently served as an independent non-executive director of Wanda Hotel Development Company Limited (Stock Exchange, stock code: 169) since March 2019, and an independent director of each of Aoshikang Technology Company* (奧士康科技股份有限公司) (Shenzhen Stock Exchange stock code: 002913) since November 2018 and Haisco Pharmaceutical Group Co., Ltd.* (海思科醫藥集團股份有限公司) (Shenzhen Stock Exchange stock code: 002653) since January 2017. Mr. Teng served as an independent non-executive director of ZTE Corporation (中興通訊股份有限公司) (Stock Exchange, stock code: 763, and Shenzhen Stock Exchange stock code: 000063) from July 2015 to June 2018, and an independent director of Shandong Gold Mining Co., Ltd.* (山東黃金礦業股份有限公司) (Shanghai Stock Exchange stock code: 600547) from December 2014 to December 2017.

Mr. Liu Hanlin (劉翰林), aged 60, was appointed as an independent non-executive Director on 24 May 2020.

The following table shows the key working experience of Mr. Liu:

Period	Company	Latest position	Roles and responsibilities
July 1984 to present	Hangzhou Dianzi University (杭州電子科技大學)	Professor	Teaching and Researching

Directors and Senior Management

Mr. Liu graduated from the Hangzhou Dianzi University (杭州電子科技大學) in Hangzhou, the PRC in July 1984 with a bachelor's degree in economics majoring in financial accounting. Mr. Liu also received a master's degree in Management majoring in accounting from Xiamen University (廈門大學) in Xiamen, PRC in December 1999.

Mr. Liu has received his qualification as a professor in Accounting from the Department of Personnel of Zhejiang Province in December 2002. Mr. Liu became an associate member of the Chinese Institute of Certified Public Accounts since October 1997.

Mr. Liu concurrently served as an independent director of each of Zhejiang Changsheng Sliding Bearings Co., Ltd.* (浙江長盛滑動軸承股份有限公司) (Shenzhen Stock Exchange stock code: 300718) since July 2016, Zhejiang Tiantai Xianghe Industrial Co., Ltd.* (浙江天台祥和實業股份有限公司) (Shanghai Stock Exchange stock code: 603500) since November 2016 and New East New Materials Co., Ltd.* (新東方新材料股份有限公司) (Shanghai Stock Exchange stock code: 603110) since February 2017. Mr. Liu served an independent director of Zhejiang Shouxiangu Pharmaceutical Co., Ltd.* (浙江壽仙谷醫藥股份有限公司) (Shanghai Stock Exchange stock code: 603896) from May 2013 to March 2019.

Mr. Gan Weimin (甘為民), aged 57, was appointed as an independent non-executive Director on 24 May 2020.

The following table shows the key working experience of Mr. Gan:

Period	Company	Latest position	Roles and responsibilities
January 2019 to present	Guantao Law Firm* (北京觀韜中茂律師事務所)	Managing partner	Oversee management and operation of the firm
November 2012 to December 2018	Guantao Law Firm (Shanghai)* (北京觀韜中茂(上海)律師事務所)	Lawyer	Provide legal services
June 2003 to October 2012	Zhejiang High Mark Law Firm* (浙江凱麥律師事務所)	Lawyer	Provide legal services
January 2002 to May 2003	Beijing Kaiyuan Law Firm* (北京市凱源律師事務所)	Lawyer	Provide legal services
April 1998 to January 2002	Zhejiang T&C Law Firm* (浙江天冊律師事務所)	Lawyer	Provide legal services

Directors and Senior Management

Mr. Gan graduated from the Zhejiang University (浙江大學) in Zhejiang, the PRC in July 1986 with a bachelor's degree in engineering awarded by the Department of Optical Instruments and Engineering (光學儀器工程學) and received from the same university a bachelor's degree in law and a master's degree in law respectively in June 1988 and April 1996. Mr. Gan has passed the national qualification examination in the PRC which accredited him as a qualified lawyer in the PRC in April 1991.

Mr. Gan concurrently serves as an independent non-executive director of Xin Point Holdings Limited (信邦控股有限公司) (Stock Exchange, stock code: 1571) since July 2017, and an independent director of each of Zhejiang Aishida Electric Co., Ltd.* (浙江愛仕達電器股份有限公司) (Small and Medium Enterprise Board of the Shenzhen Stock Exchange, stock code: 002403) since March 2017, Hangzhou Sunrise Technology Co., Ltd.* (杭州炬華科技股份有限公司) (ChiNext of the Shenzhen Stock Exchange, stock code: 300360) since January 2017, Shimge Pump Industry Group Co., Ltd.* (新界泵業集團股份有限公司) (Small and Medium Enterprise Board of the Shenzhen Stock Exchange, stock code: 002532) since May 2015, and Shanghai Huace Navigation Technology Ltd.* (上海華測導航技術股份有限公司) (ChiNext of the Shenzhen Stock Exchange, stock code: 300627) since January 2015.

Mr. Gan was an executive director, supervisor and/or legal representative of the below companies established in the PRC at the time of or within one year prior to its dissolution. Mr. Gan confirmed that (i) these companies were solvent and not in operation immediately prior to their dissolution, (ii) there was no wrongful act on his part leading to the dissolution of these companies, (iii) he was not aware of any actual or potential claim which has been or will be made against him as a result of the dissolution of these companies, and (iv) that no misconduct or misfeasance has been involved in the dissolution of these companies:

Name of the company	Principal business	Methods of dissolution	Role(s)
Zhejiang Zuanmu Electronic Technology Co. Ltd.* (浙江鑽木電子科技有限公司)	Technology development, technical services	Dissolved by deregistration	Supervisor
Hangzhou Yincan Info Tech Co. Ltd.* (杭州因餐信息技術有限公司)	Technology development, technical services	Dissolved by deregistration	Supervisor

Directors and Senior Management

SENIOR MANAGEMENT

Mr. Chen Wudong (陳武東), aged 44, was appointed as the co-founder of the Company on 1 October 2021.

Mr. Chen has over 17 years' experience in the television and film industry. The following table shows the key working experience of Mr. Chen:

Period	Company	Latest position	Roles and responsibilities
October 2021 to present	Zhejiang LiTian TV & Film Co., Ltd.	Co-founder	Operation and management of the company
January 2007 to October 2021	TVZone Media Co., Ltd. (中廣天擇傳媒股份有限公司)	Deputy general manager	Production of television and film and internet-generated content

Mr. Chen graduated from the Cheung Kong Graduate School of Business (長江商學院) in Beijing, the PRC in July 2017 with a master's degree in business administration.

Ms. Li Yining (李一寧), aged 33, was appointed as the producer of the Company on 17 August 2020.

Ms. Li has over 6 years' experience in the television and film industry. The following table shows the key working experience of Ms. Li:

Period	Company	Latest position	Roles and responsibilities
August 2020 to present	Zhejiang LiTian TV & Film Co., Ltd.	Producer	Development, management and production of film and television dramas
May 2018 to July 2020	Horgos Focus Film Media Co., Ltd. (霍爾果斯焦點影視傳媒有限公司)	Producer	Development, management and production of film and television dramas

Ms. Li graduated from Aston University (阿斯頓大學) in Birmingham, UK in March 2015 with a master's degree in human resources.



Directors and Senior Management

JOINT COMPANY SECRETARIES

Ms. Fu Jieyun (傅潔雲), aged 42, was appointed as a joint company secretary of the Company on 13 January 2021. For the biography of Ms. Fu Jieyun, please see the paragraph headed “Executive Director” in this section.

Ms. Ho Yin Kwan (何燕群), was appointed as a joint company secretary of the Company on 12 July 2022. Ms. Ho is a vice president of SWCS Corporate Services Group (Hong Kong) Limited. She has over 20 years of professional experience in corporate secretarial field and has been providing corporate secretarial services to both listed and private companies incorporated in Hong Kong and overseas. Ms. Ho holds a bachelor's degree in business and finance from the University of Portsmouth and a master's degree in corporate governance from the Open University of Hong Kong (currently known as Hong Kong Metropolitan University). Ms. Ho is a member of The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom.

Save as otherwise disclosed in this annual report, there is no relationship between any of the members of the Board and senior management, and there is no information relating to the Directors which is required to be disclosed pursuant to Rules 13.51(2) and 13.51B(1).

Corporate Governance Report

The Board is pleased to present the corporate governance report for the annual report of the Company for the year ended 31 December 2023.

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining 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 CG Code and adopted most of the recommended best practices as set out therein.

CULTURES AND VALUES

A healthy corporate culture across the Group is integral to attain its vision and strategy. It is the Board's role to foster a corporate culture with the following core principles and to ensure that the Company's vision, values and business strategies are aligned to it.

1. **Integrity and code of conduct**

The Group strives to maintain high standards of business ethics and corporate governance across all our activities and operations. The Directors, management and staff are all required to act lawfully, ethically and responsibly, and the required standards and norms are explicitly set out in the training materials for all new staff and embedded in various policies such as the Group's employee handbook (including therein the Group's code of conduct), the anti-corruption policy and the whistleblowing policy of the Group. Trainings are conducted from time to time to reinforce the required standards in respect of ethics and integrity.

2. **Commitment**

The Group believes that the culture of commitment to workforce development, workplace safety and health, diversity, and sustainability is one where people have a feeling of commitment and emotional engagement with the Group's mission. This sets the tone for a strong, productive workforce that attracts, develops, and retains the best talent and produces the highest quality work. Moreover, the Company's strategy in the business development and management are to achieve long-term, steady and sustainable growth, while having due considerations from environment, social and governance aspects.

Corporate Governance Report

MODEL CODE FOR SECURITIES TRANSACTIONS

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 throughout the Year.

THE BOARD

Responsibilities

The Board is responsible for the overall leadership of the Group, oversees the Group's strategic decisions and monitors business and performance. The Board has delegated the authority and responsibility for day-to-day management and operation of the Group to the senior management of the Group, and there is a clear division of responsibilities between the Board and the management. To oversee particular aspects of the Company's affairs, the Board has established three Board Committees, namely the Audit Committee, the Remuneration Committee and the Nomination Committee. The Board has delegated to the Board Committees responsibilities as set out in their respective terms of reference.

All Directors shall ensure that they carry out duties in good faith, in compliance with applicable laws and regulations, and in the interests of the Company and the Shareholders at all times.

The Board is responsible for leadership and control of the Company and oversees the Group's businesses, strategic decisions and performance, and is collectively responsible for promoting the success of the Company by directing and supervising its affairs.

The Board directly, and indirectly through the Board Committees, leads and provides direction to management by laying down strategies and overseeing their implementation, monitors the Group's operational and financial performance, and ensures that sound internal control and risk management systems are in place.

Composition

During the Year, the Board is comprised of nine Directors, with three executive Directors, namely Mr. Yuan Li (袁力), Ms. Tian Tian (田甜) and Ms. Fu Jieyun (傅潔雲), three non-executive Directors, namely Mr. Yu Yang (余楊), Mr. Tang Zhiwei (唐志偉) and Mr. Luo Jianxing (羅建幸), and three independent non-executive Directors, namely Mr. Teng Bing Sheng (滕斌聖), Mr. Liu Hanlin (劉翰林) and Mr. Gan Weimin (甘為民). Mr. Luo Jianxing (羅建幸) resigned as a non-executive Director on 16 January 2023.

Ms. Huang Jingyu (黃淨榆) was appointed as an executive Director with effect from 19 January 2024 and subsequently resigned on 26 April 2024. Mr. Yu Yang (余楊) and Mr. Tang Zhiwei (唐志偉) resigned as non-executive Directors with effect from 26 April 2024.

Ms. Huang Jingyu (黃淨榆), who was appointed as an executive Director on 19 January 2024 has obtained the legal advice referred to under Rule 3.09D of the Listing Rules as regards the requirements under the Listing Rules that are applicable to her as a Director and the possible consequences of making a false declaration or giving false information to the Stock Exchange on 15 January 2024. Ms. Huang has confirmed that she understood her obligations as an executive Director.

Corporate Governance Report

A list of Directors and their respective biographies are set out in the section headed "Directors and Senior Management" of this annual report.

Save as disclosed in this annual report, to the best knowledge of the Board, there is no relationship (including financial, business, family or other material relationship(s)) among the Board members.

The Board's composition is in compliance with the requirement under Rule 3.10A and Rule 3.10 of the Listing Rules that the number of independent non-executive Directors must represent at least one-third of the Board and at least one of them possessing appropriate professional qualifications or accounting or related financial management expertise. The Board believes that the balance between the executive Directors and the independent non-executive Directors is reasonable and adequate to provide sufficient checks and balances that safeguard the interests of the Shareholders and the Group.

The Company has received written annual confirmation from each independent non-executive Director of his independence. The Company considers all independent non-executive Directors to be independent in accordance with the independence guidelines set out under Rule 3.13 of the Listing Rules.

According to the code provision C.2.1 of the CG Code, the role of chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established. Mr. Yuan Li currently assumes the role of chairman of the Board while Ms. Tian Tian assumes the role of chief executive officer. The Board considers that this structure could enhance efficiency in formulation and implementation of the Company's strategies.

Each of the Directors (including the non-executive Directors and independent non-executive Directors) has entered into a service contract or an letter of appointment with the Company. The terms of the Directors are set out in the paragraph headed "Directors' Service Contracts" under "Report of the Directors" of this annual report.

In accordance with Article 84(1) of the Articles of Association, notwithstanding any other provisions in the Articles of Association, at each annual general meeting one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years.

In accordance with Article 83(3) of the Articles of Association, the Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the Board or as an addition to the existing Board. Any Director so appointed shall hold office until the first annual general meeting of the Company after his appointment and be subject to re-election.



Corporate Governance Report

The procedures and process of appointment, re-election and removal of Directors are laid down in the Articles of Association. The Nomination Committee (as defined below) is responsible for reviewing the Board composition, considering and formulating the relevant procedures for nomination and appointment of Directors and monitoring the appointment and succession planning of Directors and assessing the independence of the independent non-executive Directors.

Each of the non-executive Directors has entered into a letter of appointment with the Company for an initial fixed term of three years commencing from the Listing Date and will continue thereafter until terminated by not less than one month's notice in writing by served by the non-executive Director to the Company or with immediate effect following the notice in writing served by the Company to the non-executive Director. Each of the independent non-executive Directors has entered into a letter of appointment with the Company for an initial fixed term of one year commencing from the Listing Date and will continue thereafter until terminated by not less than one month's notice in writing by served by the independent non-executive Director to the Company or with immediate effect following the notice in writing served by the Company to the independent non-executive Director.

Mechanisms for the Board to Obtain Independent Views and Opinions

The Board has also established mechanisms to ensure independent views are available to the Board, including providing the Directors with sufficient resources to perform its duties and shall seek, at the Company's expense, independent professional advice to perform its responsibilities if necessary.

The Board shall at all times comprise at least three independent non-executive Directors that represent at least one-third of the Board, such that there is always a strong element of independence on the Board which can effectively exercise independent judgment. All the Directors, including the independent non-executive Directors, are given equal opportunity and channels to communicate and express their views to the Board and have separate and independent access to the management of the Group in order to make informed decisions. The chairman of the Board will hold meetings with the independent non-executive Directors without the involvement of other Directors at least annually to discuss any issues and concerns.

Any Director or his/her associate who has a conflict of interest in a matter to be considered by the Board will be dealt with by a physical Board meeting rather than by written resolutions. Such Director will be required to declare his/her interests before the meeting and abstain from voting and not counted towards the quorum on the relevant resolutions. Independent non-executive Directors who, and whose associates, have no interest in the matter should attend the Board meeting.

The Board has reviewed and considered that the mechanisms are effective in ensuring that independent views and input are provided to the Board during the year ended 31 December 2023.

Training and Continuous Professional Development

Pursuant to code provision C.1.4 of the CG Code, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant.

Each newly appointed Director has been provided with necessary induction and information to ensure that he/she has a proper understanding of the Company's operations and businesses as well as his/her responsibilities under relevant statutes, laws, rules and regulations.

Corporate Governance Report

All the Directors have been updated with the latest developments regarding the Listing Rules and other applicable regulatory requirement to ensure compliance and enhance their awareness of good corporate governance practices. In addition, continuing briefing and professional development to Directors will be arranged whenever necessary.

All the Directors confirmed that they had complied with code provision C.1.4 of the CG Code during the Year, that all Directors had participated in the continuous professional developments in relation to regulatory update, the duties and responsibility of the Directors and the business of the Group including reading materials in relation to regulatory update and/or attending seminar to develop professional skills. The joint company secretaries of the Company (the “**Joint Company Secretaries**”) are responsible for maintaining and updating records for the Directors’ training.

	Reading regulatory updates	Attending expert briefings/seminars/conferences relevant to the business or Directors’ duties
Executive Directors		
Mr. Yuan Li	✓	✓
Ms. Tian Tian	✓	✓
Ms. Fu Jieyun	✓	✓
Non-executive Directors		
Mr. Yu Yang	✓	✓
Mr. Tang Zhiwei	✓	✓
Mr. Luo Jianxing*	✓	✓
Independent Non-executive Directors		
Mr. Teng Bing Sheng	✓	✓
Mr. Liu Hanlin	✓	✓
Mr. Gan Weimin	✓	✓

* Mr. Luo Jianxing resigned as a non-executive Director on 16 January 2023.

Corporate Governance Report

Attendance Records at the Meetings of the Board, the Board Committees and General Meeting

The attendance records of the individual Directors at the meetings of the Board, the Board Committees and the general meeting during the Year are set out as follows:

Directors	Number of Meetings Attended/Held				
	Board	Audit Committee	Remuneration Committee	Nomination Committee	General Meeting
Executive Directors					
Mr. Yuan Li	5/5	N/A	N/A	N/A	1/1
Ms. Tian Tian	4/5	N/A	N/A	N/A	1/1
Ms. Fu Jieyun	4/5	N/A	N/A	1/1	1/1
Non-executive Directors					
Mr. Yu Yang	4/5	2/2	N/A	N/A	1/1
Mr. Tang Zhiwei	4/5	N/A	N/A	N/A	1/1
Mr. Luo Jianxing*	N/A	N/A	N/A	N/A	N/A
Independent Non-executive Directors					
Mr. Teng Bing Sheng	4/5	N/A	1/1	1/1	0/1
Mr. Liu Hanlin	4/5	2/2	1/1	1/1	1/1
Mr. Gan Weimin	4/5	2/2	1/1	N/A	1/1

* Mr. Luo Jianxing resigned as a non-executive Director on 16 January 2023.

The Company expects to convene at least four regular meetings in each financial year at approximately quarterly intervals in accordance with code provision C.5.1 of the CG Code. Notices for all regular Board meetings and the agenda and accompanying Board paper will be given to all Directors at least 14 days before the meetings in order that they have sufficient time to review the papers.

Apart from the regular Board meetings, the Chairman also held a meeting with independent non-executive Directors without the presence of other Directors during the Year.

The Board will hold other Board meetings from time to time whenever necessary. Reasonable notice will be given to all Directors and they can include matters for discussion in the agenda as they think fit.

Minutes of meetings are kept by the Joint Company Secretaries with copies circulated to all Directors or Board Committee members for information and records. Directors who have conflicts of interest in a board resolution have abstained from voting for that resolution.

Corporate Governance Report

The Joint Company Secretaries are responsible for taking and keeping minutes of all Board meetings and Board Committee meetings. In compliance with the code provision C.5.5 of the CG Code, minutes of Board meetings and meetings of Board Committees were recorded in sufficient detail covering the matters considered by the Board and decisions reached, including any concerns raised by the Directors, or dissenting views expressed. Draft and final versions of minutes of Board meetings were sent to all the Directors for their comment and record respectively, in both cases within a reasonable time after the Board meeting was held.

Every Board member has full access to the advice and services of the Joint Company Secretaries with a view to ensuring that Board procedures, and all applicable rules and regulations are followed and they are also entitled to have full access to Board papers and related materials so that they are able to make an informed decision and to discharge their duties and responsibilities.

The Board has established procedure to enable Directors, upon reasonable request, to seek independent professional advice in appropriate circumstances, at the Company's expenses.

CORPORATE GOVERNANCE FUNCTIONS

The Board recognizes that corporate governance should be the collective responsibility of Directors and their corporate governance duties include:

- to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;
- to review and monitor the training and continuous professional development of Directors and senior management;
- to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and
- to review the Company's compliance with the code provisions of the CG Code and disclosure in the corporate governance report under the Listing Rules.

The Board has reviewed the policies and practices on corporate governance and this corporate governance report.

Corporate Governance Report

BOARD COMMITTEES

Audit Committee

The Audit Committee was established by the Company with written terms of reference in compliance with the Rule 3.22 of the Listing Rules and the CG Code as set out in Appendix C1 to the Listing Rules.

During the Year, the Audit Committee consists of three members, namely, Mr. Liu Hanlin and Mr. Gan Weimin, independent non-executive Directors, and Mr. Yu Yang, a non-executive Director. The chairman of the Audit Committee is Mr. Liu Hanlin who holds the appropriate professional qualifications as required under Rule 3.10(2) and Rule 3.21 of the Listing Rules. The primary duties of the Audit Committee are to review and supervise our financial reporting process, to nominate and monitor our external auditors, and to oversee the risk management, internal control procedures and the effectiveness of internal control procedures of the Company.

During the Year, two Audit Committee meetings were held to review (i) the annual financial results for the year ended 31 December 2022 and report and major internal audit issues, re-appointment of external auditor and relevant scope of works and continuing connected transactions and (ii) the interim financial results for the six months ended 30 June 2023.

The Audit Committee also reviewed the financial reporting system, compliance procedures, the effectiveness of the internal audit function, and risk management and internal control systems and processes. The Board had not deviated from any recommendation given by the Audit Committee on the selection, appointment, resignation or dismissal of external auditor. They also reviewed final results of the Group for the financial year as well as the audit report prepared by the external auditor relating to accounting issues and major findings in course of audit. There are proper arrangements for employees, in confidence, to raise concerns about possible improprieties in financial reporting, internal control and other matters. The written terms of reference of the Audit Committee are available on the websites of the Company and the Stock Exchange.

Remuneration Committee

The Remuneration Committee was established by the Company with written terms of reference in compliance with Rule 3.26 of the Listing Rules and the CG Code as set out in Appendix C1 to the Listing Rules.

The Remuneration Committee comprises three independent non-executive Directors, namely Mr. Gan Weimin, Mr. Liu Hanlin and Mr. Teng Bing Sheng. The chairman of the Remuneration Committee is Mr. Gan Weimin. The primary duties of the Remuneration Committee are to make recommendation to the Board on the overall remuneration policy and structure relating to all Directors and senior management of the Company, to make recommendation to the Board to approve the management's remuneration proposals with reference to the Board's corporate goals objectives, to ensure that none of the Board members determine their own remuneration, and to review and/or approving matters relating to share schemes under Chapter 17 of the Listing Rules.

Corporate Governance Report

During the Year, one Remuneration Committee meeting was held for considering and recommending to the Board the remuneration and other benefits paid by the Company to the Directors and senior management and other related matters.

The remuneration of Directors is determined with reference to the qualification, experience, responsibility, performance of the individual, performance of the Group and the market practices.

The Remuneration Committee discussed and reviewed the remuneration policy for Directors and senior management of the Company, made recommendations to the Board on the remuneration packages of individual executive Directors and senior management, assessed the performance of the executive Directors, reviewed the terms of executive directors' service contracts and the share option scheme adopted by the Company, and fulfilled duties as required aforesaid as set out in the code provision E.1.2(c) of the CG Code.

Details of the remuneration by band of the members of senior management of the Company (excluding Directors) for the Year fell within the following bands:

	Number of individuals
Less than RMB1,000,000	2

Nomination Committee

The Nomination Committee was established by the Company with written terms of reference in compliance with the CG Code as set out in Appendix C1 to the Listing Rules.

The Nomination Committee consists of three members, namely, Mr. Teng Bing Sheng and Mr. Liu Hanlin, independent non-executive Directors, and Ms. Fu Jieyun, an executive Director. The chairman of the Nomination Committee is Mr. Teng Bing Sheng. The primary duties of the Nomination Committee are to review the structure, size and composition of the Board and the Board Diversity Policy (as defined below), to identify individuals suitably qualified to become members of the Board, to assess the independence of our independent non-executive Directors, and to make recommendations to the Board on relevant matters relating to appointments of Directors.

During the Year, one Nomination Committee meeting was held to review the structure, size and composition of the Board, assess the independence of independent non-executive Directors and make recommendation to the Board on the re-election of the retiring Directors.

The Company has also received from each independent non-executive Director an annual confirmation of his independence and the Nomination Committee has conducted an annual review and considered that all independent non-executive Directors are independent, taking into account of the independence guidelines set out in Rule 3.13 of the Listing Rules.



Corporate Governance Report

NOMINATION POLICY

In evaluating and selecting any candidate for directorship, the Nomination Committee would consider the criteria, including, among other things, character and integrity, qualifications (cultural and educational background, professional qualifications, skills, knowledge and experience and diversity aspects under the Board Diversity Policy), any potential contributions the candidate can bring to the Board in terms of qualifications, skills, experience, independence and diversity, and willingness and ability to devote adequate time to discharge duties as a member of the Board and/or Board Committee(s).

The Nomination Committee and/or the Board should, upon receipt of the proposal on appointment of new director and the biographical information (or relevant details) of the candidate, evaluate such candidate based on the criteria as set out above to determine whether such candidate is qualified for directorship. The Nomination Committee should then recommend to the Board to appoint the appropriate candidate for directorship with a ranking of the candidates (if applicable) by order of preference based on the needs of the Company and reference check of each candidate.

BOARD DIVERSITY POLICY

The Company embraces the benefits of diversity in the Board and have adopted a board diversity policy (the “**Board Diversity Policy**”) which sets out the objective and approach to achieve and maintain diversity on the Board in order to enhance the effectiveness of the Board and to maintain the high standards of corporate governance. The Board Diversity Policy provides that the Company should endeavor to ensure that the Board members have the appropriate balance of skills, experience and diversity of perspectives that are required to support the execution of its business strategy. Pursuant to the Board Diversity Policy, the Company seeks to achieve Board diversity through the consideration of a number of factors, including but not limited to professional experience, gender, age, cultural background, educational background and length of service.

The Nomination Committee will review the Board's composition under diversified perspectives and monitor the implementation of the Board Diversity Policy annually. During the Year, the Nomination Committee has reviewed the Board's composition (including gender, age, cultural and education background, ethnicity, professional skills, knowledge and length of service) which has been disclosed on pages 21 to 32 in this annual report. Currently, the Board consists of two female Directors and four male Directors with a balanced mix of knowledge and skills. Furthermore, the Board has a wide range of age ranging from 41 years old to 60 years old.

The ultimate decision of the appointment will be based on merit and the contribution which the selected candidates will bring to the Board. The Board believes that such merit-based appointments will best enable the Company to serve the Shareholders and other stakeholders going forward. The Board will consider setting measurable objectives to implement the Board Diversity Policy and review such objectives from time to time to ensure their appropriateness and ascertain the progress made towards achieving those objectives. At present, the Nomination Committee considered that the Board is sufficiently diverse and the Board has not set any measurable objectives. The Nomination Committee will review the Board Diversity Policy, as appropriate, to ensure its effectiveness.

Corporate Governance Report

As at 31 December 2023, female and male employees represented approximately 55.3% and 44.7%, respectively of our total number of employees (including senior management). The Company recognises and embraces the benefits of having a diverse team. We target to have both genders at our Board composition, senior management team and at all levels of our employees. And our recruitment process will mainly consider the aspects of educational background, professional qualifications, skills, knowledge and industry experiences of candidates to mitigate factors or circumstances which make achieving gender diversity across workforce (including senior management) more challenging or less relevant.

REMUNERATION POLICY

The remuneration of Directors and senior executives is determined with reference to benchmarking of relevant competitors in geographical areas where the Group carries on its businesses, career progressions of the individual, economic trend in geographical areas where the Group carry on its businesses, recognition of experience, role contribution; performance of the Group and the individual's performance.

The Directors' fees and all other emoluments paid or payable to the Directors during the Year are set out on an individual and named basis in note 8 to the consolidated financial statements.

JOINT COMPANY SECRETARIES

In order to uphold good corporate governance and ensure compliance with the Listing Rules and the applicable Hong Kong laws, the Company engaged Ms. Ho Yin Kwan and Ms. Fu Jieyun as the company secretaries of the Company, primarily responsible for the corporate secretarial matters of the Company. The secretaries of the company report to the chairman of the Board on Board/committee matters and to the Chief Executive Officer on administrative matters.

The primary contact person at the Company for Ms. Ho Yin Kwan is Ms. Fu Jieyun, an executive Director and the Joint Company Secretary.

The joint company secretaries confirmed that each of them has taken not less than 15 hours of relevant professional training respectively in compliance with Rule 3.29 of the Listing Rules during the year ended 31 December 2023.

AUDITOR'S REMUNERATION

The Group's consolidated financial statements for the year ended 31 December 2023 have been audited by KPMG, Certified Public Accountants. Service fees which shall be paid/payable by the Company to KPMG for the year ended 31 December 2023 amounted to RMB1,800,000.

Service rendered	Fees paid/payable RMB'000
Audit services	1,600
Non-audit services (including financial advisory services)	200
Total	1,800

Corporate Governance Report

DIRECTORS' RESPONSIBILITY ON FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for preparing the financial statements of the Group for the financial year ended 31 December 2023.

The Directors are responsible for overseeing the preparation of financial statements of the Group with a view to ensuring that such financial statements give a true and fair view of the state of affairs of the Group and relevant statutory and regulatory requirements and applicable accounting standards are complied with. The Directors, having made appropriate enquiries, consider that the Company has adequate resources to continue in operational existence for the foreseeable future and that, for this reason, it is appropriate to adopt the going concern basis in preparing the financial statements.

The consolidated financial statements of the Group for the year ended 31 December 2023 have been audited by KPMG in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. The unqualified auditor's report is set out on pages 107 to 114. The financial statements of the Group for the year ended 31 December 2023 have also been reviewed by the Audit Committee.

DIVIDEND POLICY

The Company has adopted dividend policy which does not have any pre-determined dividend payout ratio. In considering any dividend, the Board shall consider the actual and expected financial performance of the Group, retained earnings and distributable reserves of the Company and each of the members of the Group, the level of the Group's debts to equity ratio, return on equity and the relevant financial covenants, any restrictions on payment of dividends that may be imposed by the Group's lenders or other contractual restrictions, the Group's expected working capital requirements and future expansion plans, general economic conditions, business cycle of the Group's business and other internal or external factors that may have an impact on the business or financial performance and position of the Group, and any other factors that the Board deems appropriate. The Board has the absolute discretion to recommend any dividends.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for maintaining sound and effective internal controls to safeguard our business and asset at all times.

The Group has established risk management procedures to address and handle all significant risks associated with the business of the Group. The Board would perform annual review on any significant change of the business environment and establish procedures to response the risks result from significant change of business environment.

The risk management and internal control systems are designed to mitigate the potential losses of the business.

Corporate Governance Report

The management would identify the risks associated with the business of the Group by considering both internal and external factors and events which include politics, economy, technology, environmental, social and staff. Each of risks has been assessed and prioritised based on their relevant impact and occurrence opportunity. The relevant risk management strategy would be applied to each type of risks according to the assessment results, type of risk management strategy has been listed as follow:

- Risk retention and reduction: accept the impact of risk or undertake actions by the Group to reduce the impact of the risks;
- Risk avoidance: change business process or objective so as to avoid the risk;
- Risk sharing and diversification: diversify the effect of the risk or allocate to different location or product or market;
- Risk transfer: transfer ownership and liability to a third party.

The Company has an internal audit function which primarily carries out the analysis and independent appraisal of the adequacy and effectiveness of the financial, operational and compliance controls, and the risk management and internal control systems and reports the review results to the Board on an annual basis. Such procedures are designed to manage rather than to eliminate risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. The review report showed that the Group maintained an effective internal control system and no major control deficiency had been identified during the year ended 31 December 2023. The scope and findings of the review had been reported to and reviewed by the Audit Committee. The Board also reviewed and was satisfied with the adequacy of resources, qualifications and experience of the employees of the Group's accounting and financial reporting function, and their training programmes and budget.

The Board has received a confirmation from management on the effectiveness of the risk management and internal control systems.

The Board is not aware of any significant internal control and risk management weaknesses nor significant breach of limits or risk management policies, and considers that the current internal control systems of the Company are effective and adequate and that the qualifications and experience of the staff, performing accounting and financial reporting functions and the training programmes of the Company as well as the experiences and resources for setting the budget of the Company are adequate. The Company has complied with the requirements under D.2.1 to D.2.5 and D.3.3 of the CG Code relating to risk management and internal control.



Corporate Governance Report

ANTI-CORRUPTION AND WHISTLE-BLOWING POLICIES

The Company regards knowledge of and compliance with laws as the foundation of our business. The Group always adheres to its core values and establish an honest, trustworthy and transparent business environment. In order to ensure the compliance of the Company's business operations and the suitability of relevant regulations in the industry, the Group has formulated internal policies which cover management system in different scopes, including board governance, business operations, financial management, personnel management, general management and information security. The Group will regularly review the prevailing laws and regulations, industry norms and its business development, so as to update and revise the compiled articles in due course. During the Year, the Group was not aware of any non-compliance with relevant laws and regulations relating to bribery, extortion, fraud and money laundering.

In additions, the Company attaches great importance to the corporate culture of integrity and anti-corruption, adheres to the highest standards of ethics and business integrity at all times, and abides by the laws and regulations to prevent bribery, corruption, money laundering and fraud in its business operation. The Group has formulated the anti-corruption and anti-bribery policies which are required to be strictly followed by all employees.

The Group has also formulated sound whistle-blowing policies to encourage all directors, employees and third parties (including customers and suppliers of the Company) to report any misconduct, dereliction of duty or violations. The whistle-blower can report any suspected illegal acts or dereliction of duty to the Company in the form of writing such as mails or e-mails. The identity of the whistle-blower will be kept strictly confidential. The whistle-blowing mechanism is coordinated by the Group's internal audit department. Upon receiving whistle-blowing incidents, the department will analyse and sort out the whistle-blowing information. After preliminary review and verification, if it is believed that the reported person does have the facts of disciplinary violations, the investigation shall be formally filed and handled in accordance with the relevant regulations of the discipline inspection and supervision department. During the Year, the Company did not have any lawsuits related to corruption, nor violated relevant laws and regulations that have a significant impact on the operations of the Company. There was no concluded legal cases regarding corrupt practices brought against its employees during the Year.

SHAREHOLDERS' RIGHTS

To safeguard Shareholders' interests and rights, a separate resolution will be proposed for each issue at general meeting, including the election of individual Director(s). All resolutions put forward at general meetings will be voted by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and the Stock Exchange in a timely manner after each general meeting.

Procedures for Shareholders to Convene an Extraordinary General Meeting

Shareholders are encouraged to attend all general meetings of the Company. Pursuant to Article 58 of the Articles of Association, the Board may whenever it thinks fit call extraordinary general meetings (the "EGM"). Any one or more Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company, on a one vote per share basis, shall at all times have the right, by written requisition to the Board or the secretary(ies) of the Company, to require an EGM to be called by the Board for the transaction of any business or resolution specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company. The notice period to be given to all the registered members for consideration of the proposal raised by the requisitionist(s) concerned at the EGM as follows: At least fourteen (14) clear days' notice in writing (and not less than ten (10) clear business days). Such requisition shall be made in writing to the Board or the secretary(ies) of the Company to the principal place of business of the Company in Hong Kong or by email to ir@litian.tv for the attention to the Board or the Joint Company Secretaries.

All resolutions put forward at general meetings will be voted by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and the Stock Exchange in a timely manner after each general meeting.

Procedures for Shareholders to Put Forward Proposals at Shareholders' Meetings

There are no provisions allowing Shareholders to move new resolutions at the general meetings under the Companies Law (Revised) of Cayman Islands. However, pursuant to the Articles of Association, Shareholders who wish to move a resolution may by means of requisition convene an EGM following the procedures set out above.

Corporate Governance Report

Procedures for Shareholders to Propose a Person for Election as a Director

If a Shareholder duly qualified to attend and vote at the general meeting convened to deal with appointment/election of Director(s) wishes to propose another person ("**Candidate**") for election as a Director at a general meeting, he/she should deposit (i) a written notice ("**Proposal Notice**") signed by the Shareholder of his/her intention to propose the Candidate for election as a Director; and (ii) a written notice ("**Consent Notice**") signed by the Candidate of his/her willingness to be elected, at either of the Hong Kong branch share registrar and transfer office or the principal place of business of the Company in Hong Kong during a period, which shall be at least seven days, and if submitted after despatch of the notice of the general meeting appointed for such election, commencing no earlier than the day after the despatch of the notice of the general meeting and ending no later than seven days before the date of such general meeting. To enable the Shareholders to make an informed decision on their election at a general meeting, the Company shall publish an announcement or issue a supplementary circular as soon as practicable after the receipt of the Proposal Notice and the Consent Notice. The Company shall include particulars of the Candidate in the announcement or the supplementary circular. The Company shall assess whether or not it is necessary to adjourn the meeting for the election to give Shareholders at least 10 business days to consider the relevant information disclosed in the announcement or the supplementary circular.

Shareholders' Inquires

Shareholders should direct their questions about their shareholdings, share transfer, registration and payment of dividends to the Company's branch share registrar in Hong Kong, details of which are as follows:

Tricor Investor Services Limited

Address: 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong

Email: is-enquiries@hk.tricorglobal.com

HK Tel: (852) 2980 1333

Fax: (852) 2810 8185

Shareholders may, at any time, direct enquiries to the Board. All enquiries shall be in writing and sent by post to the principal place of business of the Company in Hong Kong or by email to ir@litian.tv for the attention to the Board and the Joint Company Secretaries.

SHAREHOLDERS COMMUNICATION POLICY

The Company recognises the importance of communications with the Shareholders as well as potential investors. This shareholders communication policy aims to set out the provisions with the objective of ensuring that the Shareholders and potential investors are provided with ready, equal and timely access to balanced and understandable information about the Company, in order to enable Shareholders to exercise their rights in an informed manner, and to allow Shareholders and potential investors to engage actively with the Company. Via the Company's website at www.litian.tv, Shareholders can obtain updated and key information on the major developments of the Group. Information, such as financial statements, results announcements, circulars, notices of general meetings and all announcements, released by the Company on the Stock Exchange's at <http://www.hkexnews.hk> is also posted on the Company's website immediately thereafter.

The Board has reviewed the implementation and effectiveness of the Shareholders' communication policy. It is satisfied that the shareholders communication policy has been implemented during the Year and is effective.

GOING CONCERN

The Directors draw attention to Note 2(b) to the consolidated financial statements of the Group for the financial year ended 31 December 2023, 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. The auditor's conclusion is not modified in respect of this matter.

These financial statements have been prepared on a going concern basis even though there are material uncertainties as explained in Note 2(b). In view of these, the directors of the Company have been given considerations to future liquidity and performance in assessing whether the Group will have sufficient financial resources to continue as a going concern. Should the Group fail to achieve the intended effects resulting from the measures as mentioned in Note 2(b), it may not be able to operate as a going concern and adjustments would have to be made to write down the carrying amounts of the Group's assets to their recoverable amounts and to provide for future liabilities that may arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively.

The Directors, having made appropriate enquiries, consider that the Company has adequate resources to continue in operational existence for the foreseeable future and that, for this reason, it is appropriate to adopt the going concern basis in preparing the financial statements.

MANAGEMENT OF INSIDE INFORMATION

In order to promote transparency, accountability and responsibility in respect of the operation of a listed company, and for the maintenance of good corporate governance, the Company, assisted by legal advisors and financial advisors, would notify the Stock Exchange and make relevant disclosure to the public as soon as practicable of any inside information of the Company pursuant to the Listing Rules and SFO.

CHANGE IN CONSTITUTIONAL DOCUMENTS

On 29 May 2023, the Company has made certain changes to the Articles of Association according to newly adopted requirements in accordance with the Listing Rules. The latest version of the Articles of Association is available on the Company's website and the Stock Exchange's website. Save as disclosed above, there had been no significant change in the Company's constitutional documents throughout the Year.



Report of the Directors

The Board is pleased to present the report of the Directors together with the audited consolidated financial statements of the Group for the year ended 31 December 2023.

GLOBAL OFFERING

The Company is an exempted company incorporated in the Cayman Islands with limited liability on 17 June 2019.

The Company carried out the global offering in 2020 comprising 75,000,000 Shares at HK\$2.56 per Share and the Shares were listed on the Stock Exchange on 22 June 2020. For details of the relevant use of proceeds, please refer to the paragraph headed "Use of Net Proceeds" in the section headed "Management Discussion and Analysis" of this annual report.

PRINCIPAL ACTIVITIES

The Group is primarily engaged in the production, distribution and licensing of broadcasting rights of drama series in the PRC.

RESULTS

The results of the Group for the year ended 31 December 2023 are set out in the consolidated statement of profit or loss and other comprehensive income on page 115 of this annual report.

FINAL DIVIDEND

The Board resolved not recommend the payment of final dividends by the Company for the year ended 31 December 2023 (2022: Nil).

BUSINESS REVIEW

The business review of the Group for the year ended 31 December 2023 and the discussion regarding the future business development of the Group are set out in the sections headed "Chairman's Statement" and "Management Discussion and Analysis" of this annual report.

FINANCIAL SUMMARY

The financial summary of the Group for the last five financial years is set out on page 176 of this annual report.

RISKS AND UNCERTAINTIES

An analysis of the Group's financial risk management (including credit risk, interest rate risk and liquidity risk) are provided in note 25 to the consolidated financial statements. Other risks facing the Group are set out in the section headed "Risk Factors" of the Prospectus.

ANALYSIS USING FINANCIAL KEY PERFORMANCE INDICATORS

The analysis of the Group's performance for the year ended 31 December 2023 with key financial performance indicators is set out under the paragraphs headed "Key Financial Ratios" in the section headed "Management Discussion and Analysis" of this annual report.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to contributing to the sustainability of the environment and is committed to becoming an environmentally-friendly corporation. Details of our environmental, social and governance policies and performance during the year ended 31 December 2023 is set out in the section headed of "Environmental, Social and Governance Report" of this annual report.

MAJOR CUSTOMERS AND SUPPLIERS

During the Year, sales to the Group's five largest customers accounted for 88.1% of the total sales for the Year and sales to the largest customer included therein amounted to 39.9%. During the Year, the purchases from the Group's five largest suppliers represented 63.2% of the total purchases for the Year and the purchases from the largest supplier represented 20.3% of the total purchases for the Year. None of the Directors of the Company or any of their associates or any Shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers or suppliers during the Year.

COMPLIANCE WITH LAWS AND REGULATIONS

As far as the Board is aware, the Group has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Group.

RELATIONSHIPS WITH STAKEHOLDERS

The Group's success depends on the support from key stakeholders which comprise our Directors and senior management members, employees, customers and suppliers.

Employees

Committed to establishing a competitive, fair remuneration and benefits system, we continually refine our remuneration and incentive policies through market research and comparison with our competitors, in order to ensure that our employees receive competitive remuneration packages.

Effective talent management is the foundation for the Group's successful long-term development. The Group greatly values its employees and will continue to attract, cultivate and retain talent through its internal training programs. The Group offers salaries and benefits to its employees that are competitive in the geographic location where the Group conducts business to manage employee attrition.



Report of the Directors

Customers

Our Group's major customers primarily include TV channels (including satellite TV channels and terrestrial TV channels) and online media platforms.

Suppliers

Our Group's major suppliers primarily include (i) producers or copyrights owners of the drama series, who license the copyrights or broadcasting rights of the drama series to us; and (ii) third-party service providers relating to drama series production and promotional activities.

Our Group generally engage suppliers through a variety of methods, including, but not limited to, television festivals, supplier publicity materials, peer recommendations and referrals from TV channels. We select suppliers based on their reputation, past experience, the scope of the task and the quality of services/products to be provided and their proposed prices.

SEGMENT INFORMATION

Details of the segment information of the Group for the year ended 31 December 2023 are set out in section headed "Management Discussion and Analysis" of this annual report and note 4 to the consolidated financial statements.

RESERVES AND DISTRIBUTABLE RESERVE

Details of movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity. Please refer to note 24 to the consolidated financial statements of this report for details of the Company's distributable reserve as at 31 December 2023.

SHARE CAPITAL

Details of movements in the share capital of the Company for the year ended 31 December 2023 and details of the Shares issued during the year ended 31 December 2023 are set out in note 24 to the consolidated financial statements.

DEBENTURE

The Company did not issue any debentures during the year ended 31 December 2023.

EQUITY-LINKED AGREEMENTS

Save as disclosed in the paragraph headed "Share Option Scheme" below, the Company did not enter into any equity-linked agreements during the year ended 31 December 2023.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the year ended 31 December 2023 are set out in note 11 to the consolidated financial statements.

CHARITABLE DONATIONS

During the year ended 31 December 2023, the Company did not make any charitable and other donations.

BORROWINGS

Particulars of borrowings of the Group as at 31 December 2023 are set out in the paragraph headed "Liquidity and Financial Resources" in the section headed "Management Discussion and Analysis" of this annual report and note 21 to the consolidated financial statements.

DIRECTORS

During the year ended 31 December 2023 and up to the date of this annual report is as follows:

Executive Directors

Mr. Yuan Li (*Chairman*)

Ms. Tian Tian (*Chief Executive Officer*)

Ms. Fu Jieyun

Ms. Huang Jingyu (*appointed on 19 January 2024 and resigned on 26 April 2024 to devote more time to her personal endeavors*)

Non-Executive Directors

Mr. Yu Yang (*resigned on 26 April 2024 to devote more time to his personal endeavors*)

Mr. Tang Zhiwei (*resigned on 26 April 2024 to devote more time to his personal endeavors*)

Mr. Luo Jianxing (*resigned on 16 January 2023 to pursue other personal commitments*)

Independent Non-Executive Directors

Mr. Teng Bing Sheng

Mr. Liu Hanlin

Mr. Gan Weimin

In accordance with Article 84(1) of the Articles of Association, Mr. Yuan Li, Ms. Tian Tian and Ms. Fu Jieyun shall retire by rotation at the forthcoming annual general meeting of the Company and, being eligible, have offered themselves for re-election at the forthcoming annual general meeting.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and the senior management of the Company are set out in the section headed "Directors and Senior Management" of this annual report.



Report of the Directors

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service contract with the Company for an initial fixed term of three years commencing from the Listing Date and will continue thereafter until terminated by not less than three months' notice in writing served by either party on the other, which notice shall not expire until after the fixed term.

Each of the non-executive Directors has entered into a letter of appointment with the Company for an initial fixed term of three years commencing from the Listing Date and will continue thereafter until terminated by not less than one month's notice in writing by served by the non-executive Director to the Company or with immediate effect following the notice in writing served by the Company to the non-executive Director.

Each of the independent non-executive Directors has entered into a letter of appointment with the Company for an initial fixed term of one year commencing from the Listing Date and will continue thereafter until terminated by not less than one month's notice in writing by served by the independent non-executive Director to the Company or with immediate effect following the notice in writing served by the Company to the independent non-executive Director.

Relevant appointments shall be in accordance with the requirements on Directors' retirement by rotation under the Articles of Association and the applicable Listing Rules.

Save as disclosed above, none of the Directors has a service contract with the Company which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

CHANGES TO INFORMATION IN RESPECT OF THE DIRECTORS

Save as disclosed in the section headed "Directors and Senior Management" of this annual report, during the year ended 31 December 2023, there was no change to the information required to be disclosed by the Directors pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) of the Listing Rules, where applicable.

PERMITTED INDEMNITY PROVISION

The Articles of Association provides that, amongst others, the Directors and other officers of the Company acting or who have acted in relation to any of the affairs of the Company shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty, or supposed duty, in their respective offices provided that this indemnity shall not extend to any matter in respect of any fraud or dishonesty which may attach to any of the said persons. Such provision and the Directors and Officers Liability Insurance Policy maintained by the Company which provides insurance coverage for liabilities of the Directors and officers the Group were in force during the year ended 31 December 2023 and remained in force as of the date of this annual report. The insurance coverage will be reviewed on an annual basis.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS THAT ARE SIGNIFICANT IN RELATION TO THE GROUP'S BUSINESS

Other than disclosed in the section headed "Material Related Party Transactions" in note 27 to the consolidated financial statements contained in this annual report, no transaction, arrangement and contract of significance to the business of the Group which the Company or any of its subsidiaries was a party, and in which a Director or any entity connected with such a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year ended 31 December 2023.

EMOLUMENTS OF DIRECTORS, CHIEF EXECUTIVE AND THE FIVE HIGHEST PAID INDIVIDUALS

The Directors' fees are subject to Shareholders' approval at general meetings. Other emoluments are recommended by the Remuneration Committee and determined by the Board with reference to the Directors' duties, responsibilities and performance and the results of the Group. No Director, or any of their respective associates, was involved in deciding his/her own remuneration.

Details of the emoluments of the Directors, chief executive and the five highest paid individuals of the Group are set out in notes 8 and 9 to the consolidated financial statements.

During the year ended 31 December 2023, none of the Directors had waived or agreed to waive any remuneration and there were no emoluments paid by the Group to any of the Directors as an inducement to join, or upon joining the Group, or as compensation for loss of office.

EMOLUMENT POLICY

The emolument policy of the Group is on the basis of the qualifications and contributions of individuals to the Group. The Company has adopted a share option scheme as an incentive to eligible participants, details of which are set out in the paragraph headed "Share Option Scheme" below. Details of the retirement benefits scheme are set out in the paragraph headed "Retirement Benefits Scheme" below.

RETIREMENT BENEFITS SCHEME

The employees of the Group are members of the state-managed retirement benefits scheme operated by the PRC government. The employees of the Group are required to contribute a certain percentage of their payroll to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to this retirement benefits scheme is to make the required contributions under the scheme.

Particulars of the employee retirement benefits of the Group are set out in note 6 to the consolidated financial statements.

Report of the Directors

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year ended 31 December 2023, none of the Directors or their respective close associates (as defined in the Listing Rules) had any interest in a business that competed or was likely to compete, either directly or indirectly, with the business of the Group, other than being a director of the Company and/or its subsidiaries.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Other than the Share Option Scheme, at no time during the Year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefit by means of the acquisition of shares in, or debentures of, the Company or any other body corporate and none of the Directors or any of their respective spouses or children under the age of 18 were granted any right to subscribe for the share in, or debentures of, the Company or any other body corporate or had exercised any such right.

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

As of 31 December 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	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	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%

Report of the Directors

Notes:

- (1) As of 31 December 2023, the total number of issued Share of the Company was 300,000,000 Shares.
- (2) Mr. Yuan 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 is the spouse of Mr. Yuan. Therefore, Mr. Yuan is deemed to be interested in the Shares held by Marshal Investment under the SFO.
- (4) Ms. 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 is the spouse of Ms. Tian. Therefore, Ms. 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. and she is therefore deemed to be interested in the Shares held by Sky Development Investment Co. Ltd. under the SFO.

(ii) Interests in associated corporations of the Company

Name	Name of associated corporation	Capacity/ Nature of interest	Long/short position	Registered capital of the associated corporation	Approximate percentage of shareholding in the associated corporation
Mr. Yuan	LiTian TV & Film	Beneficial owner	Long position	14.0 million	30.35%
		Spouse interest ⁽¹⁾	Long position	13.2 million	28.61%
Ms. 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 is the spouse of Mr. Yuan. 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 31 December 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.

Report of the Directors

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

As of 31 December 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 31 December 2023, the total number of issued Shares of the Company was 300,000,000 Shares.

(2) Joint Fortune is owned by Ms. Li Yiwei and Mr. Xie Ailong as to 40% and 60%. Therefore, Ms. Li and Mr. Xie are deemed to be interested in the Shares held by Joint Fortune under the SFO.

Save as disclosed above, as of 31 December 2023, to the knowledge of the Directors, no other persons (not being 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.

CONTRACTS OF SIGNIFICANCE WITH CONTROLLING SHAREHOLDER

Save as disclosed under the section headed "Material Related Party Transactions" stated in note 27 to the consolidated financial statements, there was no contract of significance entered into between the Company, or any of its subsidiaries, and a controlling Shareholder of the Company, or any of its subsidiaries, during the year ended 31 December 2023.

SHARE OPTION SCHEME

The following is a summary of principal terms of the Share Option Scheme conditionally approved by a resolution of the then shareholder of the Company passed on 24 May 2020 and adopted by a resolution of the Board on 24 May 2020 (the "**Adoption Date**"). The terms of the Share Option Scheme are in compliance with the provisions of Chapter 17 of the Listing Rules.

(a) Purpose

The purpose of the Share Option Scheme is to give the Eligible Persons (as defined 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.

(b) Who may join

The Board may, at its absolute discretion, offer options ("**Options**") to subscribe for such number of Shares in accordance with the terms set out in the Share Option Scheme to:

- (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 ("**Employee**");
- (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;

Report of the Directors

- (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 (the person referred above are the "**Eligible Persons**").

Pursuant to the amendments to 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.

(c) **Maximum number of Shares**

The maximum number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes of the Group shall not in aggregate exceed 10% of the Shares in issue as at the Listing Date (such 10% limit representing 30,000,000 Shares) excluding Shares which may fall to be issued upon the exercise of the Over-allotment Option granted by the Company (the "**Scheme Mandate Limit**") provided that:

- (a) the Company may at any time as the Board may think fit seek approval from the Shareholders to refresh the Scheme Mandate Limit, save that the maximum number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes of the Company shall not exceed 10% of the Shares in issue as at the date of approval by the Shareholders in general meeting where the Scheme Mandate Limit is refreshed. Options previously granted under the Share Option Scheme and any other schemes of the Company (including those outstanding, cancelled, lapsed or exercised in accordance with the terms of the Share Option Scheme or any other schemes of the Company) shall not be counted for the purpose of calculating the Scheme Mandate Limit as refreshed. The Company shall send to the Shareholders a circular containing the details and information required under the Listing Rules;
- (b) the Company may seek separate approval from the Shareholders in general meeting for granting Options beyond the Scheme Mandate Limit, provided that the Options in excess of the Scheme Mandate Limit are granted only to the Eligible Person specified by the Company before such approval is obtained. The Company shall issue a circular to the Shareholders containing the details and information required under the Listing Rules; and
- (c) the maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other schemes of the Group shall not exceed 30% of the Company's issued share capital from time to time. No Options may be granted under the Share Option Scheme and any other share option scheme of the Company if this will result in such limit being exceeded.

(d) Maximum entitlement of each participants

No Option may be granted to any one person such that the total number of Shares issued and to be issued upon exercise of Options granted and to be granted to that person in any 12-month period exceeds 1% of the Company's issued share capital from time to time. Where any further grant of Options to such an Eligible Person would result in the Shares issued and to be issued upon exercise of all Options granted and to be granted to such Eligible Person (including exercised, cancelled and outstanding Options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the Shares in issue, such further grant shall be separately approved by the Shareholders in general meeting with such Eligible Person and his close associates (or his associates if such Eligible Person is a connected person) abstaining from voting. The Company shall send a circular to the Shareholders disclosing the identity of the Eligible Person, the number and terms of the Options to be granted (and Options previously granted) to such Eligible Person, and containing the details and information required under the Listing Rules. The number and terms (including the subscription price) of the Options to be granted to such Eligible Person must be fixed before the approval of the Shareholders and the date of the Board meeting proposing such grant shall be taken as the offer date for the purpose of calculating the subscription price of those Options.

(e) Offer and grant of Options

Subject to the terms of the Share Option Scheme, the Board shall be entitled at any time within 10 years from the Adoption Date to offer the grant of an Option to any Eligible Person as the Board may in its absolute discretion select to subscribe at the subscription price for such number of Shares as the Board may (subject to the terms of the Share Option Scheme) determine (provided the same shall be a board lot for dealing in the Shares on the Stock Exchange or an integral multiple thereof).

(f) Restriction on the time of grant of Options

The Board shall not grant any Option under the Share Option Scheme after inside information has come to its knowledge until such inside information has been announced pursuant to the requirements of the Listing Rules. In particular, no Option shall be granted during the period commencing one month immediately preceding the earlier of the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of the Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules) and the deadline for the Company to publish an announcement of its results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules), and ending on the date of the results announcements.

Report of the Directors

(g) Minimum holding period, vesting and performance target

Subject to the provisions of the Listing Rules, the Board may in its absolute discretion when offering the grant of an Option impose any conditions, restrictions or limitations in relation thereto in addition to those set forth in the Share Option Scheme as the Board may think fit (to be stated in the letter containing the offer of the grant of the Option) including (without prejudice to the generality of the foregoing) qualifying and/or continuing eligibility criteria, conditions, restrictions or limitations relating to the achievement of performance, operating or financial targets by the Company and/or the grantee, the satisfactory performance or maintenance by the grantee of certain conditions or obligations or the time or period before the right to exercise the Option in respect of any of the Shares shall vest provided that such terms or conditions shall not be inconsistent with any other terms or conditions of the Share Option Scheme. For the avoidance of doubt, subject to such terms and conditions as the Board may determine as aforesaid (including such terms and conditions in relation to their vesting, exercise or otherwise) there is no minimum period for which an Option must be held before it can be exercised and no performance target which need to be achieved by the grantee before the Option can be exercised.

(h) Amount payable for Options and offer period

An offer of the grant of an Option shall remain open for acceptance by the Eligible Person concerned for a period of 28 days from the offer date provided that no such grant of an Option may be accepted after the expiry of the effective period of the Share Option Scheme. An Option shall be deemed to have been granted and accepted by the Eligible Person and to have taken effect when the duplicate offer letter comprising acceptance of the offer of the Option duly signed by the grantee together with a remittance in favor of the Company of HK\$1.00 by way of consideration for the grant thereof is received by the Company on or before the date upon which an offer of an Option must be accepted by the relevant Eligible Person, being a date no later than 28 days after the offer date (the "**Acceptance Date**"). Such remittance shall in no circumstances be refundable.

Any offer of the grant of an Option may be accepted in respect of less than the number of Shares in respect of which it is offered provided that it is accepted in respect of board lots for dealing in Shares on the Stock Exchange or an integral multiple thereof and such number is clearly stated in the duplicate offer letter comprising acceptance of the offer of the Option. To the extent that the offer of the grant of an Option is not accepted by the Acceptance Date, it will be deemed to have been irrevocably declined.

(i) Subscription price

The subscription price in respect of any particular Option shall be such price as the Board may in its absolute discretion determine at the time of grant of the relevant Option (and shall be stated in the letter containing the offer of the grant of the Option) but the subscription price shall not be less than whichever is the highest of:

- (a) the nominal value of a Share;
- (b) the closing price of a Share as stated in the Stock Exchange's daily quotations sheet on the offer date; and
- (c) the average closing price of a Share as stated in the Stock Exchange's daily quotations sheets for the 5 Business Days (as defined in the Listing Rules) immediately preceding the offer date.

(j) Life of Share Option Scheme

Subject to the terms of this Share Option Scheme, the Scheme shall be valid and effective for a period of 10 years from the date on which it becomes unconditional, after which no further options will be granted or offered but the provisions of the Share Option Scheme shall remain in force and effect in all other respects. All Options granted prior to such expiry and not then exercised shall continue to be valid and exercisable subject to and in accordance with the Share Option Scheme. As at the date of this report, the remaining life of the Share Option Scheme is six years and 1 month.

For further details of the Share Option Scheme, please refer to the section headed "Statutory and General Information – F. Share Option Scheme" in Appendix V to the Prospectus.

No share options have been granted since the Adoption Date and there are no outstanding share options as at 31 December 2023. The number of options available for grant under the Scheme Mandate Limit at the beginning and the end of the Year 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 Share as at 31 December 2023 and the date of this annual report.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

CONTINUING DISCLOSURE OBLIGATIONS PURSUANT TO THE LISTING RULES

Save as disclosed in this annual report, the Company does not have any other disclosure obligations under Rules 13.20, 13.21 and 13.22 of the Listing Rules.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association and the laws of Cayman Islands, being the jurisdiction in which the Company is incorporated, which would oblige the Company to offer new shares on a pro-rata basis to existing Shareholders.

CONNECTED TRANSACTIONS

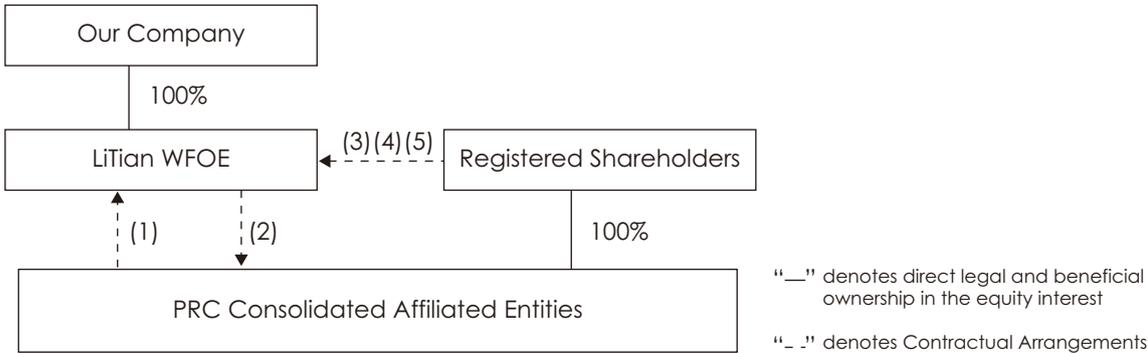
Non-exempt Continuing Connected Transactions Contractual Arrangements

Background

The Group is primarily engaged in the business of licensing the broadcasting rights of self-produced and outright-purchased drama series. In addition, we are also engaged in other businesses which include (i) acting as a distribution agent of the broadcasting rights of TV series; (ii) selling drama series scripts; and (iii) investing in drama series in which we act as a non-executive producer.

The Group conducts its business and investment through its Consolidated Affiliated Entities, which hold the requisite permit and approval required for our business, including the Licence to Produce and Distribute Radio or Television Programmes. Under the applicable PRC laws and regulations, foreign investors are prohibited from holding equity interest in any enterprise conducting the production and operation of drama series. As a result, the Company is not able to acquire and hold the equity interest in the Consolidated Affiliated Entities under the applicable PRC laws and regulations. In order to comply with the PRC laws and regulations as set out above while availing ourselves of international capital markets and maintaining effective control over all of our operations, on 14 October 2019, our wholly-owned subsidiary, LiTian WFOE, entered into various agreements that constitute the Contractual Arrangements with, among others, LiTian TV & Film, under which all economic benefits arising from the business of our Consolidated Affiliated Entities are transferred to LiTian WFOE to the extent permitted under the PRC laws and regulations by means of service fees payable by our Consolidated Affiliated Entities to LiTian WFOE. The Registered Shareholders are parties to certain agreements which constitute the Contractual Arrangements to ensure that the relevant interests of our Consolidated Affiliated Entities are actually controlled by LiTian WFOE.

The following simplified diagram illustrates the flow of economic benefits from the Consolidated Affiliated Entities to our Group stipulated under the Contractual Arrangements:



Notes:

- (1) Payment of service fee.
- (2) Provision of exclusive technical and management consultancy services.
- (3) Exclusive call option to acquire all or part of the Registered Shareholders' interest in LiTian TV & Film.
- (4) Pledge of equity interest by the Registered Shareholders of their equity interest in LiTian TV & Film.
- (5) Entrustment of Registered Shareholders' right including Registered Shareholders' power of attorney.

Summary of the Material Terms of the Contractual Arrangements

(1) Exclusive Consultancy and Service Agreement

Pursuant to the exclusive consultancy and service agreement (the “**Exclusive Consultancy and Service Agreement**”) dated 14 October 2019 entered into between LiTian WFOE and LiTian TV & Film, LiTian TV & Film agreed to engage LiTian WFOE as its exclusive provider of technical support, consultation and other services.

Under the Exclusive Consultation and Service Agreement, the service fee shall consist of 100% of the total consolidated profit of LiTian TV & Film together with dividends received from its subsidiaries, after offsetting the prior-year loss (if any), operating costs, expenses, taxes and other statutory contributions. Notwithstanding the foregoing, LiTian WFOE shall have the right to adjust the amount of service fees based on the service scope. LiTian TV & Film shall make payment to the bank account designated by LiTian WFOE upon the written request of LiTian WFOE, quarterly or annually within the specified time.

In addition, absent the prior written consent of LiTian WFOE, during the term of the Exclusive Consultation and Service Agreement, with respect to the services subject to the Exclusive Consultation and Service Agreement and other matters, LiTian TV & Film shall not, and shall procure the Consolidated Affiliated Entities not to, directly or indirectly accept the same or any similar services provided by any third party, establish cooperation relationships similar to that formed by the Exclusive Consultation and Service Agreement with any third party, or in its own initiative perform any acts which might affect the confidentiality of the technology and secrets involved in the service provided by LiTian WFOE or the effectiveness and efficiency of the technical supports or allow any third party to do the same.

The Exclusive Consultation and Service Agreement also provides that LiTian WFOE has the sole exclusive proprietary rights to and interests in any and all intellectual property rights generated, developed or created by LiTian TV & Film during the performance of the Exclusive Consultation and Service Agreement.

The validity period of the Exclusive Consultation and Service Agreement shall start from the execution date and shall remain effective unless (a) terminated by written agreement between LiTian WFOE and LiTian TV & Film; or (b) all the equity interest of LiTian TV & Film have been legally transferred to LiTian WFOE or nominee(s) designated by LiTian WFOE; or (c) terminated in accordance with the provisions of the Exclusive Consultation and Service Agreement. Additionally, LiTian WFOE shall have the right to terminate the agreement by giving written notice of termination.

Report of the Directors

(2) *Exclusive Call Option Agreement*

Pursuant to the exclusive call option agreement (the "**Exclusive Call Option Agreement**") dated 14 October 2019 entered into among LiTian WFOE, the Registered Shareholders and LiTian TV & Film, LiTian WFOE has been granted an irrevocable, unconditional and exclusive right to require the Registered Shareholders to transfer any or all of their equity interests in LiTian TV & Film to LiTian WFOE and/or its designated third party (excluding non-independent persons or persons who may give rise to conflicts of interests), in whole or in part at any time and from time to time (the "**Exclusive Call Option**").

The validity period of the Exclusive Call Option Agreement shall take effect upon the execution date and shall remain effective unless terminated (a) when the entire equity interests held by the Registered Shareholders or their successors or the transferees in LiTian TV & Film have been transferred to LiTian WFOE or nominee(s) designated by LiTian WFOE; or (b) by written notice from LiTian WFOE or any of the Registered Shareholders.

(3) *Equity Pledge Agreements*

Pursuant to the equity pledge agreements (the "**Equity Pledge Agreements**") dated 14 October 2019 entered into among LiTian WFOE, each of the Registered Shareholders and LiTian TV & Film, the Registered Shareholders agreed to unconditionally and irrevocably pledge all their respective equity interests in LiTian TV & Film, including any interest or dividend paid arising therefrom, to LiTian WFOE as a security interest to guarantee the performance of contractual obligations and other payment obligations under the Equity Pledge Agreement, including but not limited to liquidated damages, compensations and relevant expense (the "**Secured Indebtedness**").

Under the Equity Pledge Agreements, the Registered Shareholders represent and warrant to LiTian WFOE that appropriate arrangements have been made to protect LiTian WFOE's interests in the event of death, bankruptcy, divorce or other circumstances relating to the Registered Shareholders which may affect the exercise of its/his/her direct or indirect equity interest in LiTian TV & Film.

If LiTian TV & Film declares any dividend during the term of the pledge, LiTian WFOE is entitled to receive all such dividends, bonus issue or other income arising from the pledged equity interests, if any. If any of the Registered Shareholders or LiTian TV & Film breaches or fails to fulfill the obligations under the agreements underlying the Contractual Arrangements (other than the Spouse Undertaking), LiTian WFOE, as the pledgee, has the priority to be indemnified from the proceeds from the disposal of pledged equity interests. In addition, pursuant to the Equity Pledge Agreements, each of the Registered Shareholders and LiTian TV & Film has undertaken to LiTian WFOE, among other things, not to increase or reduce the registered capital of LiTian TV & Film, transfer the interest in his/her/its equity interests in LiTian TV & Film or create or allow any pledge thereon that may affect the rights and interest of LiTian WFOE without its prior written consent.

The equity pledge shall remain valid until all the contractual obligations of LiTian TV & Film and the Registered Shareholders are satisfied and all Secured Indebtedness are settled in full under the Contractual Arrangements, or the nullification or termination of the Contractual Arrangements, whichever is later.

Upon the occurrence and during the continuance of an event of default (as defined in the Equity Pledge Agreements), unless such default is cured within ten business days following the Registered Shareholders or LiTian TV & Film's receipt of the written notice which requests for the cure of such default, LiTian WFOE shall have the right to exercise all such rights as a secured party under the Equity Pledge Agreements and in compliance with applicable PRC law.

The equity pledge is required to be registered under the relevant laws and regulations. The equity pledge registration of LiTian TV & Film with the Haining Administration for Market Regulation was completed on 13 February 2020.

(4) *Shareholders' Voting Rights Entrustment Agreement*

Pursuant to the shareholders' voting rights entrustment agreement (the "**Shareholders' Voting Rights Entrustment Agreement**") dated 14 October 2019, entered into among LiTian WFOE, the Registered Shareholders and LiTian TV & Film, each of the Registered Shareholders irrevocably, unconditionally and exclusively appointed the persons designated by LiTian WFOE as its attorneys-in-fact to exercise on his/her/its behalf, any and all shareholder's right that he/she/it has in respect of its equity interests in LiTian TV & Film.

The Shareholders' Voting Rights Entrustment Agreement has an indefinite term and will only be terminated when (i) all the equity interest or assets have been legally and effectively transferred to LiTian WFOE or its appointed representative in accordance with the Exclusive Option Agreement; (ii) LiTian WFOE terminates this Shareholders' Voting Rights Entrustment Agreement in accordance with the provisions herein; or (iii) this agreement is terminated pursuant to the operation of laws of the PRC. In addition, LiTian WFOE shall have the right to terminate this agreement by giving written notice to the Registered Shareholders and LiTian TV & Film.

(5) *Shareholders' Powers of Attorney*

Pursuant to the Shareholders' Powers of Attorney dated 14 October 2019 and executed by the Registered Shareholder in favor of LiTian WFOE, each of the Registered Shareholder irrevocably authorized and appointed LiTian WFOE, as his/her/its agent to act on his/her/its behalf to exercise or delegate the exercise of all his/her/its rights as shareholders of LiTian TV & Film.

LiTian WFOE shall have the right to further delegate its power to other designated person(s), including but not limited to (i) the director(s) of LiTian WFOE and/or its holding company, and (ii) any person as successor of or liquidator to replace such director(s). Each of the Registered Shareholders irrevocably agreed that the authorization and appointment pursuant to the Shareholders' Powers of Attorney shall not be invalid, prejudiced or otherwise adversely affected by reason of his/her/its loss of or restriction on capacity, death or other similar events.

(6) *Spouse Undertakings*

Pursuant to the Spouse Undertakings, each of the individual Registered Shareholders and the respective spouse has irrevocably undertaken and acknowledged that:

- (a) the respective spouse has full knowledge of the entering into of the Contractual Arrangements by LiTian WFOE, the Registered Shareholders and LiTian TV & Film;

Report of the Directors

- (b) the Registered Shareholder is the only beneficial owner of the equity interests in LiTian TV & Film; the rights and obligations under the Contractual Arrangements do not apply to the spouse; the performance, amendment or termination of the Contractual Arrangements by the Registered Shareholder does not require consent from the spouse; and at any time, the spouse shall not take any actions against the disposal of any equity interest in LiTian TV & Film and shall not make any claim relating to such equity interest;
- (c) the respective spouse has consented that the equity interest of LiTian TV & Film held and to be held by the Registered Shareholder (together with any other interests therein) do not fall within the scope of communal properties in case of divorce;
- (d) the respective spouse will execute all necessary documents and perform all necessary procedures from time to time to ensure the performance of the Contractual Arrangements; and
- (e) any undertaking, confirmation, consent and authorization under the Spouse Undertakings shall not be revoked, prejudiced, invalidated or otherwise adversely affected by death, loss of or restriction on capacity of the spouse, divorce or other similar events.

Significance and financial contributions of the Consolidated Affiliated Entities to the Group

Pursuant to the Contractual Arrangements, the Group obtains control over and derives the economic benefits from the Consolidated Affiliated Entities. The table below sets out the financial contribution of the Consolidated Affiliated Entities to the Group:

	Revenue for the year ended 31 December 2023	Net profit for the year ended 31 December 2023	Total Assets as of 31 December 2023
Significances and financial contribution to the Group	100.0%	99.1%	83.2%

Report of the Directors

Revenue and total assets involved in Contractual Arrangements

The table below sets out (i) revenue and (ii) total assets involved in the Consolidated Affiliated Entities for the reporting period, which would be consolidated into the Group's financial statements pursuant to the Contractual Arrangements:

	Revenue for the year ended 31 December 2023 RMB	Total assets as of 31 December 2023 RMB
Consolidated Affiliated Entities	23,121,000	682,799,000

“**Consolidated Affiliated Entities**” means the entities we control through the Contractual Arrangements, namely, LiTian TV & Film and its subsidiaries.

“**Contractual Arrangements**” means a series of contractual arrangements entered into among LiTian WFOE, LiTian TV & Film and the Registered Shareholder of LiTian TV & Film.

“**LiTian WFOE**” means Haining Marshal Films Planning Co., Ltd.* (海寧元帥影視策劃有限公司), a limited liability company established under the laws of the PRC on 25 September 2019 and a wholly-owned subsidiary of the Company.

“**Relevant Shareholders**” means the registered shareholders of LiTian TV & Film consisting of the following persons and entities: Mr. Yuan Li (袁力), Ms. Tian Tian (田甜), Ningbo Meishan Bonded Port District Haohao Xuexi Investment Management Partnership (Limited Partnership)* (寧波梅山保稅港區好好學習投資管理合夥企業(有限合夥)), Hangzhou Zhihui Xinlong Equity Investment Fund Partnership (Limited Partnership)* (杭州智匯欣隆股權投資基金合夥企業(有限合夥)), Ningbo Meishan Bonded Port District Zhihui Lixiang Equity Investment Fund Partnership (Limited Partnership)* (寧波梅山保稅港區智匯力象股權投資基金合夥企業(有限合夥)), Shenzhen Junfeng Huayi Xinxing Industrial Investment Partnership (Limited Partnership)* (深圳市君豐華益新興產業投資合夥企業(有限合夥)), Ms. Fu Jieyun (傅潔雲), Mr. Huang Weishu (黃衛書), Mr. Li Danjun (勵丹駿), Mr. Gong Yueliang (龔越亮), Mr. Zhu Huanghang (朱黃杭) and Ms. Si Houfang (斯厚芳).

No service fee was paid by LiTian TV & Film to LiTian WFOE pursuant to the Exclusive Consultancy and Service Agreement for the year ended 31 December 2023.



Report of the Directors

Risks associated with the Contractual Arrangements and measures taken to mitigate the risks

The Group conducts our businesses in the PRC through our Consolidated Affiliated Entities, based on the Contractual Arrangements entered into by among others, LiTian WFOE, our Consolidated Affiliated Entities and the Registered Shareholders.

Our PRC legal advisors are of the opinion that (i) the ownership structure of LiTian WFOE and our Consolidated Affiliated Entities does not violate prevailing PRC laws and regulations, (ii) except for certain clauses regarding the remedies that may be awarded by the arbitration tribunal and the power of courts in Hong Kong and the Cayman Islands to grant interim remedies in support of the arbitration and liquidation arrangement of our Consolidated Affiliated Entities, the Contractual Arrangements, taken individually or collectively, are valid, legally binding and enforceable against each party of such agreements in accordance with their terms, and (iii) the Contractual Arrangements do not fall within any of the circumstances (including, without limitation, “**concealing illegal intentions with a lawful form**”) under Article 52 of the Contract Law of the People’s Republic of China (《中華人民共和國合同法》), promulgated by the NPC on 15 March 1999 and implemented on 1 October 1999 (the “**Contract Law**”), pursuant to which the contracts would be determined to be invalid.

However, there can be no assurance that the PRC government authorities will take a view in the future that is not contrary to or otherwise different from the opinion of our PRC Legal Advisors stated above, and there is also the possibility that the PRC government authorities may adopt new laws and regulations in the future which may invalidate the Contractual Arrangements. If the PRC government determines that we are in violation of PRC laws or regulations or lack the necessary permits or licenses to operate our business, the relevant PRC regulatory authorities would have broad discretion in dealing with such violations or failures, including, but not limited to:

- revoking our business and operating licenses;
- discontinuing or restricting our operations;
- imposing fines or confiscating any of our income that they deem to have been obtained through illegal operations;
- imposing conditions or requirements with which we or LiTian WFOE and our Consolidated Affiliated Entities may not be able to comply;
- requiring us or LiTian WFOE and our Consolidated Affiliated Entities to restructure the relevant ownership structure or operations.

Report of the Directors

Any of these actions could cause significant disruption to our business operations, and may materially and adversely affect our business, financial condition and results of operations.

The Group has adopted the following measures to ensure the effective operation of our Group with the implementation of the Contractual Arrangements and our compliance with the Contractual Arrangements:

- (a) major issues arising from the implementation and compliance with the Contractual Arrangements or any regulatory enquiries from government authorities will be submitted to our Board, if necessary, for review and discussion on an occurrence basis;
- (b) our Board will review the overall performance of and compliance with the Contractual Arrangements at least once a year;
- (c) our Company will disclose the overall performance and compliance with the Contractual Arrangements in its annual reports to update the Shareholders and potential investors; and
- (d) our Company will engage external legal advisors or other professional advisors, if necessary, to assist the Board to review the implementation of the Contractual Arrangements, review the legal compliance of LiTian WFOE and our Consolidated Affiliated Entities to deal with specific issues or matters arising from the Contractual Arrangements.

Material change in relation to the Contractual Arrangements

During the year ended 31 December 2023, there is no material change in the Contractual Arrangements and/or the circumstances under which they were adopted.

Unwinding the Contractual Arrangements

Under the Foreign Investment Catalog and the Negative List, foreign investment in radio and television program production and operating business in the PRC is subject to foreign investment prohibition. If the PRC regulatory environment changes and the foreign investment prohibition on radio and television program production and operating business is removed (and assuming there are no other changes in the relevant PRC laws and regulations), LiTian WFOE will exercise the call option in full to hold all of the interest in the Consolidated Affiliated Entities and unwind the contractual arrangements accordingly.

The Company will unwind the Contractual Arrangements as soon as the laws allows the business of the Consolidated Affiliated Entities to be operated without the Contractual Arrangements. However, for the year ended 31 December 2023, none of the Contractual Arrangements had been unwound as none of the restrictions that led to the adoption of the Contractual Arrangements had been removed.

Waiver from the Stock Exchange

The Stock Exchange has granted a waiver to the Company from strict compliance with the connected transactions requirements under Chapter 14A of the Listing Rules in respect of the Contractual Arrangements. For details, please refer to the section "Waivers from strict compliance with the Listing Rules" in the Prospectus.



Report of the Directors

Save as disclosed above, during the year ended 31 December 2023, the Group has not entered into any connected transaction or continuing connected transaction which should be disclosed pursuant to the requirements of Rule 14A.71 of the Listing Rules. The Company has complied with the disclosure requirements set out in Chapter 14A of the Listing Rules.

ANNUAL REVIEW BY THE INDEPENDENT NON-EXECUTIVE DIRECTORS AND THE AUDITOR

The independent non-executive Directors have reviewed the Contractual Arrangements and confirmed that:

- (a) the transactions carried out during the year ended 31 December 2023 had been entered into in accordance with the relevant provisions of the Contractual Arrangements, had been operated so that the profit generated by the Consolidated Affiliated Entities had been substantially retained by the Group;
- (b) no dividends or other distributions had been made by the Consolidated Affiliated Entities to the respective holders of equity which were not otherwise subsequently assigned or transferred to the Group;
- (c) no new contracts had been entered into, renewed and/or reproduced between the Group and the Consolidated Affiliated Entities during the Year; and
- (d) the Contractual Arrangements had been entered into in the ordinary and usual course of business of the Group, are on normal commercial terms and are fair and reasonable in the interest of the Group and the Shareholders as a whole.

The Auditors has been reviewed and advised the Board in writing that the transactions carried out pursuant to the Contractual Arrangements during the Year has nothing come to their attention that causes them to believe (i) the transactions have not been approved by the Board; (ii) the transactions had not been entered into, in all material respects, in accordance with the relevant Contractual Arrangements; and (iii) that dividends or other distributions had been made by the Consolidated Affiliated Entities to the holders of the equity interests which were not otherwise subsequently assigned or transferred to the Group.

RELATED PARTY TRANSACTIONS

Details of the related party transactions of the Group for the year ended 31 December 2023 are set out in note 27 to the consolidated financial statements contained herein. Save as disclosed, none of the related party transactions constitutes a connected transaction or continuing connected transaction subject to independent Shareholders' approval, annual review and all disclosure requirements in Chapter 14A of the Listing Rules.

NON-COMPETE UNDERTAKING

The Controlling Shareholders entered into the deed of non-competition dated 24 May 2020 in respect of the non-compete undertaking under the Contractual Arrangements. For details of the non-compete undertakings, please refer to the Prospectus. The Company has received confirmations from the Controlling Shareholders confirming their compliance with the non-compete undertaking under the Contractual Arrangements during the year ended 31 December 2023.

The independent non-executive Directors have reviewed the compliance with the non-compete undertaking under the Contractual Arrangements during the year ended 31 December 2023 based on the information and confirmation provided by or obtained from the Controlling Shareholders, and were satisfied that the Controlling Shareholders have duly complied with the non-compete undertaking.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the businesses of the Company were entered into or existed during the year ended 31 December 2023.

TAX RELIEF AND EXEMPTION

The Company is not aware of any tax relief or exemption available to the Shareholders by reason of their holding of the Company's securities.

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 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, for registration not later than 4:30 p.m. on Monday, 27 May 2024.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, it is confirmed that there is sufficient public float of at least 25% of the Company's issued Shares during the year ended 31 December 2023 and as at the date of this annual report.



Report of the Directors

CORPORATE GOVERNANCE

The details of the Company's corporate governance practices are set out in the section headed "Corporate Government Report" of this annual report.

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 annual report.

AUDIT COMMITTEE

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 ended 31 December 2023. 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.

AUDITOR

The consolidated financial statements have been audited by KPMG, Certified Public Accountants, who will retire and, being eligible, offered themselves for re-appointment as auditor of the Company at the forthcoming annual general meeting. A resolution for their re-appointment as the auditor of the Company will be proposed at the forthcoming annual general meeting. There is no change of auditor of the Company since the Listing Date.

On behalf of the Board

Yuan Li

Chairman and Executive Director

Hong Kong, 28 March 2024

* For identification purpose only

Environmental, Social and Governance Report

ABOUT THE REPORT

Introduction to the Report

The report is the annual Environmental, Social and Governance (“**ESG**”) report issued by Litian Pictures Holdings Limited (the “**Company**”, “**Litian Pictures**” or “**we**”, together with its subsidiaries, the “**Group**”), for the purpose of fully elaborating the Group's ESG management strategies and performance for the period from 1 January 2023 to 31 December 2023, with a focus on the matters which are to stakeholders' concern and on how the Group pursues sustainable development in economic, environmental and social terms. Unless otherwise stated, the information presented in the Report represents data performance for 2023.

Reporting Principles

This report is prepared in accordance with the following reporting principles:

Materiality: Key ESG issues are identified through materiality assessment and relevant information on the key issues are disclosed in the ESG report.

Quantitative: Quantitative information in environmental and social areas is presented in the ESG report, accompanied by a narrative, explaining its purpose and impacts. The comparative data will be provided in the future ESG reports.

Consistency: This is our second ESG report and we will use consistent methodologies to disclose ESG information in the following years for meaningful comparison.

Scope of Reporting

Upon completion of materiality assessment, the Group has decided that the Report covers the overall performance of Litian Pictures and all its subsidiaries in two subject areas, namely, Environment and Society, and the coverage has no major changes compared with 2022.

Basis of the Report

The Report is prepared in accordance with the Environmental, Social and Governance Reporting Guide (the “**ESG Reporting Guide**”) under Appendix C2 of the Listing Rules of Hong Kong Exchanges and Clearing Limited (“**HKEx**”).

Access and Response to the Report

The English and Chinese versions of the Report can be downloaded from the website of the Stock Exchange (<http://www.hkexnews.hk>) and the Company's website. The Report is published in both Chinese and English. In case of any inconsistency, the Chinese version shall prevail. For any comments or suggestions on the environmental, social and governance performance of the Group, please email us at Litian@litian.tv.

Environmental, Social and Governance Report

1. STRENGTHENING ESG RESPONSIBILITY MANAGEMENT

1.1 **Statement of the Board**

The Board of Directors assumes full responsibility for the Group's environmental, social and governance strategies and reporting, assessing, and determining the Group's environmental, social and governance risks, and ensuring that the Group has established appropriate and effective ESG risk management and internal monitoring system. The Board of Directors and all its directors guarantee that there are no false records, misleading statements, or major omissions in this Report, and bear individual and joint responsibility for the authenticity, accuracy, and completeness of the content.

The Board of Directors of the Group is the highest decision-making body for ESG management, guiding the sustainable development direction of the Group, formulating the overall vision, goals and management strategies of the Group for sustainable development, reviewing the Group's annual ESG report, and its related working team will promote the implementation of ESG work within the Group. During the Reporting Period, we identified the following key ESG issues through stakeholder research: Product Quality, Intellectual Property Protection, Innovation Management, Responsibility Management, Customer Relationship Management, Labor Management, Development and Training, Diversity and Equal Opportunities, Privacy Protection, Business Ethics, Information and Data Security, Advertising Compliance, Risk and Crisis Management and Policy Impact. We will focus on the above issues in our daily work and manage goals accordingly. In the future, we will continue to adjust the sustainable development management strategy and promotion method according to the expectations of stakeholders and the actual operation of the Group, so as to continuously improve the level of sustainable development.

1.2 **ESG Management Vision**

Litian Pictures Holdings Limited is a drama series distribution company. Its business includes the development, production, marketing, and distribution of film and television drama, and at the same time, it has the advantages of rich drama series distribution channels. Since its establishment, Litian Pictures has been following the business philosophy of common development of economy, society and environment, promoting sustainable business practices and fulfilling corporate social responsibilities, so as to better grasp the opportunities brought by the development of the industry.

Sustainable development has become an issue closely relating to each enterprise and individual since this concept was first put forward by World Commission on Environment and Development of United Nations in 1987. Sustainable development requires the change of individual's economic behavior and coordination between human and nature, and development and the environment. Enterprises are the main embodiment and executor of the socio-economic development model with the responsibility and obligation to adopt a new green management concept to realize their long-term development strategy and promote sustainable socio-economic development.

Environmental, Social and Governance Report

Litian Pictures aspires to ensure sustainable business development and operate in an environment-friendly manner and bring shareholders stable and long-term returns while protecting the environment. Although the film and television industry that the Group operates in is not a highly polluting industry, we strive to integrate environmental, social and governance initiatives into our business strategy and management model. By upholding our commitment to corporate social responsibility, we strive to forge ourselves into an environmentally friendly enterprise that cares about our employees' development and protects their rights and interests. We adhere to the principle of equality and integrity for our operation and comply with business regulations and ethic codes.

The Group always keeps corporate social responsibility in mind and infiltrates the concept of sustainable development into every aspect of corporate governance and operations with commitment to concurrently achieving economic, social and environmental benefits. We always believe that we will definitely create more value and continuously contribute to the society under the guidance of the concept of sustainable development.

1.3 Communication with Stakeholders

The Group is committed to maintaining continuous engagement with stakeholders including government and regulatory authorities, investors, shareholders, customers, employees, suppliers and business partners, the community and the environment. The Group maintains close engagement with its stakeholders and collects their feedback through various communication channels to understand and address their concerns. The engagement channels with stakeholders include general meetings, corporate website, community activities, regular communication with employees, performance appraisal interviews and networking with suppliers.

Stakeholders	Expectations of Stakeholder	Communication and Engagement	
		Mechanisms	Response of the Group
Investors	<ul style="list-style-type: none"> Boost the Company's market value and profitability Continuously improve the Company's environmental and social responsibility performance 	General meeting, information disclosure, and the Company's website	<ul style="list-style-type: none"> Release periodic reports, disclose information in a truthful and comprehensive manner, endeavour to improve results and generate profits Advance corporate governance and risk management level, convene general meetings, enhance investor relations management and strive to improve environmental and social responsibility management

Environmental, Social and Governance Report

Stakeholders	Expectations of Stakeholder	Communication and Engagement Mechanisms	Response of the Group
Customers	<ul style="list-style-type: none"> • Provide high-quality products and services • Safeguard customer's legitimate interests 	Sign contracts and agreements, and customer satisfaction survey	<ul style="list-style-type: none"> • Provide high quality products and services • Establish a complete customer service system and customer feedback and complaint mechanism
Employees	<ul style="list-style-type: none"> • Uphold employee remuneration and benefits • Care for safety and health of employees • Offer equal promotion and development opportunities • Improve communication mechanism 	Labour contracts and employee satisfaction survey	<ul style="list-style-type: none"> • Strictly abide by the items of labour contracts, improve remuneration and benefit system • Offer safe and healthy working environment • Offer development paths for both position and function, and organise staff training • Offer equal communication channel and implement negotiation
Government	<ul style="list-style-type: none"> • Observe the law, operate in compliance with the regulations, and in line with national policies 	Engage in relevant governmental meetings	<ul style="list-style-type: none"> • Strictly observe relevant laws and regulations, continuously enhance corporate compliance management, and respond to national policies

Environmental, Social and Governance Report

Stakeholders	Expectations of Stakeholder	Communication and Engagement Mechanisms	Response of the Group
Suppliers	<ul style="list-style-type: none"> Fair and impartial cooperation with integrity, mutual benefits and win-win results to promote industry development 	Sign contracts and agreements, and regularly hold tender and bidding, and supplier meetings	<ul style="list-style-type: none"> Actively perform the contracts and agreements by adhering to public and transparent business principles, adopt public and transparent procurement model, and develop an accountable supply chain
Peers	<ul style="list-style-type: none"> Fair competition, honest cooperation, transparent and open information Comply with industry norms and promote industrial innovation 	Communicate with industry-related research institutes, associations, mainstream media, etc.	<ul style="list-style-type: none"> Strengthen exchanges and cooperation with peers to jointly create a healthy and orderly competitive environment Participate in industrial innovation research, mutual benefit and win-win, common progress, participate in industry evaluation, and provide suggestions for industry norms



Environmental, Social and Governance Report

1.4 Identification of Material Issues

Under the requirements of the ESG Reporting Guide issued by HKEx and with reference to the procedures for material analysis formulated by the Global Reporting Initiative ("GRI"), the Group collects the issues concerned by major stakeholders through multiple channels, and conducts materiality analysis and priority of such issues, to finalise the material issues in the environmental, social and governance aspects and make disclosure thereof in the Report.

The identification process of material issues is divided into four steps:

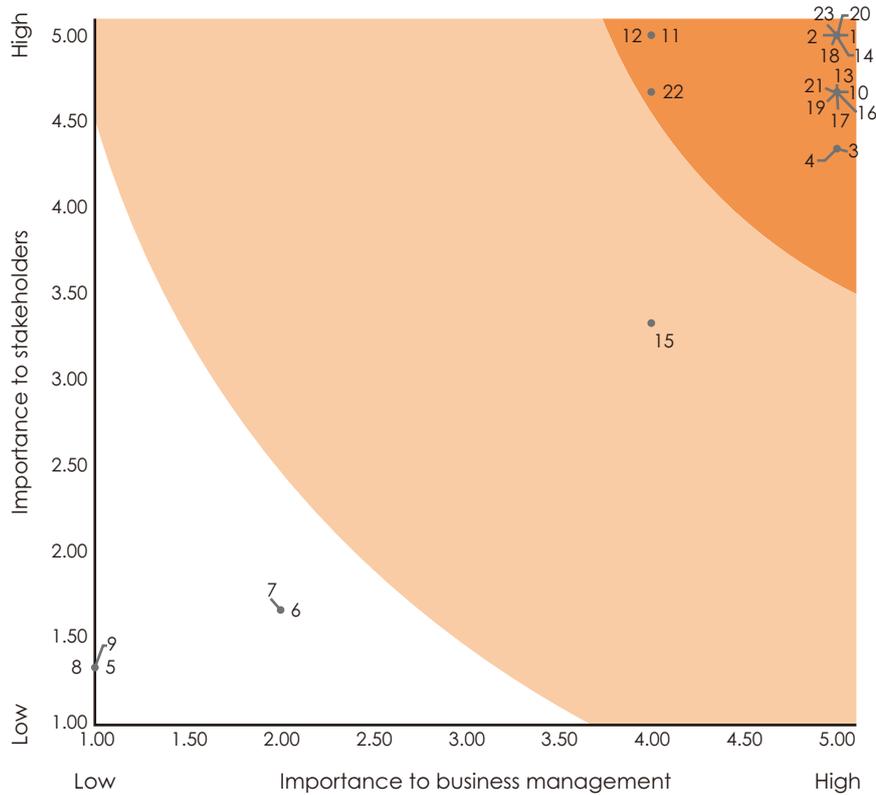
- Identify relevant ESG issues with reference to the ESG Reporting Guide published by HKEx, GRI Sustainability Reporting Guidelines (GRI Standards version) and those disclosed by our peers at home and abroad;
- Prioritise the material issues. The major considerations for materiality assessment by internal stakeholders include the impacts on our corporate strategies, policies, procedures and commitments, impacts on the Company's competitive edges and management excellence, and current and future financial impacts on the Company; and major considerations for such assessment by external stakeholders include the impacts on the Company's evaluation and decision-making, and on their own interests;
- Verification. The Company's management reviews and approves the identified issues and their priorities;
- Review. After this reporting period, the Company will seek feedback from internal and external stakeholders on the contents of the Report for current period to prepare for the report for the next period.

We have fully considered the importance of each key performance indicator to the operation and the stakeholders. After comprehensive evaluation, we have selected the following indicators as the major influential aspects of the Group's sustainable development. While taking all environmental and social responsibilities into consideration, the Group has paid more attention to the following areas: Product Quality, Intellectual Property Protection, Innovation Management, Responsibility Management, Customer Relationship Management, Labor Management, Development and Training, Diversity and Equal Opportunities, Privacy Protection, Business Ethics, Information and Data Security, Advertising Compliance, Risk and Crisis management and Policy Impact.

Environmental, Social and Governance Report

Issue Materiality Matrix

Materiality matrix of material issues for stakeholders of Litian Pictures



List of material issues in 2023 ESG reporting for Litian Pictures

Very important			
01 Product Quality	02 Intellectual Property Protection	20 Innovation Management	23 Responsibility Management
18 Customer Relationship Management	14 Labor Management	13 Development and Training	10 Diversity and Equal Opportunities
16 Privacy Protection	21 Business Ethics	19 Information and Data Security	17 Advertising Compliance
03 Risk and Crisis management	04 Policy Impact		
Important			
12 Occupational Health and Safety	11 Employee Rights and Benefits	22 Corporate Citizenship and Philanthropy	15 Supply Chain Management
Related			
07 Water Resource Management	06 Energy Utilization	09 Climate Change	05 Emissions Management

2. ENDEAVORING TO DEVELOP PRODUCT OPERATION

2.1 R&D in Innovative Products

Devotion to creating high-quality drama series

The Group has always adhered to the business philosophy of “creating a better future for Chinese cinema and television”. Driven by user needs and based on the market situation, we encourage innovation. We strive for professionalism, with a view to reaching the younger generation and market. We keep abreast with the industry trend to create high-quality drama series for the Chinese audience. Since our establishment, the Company has invested in and produced numerous drama series, including Female Bodyguard of Song Dynasty, a large-scale historical action drama series, and Guerilla Heroes, a historical drama series of the War of Resistance against Japanese Aggression. These two drama series have achieved great distributing results in well-known domestic TV festivals in Shanghai, Beijing and Shenzhen. Meanwhile, Guerilla Heroes, Double Guns, The Brothers, and A Gallant Army, drama series in which the Group has invested, have been distributed in multiple TV channels. In particular, in 2019, A Gallant Army was premiered in CCTV-8 during the golden hours. Regarding outright-purchased drama series, we have distributed a considerable number of drama series that are well received in the market, including The Chinese Dream, Bright Star, Road to Rebirth, Under Cover etc. In 2023, the self-produced drama series “Unparalleled at Thirty” (無與倫比的美麗) was licensed for the first-run broadcasting rights on satellite TV, and we have finished filming the drama series named “As Husband As Wife” (小夫妻), one of our self-produced drama series.

Our self-produced drama series “A Gallant Army” (老虎隊) was broadcast multiple rounds on satellite TV and terrestrial TV in 2020, 2021, 2022, “Smiling Mom” (微笑媽媽) was broadcast on many TV channels in 2022 and 2023; in terms of outright-purchased drama series, “Youth in the Flames of War” (戰火中的青春) was licensed for the first-run broadcasting rights on satellite TV.

The Group has established great relationships with mainstream TV stations in the PRC, and has also received attention and recognition from authorities such as the Department of Radio and Television and China Film Association at the provincial level. We have a rich pipeline of drama series distribution and maintain business ties with more than 90 provincial and municipal mainstream TV channels and online platforms. The drama series distributed by us have been successfully broadcast on CCTV-8, satellite channel of Zhejiang Television Station, Anhui Television Station, Shenzhen Television Station, Tencent Video, iQIYI, Youku and other TV and new media platforms.

Environmental, Social and Governance Report

We have received many awards for our commitment to providing high quality drama series and related services. In 2023, the film "My Country, My Parents" also obtained the excellent Feature Film of Huabiao Film Awards (the 19th) issued by National Film Board, of which we are the co-producer. In 2022, the Group also obtained the "Quality Content Partnership" issued by Mango TV, and at the same time, we maintained good working relationships with a number of quality vendors and partners, and continued to launch good quality works. The following table lists some of the major awards and honors we have received.

Year of Award	Awards/Honours	Issuing Institute
2023	《My Country, My Parents》 – Excellent Feature Film of Huabiao Film Awards (the 19th)	National Film Board
2022	Damang Project "Quality Content Partner" Award	Mango TV
2022	Jiaxing City Service Top Ten Innovative Enterprises in 2022	Jiaxing Development and Reform Commission
2021	Quality Content Partnership	Mango TV
2021	Mr. Fox and Miss Rose (酋長的男人) – the third prize for outstanding works in 2020	Haining Base Service Center (海寧基地服務中心)
2020	A Gallant Army – Outstanding Contribution to the Golden Hours TV Drama Ratings of Guangxi Satellite TV in 2020	Guangxi Satellite TV
2020	A Gallant Army – National Drama Awards Ceremony Viewing Contribution Award in 2019	Jiangsu City United TV Media (江蘇城市聯合電視傳媒)
2020	Awakening of Insects – Special Contribution to the Drama Ratings of Guangxi Satellite TV in 2020	Guangxi Satellite TV
2020	Cooperative Company (Drama) of the Year 2019 with Guangxi Satellite TV	Guangxi Satellite TV
2020	Chairman Yuan Li was awarded the Best Producer of TV Drama of the Year by Guangxi Satellite TV in 2020	Guangxi Satellite TV
2020	Age of Legends – Guangxi Satellite TV Annual TV Drama Quality Contribution Award in 2019	Guangxi Satellite TV
2020	Outstanding Listed Enterprise Award in 2020	Haining Base Service Center

Environmental, Social and Governance Report

Year of Award	Awards/Honours	Issuing Institute
2020	Cooperative Company (Drama) of the Year 2020 with Guangxi Satellite TV	Guangxi Satellite TV
2020	The Best Cooperative Company of Guangxi Satellite TV in 2019	Guangxi Satellite TV
2019	Best Cooperative Film and Television Distribution Company Award in 2018	Guangxi Satellite TV
2018	Bright Star – 2017 Rating Contribution Gold Award	Tianjin Satellite TV
2018	The Brothers – Television Series Rating Contribution Company Award	Guangdong Radio and Television
2018	The Brothers – Sichuan Province Network Rating Contribution Award	Sichuan Radio and television film and art channel
2018	Guerrilla Heroes – 2016–2017 Rating Contribution Award	Shanxi Radio Television
2018	First Prize of Excellent Enterprise by Comprehensive Assessment in 2017	Haining Base Management Committee
2017	Double Guns – The sixth place in the top ten TV dramas in Guangxi in 2017	Variety Channel of Guangxi TV (廣西電視台綜藝頻道)
2018	Double Guns – Outstanding Play Award in 2017	Qilu Channel of Shandong Radio and Television
2017	Double Guns – 7th place in the Outstanding TV Drama Award	Shanghai Oriental Film Channel
2016	Guerrilla Heroes – Outstanding TV Drama Production Company Award	Guangdong Radio and Television Station

Environmental, Social and Governance Report



In the future, we will continue to strengthen our drama series production and distribution capabilities with the focus on producing more high-quality drama series and distributing them to leading satellite TV channels. In the meantime, more resources will be invested to actively develop and produce more web series of different genre to meet the various preferences of audiences of different age groups. Committed and professional, we will continue to improve our overall competitiveness to consolidate and enhance our position in the PRC drama series market. As the Group's primary business is drama series distribution, we do not involve recalling products for safety and health reasons.

Contributing to the dissemination of outstanding culture

As a popular art form, drama series provide a good artistic vehicle for audiences to gain understand of outstanding culture and receive positive social values. Film and television workers should spread positivity by telling a good Chinese story; focus on cultural nourishment to enhance the content of their works; learn from well-proven experiences to broaden communication channels; and respect cultural differences to accommodate cultural diversity.

Litian Pictures takes the responsibility of promoting excellent culture and shoulders the burden of cultural confidence by strictly censoring the drama series involved in the Company's business. Based on the circular of the National Radio and Television Administration on the censorship procedures for drama series, the Group has formulated the Group's drama series Censorship Procedures system for the production team, clarifying the requirements for the submission and censorship of domestic drama series, co-productions and imported drama series, as well as the requirements for the submission and censorship of textual information and sample tapes of various types of drama series. In the system, we clarify the top-down oversight mechanisms. The Board shall act as the monitoring department, and the management shall be responsible for reviewing the submission and censorship materials, ensuring that the materials are true and complete. Then we submit them to National Radio and Television Administration for implementation after for reviewing and approval. If not approved, the National Radio and Television Administration will return the materials to the submission department for rectification. Then the materials will re-submit again until being approved. In the future, we will also, in accordance with the spirit of the circular of the National Radio and Television Administration, adjust and enhance our efforts in censoring the drama series, improve the submission and censorship system and build standard inspection procedures.

Environmental, Social and Governance Report

We are committed to improving the quality of our drama series at source, enriching their content and expanding their influence. For example, *A Gallant Army*, a drama series produced by our Group, was first broadcast on CCTV-8 during prime time and achieved remarkable ratings. During and after its airtime, the show has sparked heated discussions both online and offline, facilitating a deeper understanding of Huaihai campaign, the background of the drama series, among the public.

In the future, Litian Pictures will, in addition to producing and broadcasting drama series, cooperate with more renowned directors and A-list actors and actresses to introduce the sub-sectors of drama series to the mainstream public, actively participate in the exploration and construction of the cultural industry of drama series, and make the outstanding culture embedded in drama series accessible to more people.

2.2 Customer Service, Intellectual Property Rights Protection and Privacy Protection

The customer is fundamental to the survival and development of an enterprise. The Group's customers are mainly consumers, mainstream TV channels and online platforms, etc. Being customer-oriented, the Group deems effective customer feedback as a driving force to advance the continuous growth and development, so as to increase customer satisfaction and build a friendly customer relationship in a long run. During the year, the number of customer complaints against the Group is 0.

Intellectual property rights protection is indispensable for innovation and research and development. Effective property rights protection management will be helpful to protect the new technological achievements of enterprises and strengthen the core competition of enterprises. While fully respecting intellectual property rights of other parties, the Group protects its intellectual property rights from being infringed. The Group is strictly in compliance with laws and regulations, such as the Patent Law of the People's Republic of China (中華人民共和國專利法), Copyright Law of the People's Republic of China (中華人民共和國著作權法) and Trademark Law of the People's Republic of China (中華人民共和國商標法), and the Intellectual Property Rights Reporting Procedures and Incentive System Management Regulations, with an aim to stipulate and regulate the reporting procedures of the intellectual property rights of different departments and encourage department staff to partake in knowledge innovation and technology R&D.

The reporting procedures consist of four main parts, namely, conception application, review meeting, finalization, patent application or paper publication. Meanwhile, the Group has established the Intellectual Property Rights Reporting Incentive system pursuant to which, patent application and paper publication can be applied for awards in various stages including the final draft and the final reporting results.

During the Reporting Period, the Group did not record any incidents of non-compliance in relation to products and intellectual property rights that had a significant impact on the Company.

Environmental, Social and Governance Report

The Group is committed to protecting the privacy of its customers in every aspect of our operation. In compliance with the laws, regulations and ordinances, such as the Personal Information Protection Law of the People's Republic of China (中華人民共和國個人資訊保護法), Law of the People's Republic of China on the Protection of Consumer Rights and Interests (中華人民共和國消費者權益保護法), we avoid the risk of privacy leakage and build a safe and orderly operating environment by continuously improving the Group's internal relevant systems and taking multiple measures to effectively fulfil our due confidentiality responsibilities. A project manager in each department is responsible for protecting the privacy of its customers to ensure effective protection of customer information.

During the Reporting Period, the Group did not record any incidents of non-compliance in relation to privacy protection.

3. ENDEAVORING TO STABILIZE TALENT TRAINING

On top of profit generation, enterprises should also undertake their corresponding legal liability to the shareholders and employees and should be held accountable to consumers, the community and the environment. The social responsibility of enterprises requires them to go above and beyond the traditional concept of "earning profits as the only purpose", rather, it emphasizes that enterprises need to pay attention to human values during production process and make contribution to the environment, consumers and society. Litian Pictures always sees employees as one of the core competitiveness of enterprises. We uphold the principle of "being people-oriented" as the first priority in our corporate development and operation strategy to ensure sustainability of the Company.

3.1 Safeguard the Rights and Interests of Employees

The Group has formulated a standardized recruitment management system, where the Group and its subsidiaries provide employees with reasonable remuneration packages, a discrimination-free working environment as well as fair and impartial promotional opportunities in strict accordance with relevant national laws and regulations, such as the Labour Law of the People's Republic of China, the Labour Contract Law of the People's Republic of China, the Social Insurance Law of the People's Republic of China, the Law on the Protection of Minors and the Regulations on the Prohibition of Child Labour, so as to protect the legal rights and interests of employees and lay a stable talent foundation for our Company's future development.

3.1.1 Employment and promotion

In order to standardize our recruitment process, stringently control the staffing and recruitment criteria and procure eligible and appropriate talents for the Group to enhance our talent echelon formation and ensure smooth proceeding of every task within the Group, the Group has put in place the Recruitment Management System which is applicable to the Group's internal and external staff recruitment.



Environmental, Social and Governance Report

The Group prioritizes internal recruitment and adheres to a fair and open principle during recruitment process, which means suitable candidates within the Group who meet the requirement of vacant position with outstanding performances will be given priority in being selected for promotion, while public recruitment is considered as a second choice. During the recruitment assessment process, we insist on the principles of “transparent recruitment scheme and vacant position”, “transparent assessment process and position requirement” and “impartial assessment standard and assessment process” to recruit candidates in possession of relevant knowledge, experience and skills for the position on a merit basis according to their education background, working experiences and comprehensive qualities.

The Group's employees are classified as contract staff and employed staff. Contract staff are required to sign a labour contract, a confidentiality agreement and a letter of guarantee for the integrity of corporate employees; while employed staff are required to sign an employment contract, a confidentiality agreement and a letter of guarantee for the integrity of corporate employees. Labour contract, employment contract, confidentiality agreement and letter of guarantee for the integrity of corporate employees are entered into between the Group and employees voluntarily after arm's length negotiation, which is legal binding and the terms thereof should be observed by both the Company and the employees. For renewal, dismissal and resignation of employees, the Group has established the Management System for the Renewal, Dismissal and Resignation of Employees and relevant incidents are handled in strict compliance with the system.

At the end of the reporting year, the Group and its subsidiaries had a total of 44 employees. Among the employees, 16 were male and 28 were female.

The Human Resources Department will adopt social recruitment, school recruitment, internal recommendation and high-end headhunting recommendation according to the requirements of each department for talents.

Environmental, Social and Governance Report

Employment	Number of employees in 2023	Number of employees in 2022
	Total employees	44
By gender		
Male	16	19
Female	28	28
By employment type		
Full time	44	47
Part time	0	0
By age		
30 years old and below	16	19
30–50 years old	24	24
51 years old and above	4	4
By geographical		
Beijing	22	25
Hangzhou	10	10
Horgos	12	12
Turnover rate	Percentage	
	2023	2022
Turnover rate of total employees	6.59%	32.86%
By gender		
Male	100%	40%
Female	0	60%
Proportion by age		
30 years old and below	100%	40%
30–50 years old	0	51%
51 years old and above	0	9%
Number by geographical		
Beijing	3	20
Hangzhou	0	3
Horgos	0	0

Environmental, Social and Governance Report

The Group strictly abides by national laws and regulations, and resolutely eliminates the employment of child labor and forced labor; the Group strictly controls the recruitment process, and the candidates entering the interview process are not less than 18 years old, and the original personal ID card is required for the interview. The candidates must provide the original ID card, the original graduation certificate and other documents to go through the admission procedures.

In 2022, the Group did not have any labor disputes due to violations of laws and regulations, nor the employment of child labor or forced labor, nor any violations of social insurance or default in payment.

3.1.2 Employee rights and benefits

We understand that protecting the rights and interests of employees is the primary social responsibility an enterprise needs to fulfil, whose sustainability is directly affected by employees and in turn determine the development and stability of our society. Therefore, the Group has established a series of rights and interests protection systems to offer employees reasonable remuneration packages, protect their basic right to take leaves and create a discrimination-free, diverse and equal career development platform for them, so as to actualize their rights and interests.

In order to objectively and fairly evaluate the performance and contribution of employees, so as to better motivate and explore the potential of employees as well as to strengthen their sense of competition and responsibility, the Group has developed the Performance Evaluation System (《績效評估制度》), pursuant to which, the Group will conduct an annual performance evaluation at the end of each December. Performance Evaluation Form will be completed in an organized manner and the results of which will be kept and reviewed by the Financial Department who, upon review will submit them to the President for examination. Relevant results will serve as a reference for salary adjustment, performance commission and task bonus of employees. We aim to motivate our employees and improve their working efficiency by fair, healthy and reasonable measures, thereby enhancing the overall effectiveness of the Group. At the same time, we also fully protect employees' right to take leaves and have established a comprehensive Attendance and Leave Management System.

In addition, the Group timely contributes to the "six pensions" (retirement pension, unemployment pension, medical pension, provident fund, work injury insurance and maternity insurance) or foreign labour insurance (if required) for employees in accordance with national regulations, and the proportion of contributions made by the Group and the individual is determined according to national regulations. Besides, the Group has also set up a welfare committee to handle various staff activities and welfare initiatives for directors, employees and their dependants. The specific welfare programmes include birthday cakes for employees, the Group's annual dinner, staff travels and many other staff welfare initiatives.

Environmental, Social and Governance Report

3.1.3 Equal opportunity, diversity, anti-discrimination

The Group implements an equal employment opportunity system, in accordance with applicable laws, candidates and employees will be given equal employment opportunities regardless of their ethnic background, color, gender, sexual orientation, origin, age, disability, religion, nationality, familial or marital status, civil rights, military or veteran status, gender identity, genetics, pregnancy and other legally guaranteed class or characteristics.

3.2 Development and Training

The Group adheres to the “people-oriented” philosophy and believes that employees with sufficient skills and experience are the Group’s most valuable asset. Enterprises need to continuously innovate and introduce new technologies and new concepts, which requires continuous training of employees.

In order to standardize and promote staff training work in the Group and improve their job skills and quality so that the Group and employees can grow together, Litian Pictures has established the Staff Training Management System. Through continuous improvement of the management system, the Group has gradually established a three-dimensional and multi-level training system covering all employees to comprehensively enhance the professional ability of employees to ensure the sustainable and healthy development of the enterprise.

The Group’s training categories are divided into new employee training, job skills training, job transfer training, etc. according to different purposes and different objects. The training methods are also divided into online and offline methods according to different course arrangements, so that employees can choose more flexibly and conveniently. The specific training categories and related training information are listed in the table below.

Category of Training	Target Trainee	Purpose of Training	Subject of Training	Method of Training
New employee training	New staff	To help new employees gain understanding of the Group and fit into the corporate environment and their role as soon as possible	<ol style="list-style-type: none">1. The Group profile, corporate culture and organizational structure, management composition2. The Group development strategies and directions3. Various company rules and policies4. Trade knowledge and skills of the job position	Lecture, tour, practical guidance

Environmental, Social and Governance Report

Category of Training	Target Trainee	Purpose of Training	Subject of Training	Method of Training
Job skills training	On-the-job staff	To enhance employees' skills and improve working quality and efficiency as well as minimize errors	1. Job skills 2. Relevant knowledge and skill enhancement	Lecture, practical guidance
Transfer training	Transfer staff	To prepare for job position rotation, horizontal transfer and promotion	1. Basic information about new job positions 2. Skill training of new job positions	Lecture, practical guidance
Continuing education training	Professional and technical staff	To improve professional skills and the overall technical expertise of the Group	Professional and technical technique trainings provided by external professional agencies outside the Group	Lecture, practical guidance
Departmental internal training	Department staff	To conduct small-scale, flexible and practical trainings to staff based on actual working needs	Trainings for various works and procedures within the department	Lecture, practical guidance
Employee's self-training	Individual staff	To enhance personal quality and working capabilities	Knowledge and skills related to individual employees	Self-training

Employee training	2023		2022	
	Percentage of employee	Average duration of training (hours)	Percentage of employee	Average duration of training (hours)
By gender				
Male	100%	2	100%	2
Female	100%	2	100%	2
By position				
Management	100%	2	100%	2
Non-management	100%	2	100%	2

Environmental, Social and Governance Report

In addition, for the financial personnel of the Group, the Group has specifically developed the Training Management System for Financial Personnel. The finance department is responsible for organizing business trainings for financial staff, and the target trainees include all financial personnel. The training covers accounting standards, finance and tax policies, financial analysis, financial systems and business procedures, work operations and guidance, and solutions to various difficult issues, etc., with an aim to continuously promote professionalism and improve ethics of our current staff, update and expand their knowledge and skills, and cultivate financial, technical and management talents.

3.3 Occupational Health and Safety

Health and safety in the workplace is part of our duty of care for employees. As a responsible employer, the Group is committed to reducing accidents, illness, and risks in the working area as far as possible, promoting the health of its employees, and thus also reducing the absence rate and employee turnover rate. The Group makes every effort to ensure that the complete safety facilities in the office and other workplaces, create a healthy and safe working environment for employees, and regularly give employees health and safety tips to improve employees' self-health and safety awareness.

- Physical examination: The Group organizes employees to conduct physical examination every year, and designs targeted examination items according to different genders and age groups;
- Epidemic prevention: During the epidemic period, in order to protect the health and safety of employees, the Group adopts a flexible working mechanism, that is, the implementation of home office and job rotation, and then gradually resumes work. After resumption of work, the public areas are regularly disinfected every day, and anti-epidemic masks, hand sanitizer gel and disposable gloves are distributed, and a fresh air system is adopted in the office area to ensure the safety of employees.

During the Reporting Period, the Group did not have any violations related to providing a safe working environment and protecting employees from occupational disease hazards, and there was no employee death due to work relations, and the number of working days lost due to work-related injuries was 0 days. In 2021, 2022 and 2023, there were no employee deaths due to work-related reasons.



Environmental, Social and Governance Report

4. ENDEAVORING TO PROMOTE THE PUBLIC WELFARE

While paying attention to its own development, the Group does not forget to fulfill its social responsibilities. Affected by the COVID-19 epidemic, taking into account the requirements of epidemic prevention and control, the Group organized few public welfare activities during the year, and we fully assisted in epidemic prevention and control. In 2022, the spread of the epidemic has not stopped, and the epidemic situation is still grim. The Group responded immediately and cooperated with the government to do relevant prevention and control work. At the same time, employees in the Group completed the vaccination of the COVID-19 vaccine as required to fully respond to the government's call. In addition, the Group actively participates in community building and voluntary service activities in the fight against the COVID-19 epidemic, as well as volunteer services at the COVID-19 vaccination sites in community streets, etc., to make a modest contribution to the society.

In the future, the Group will also adhere to the concept of "love public welfare and serve the society", and carry out diversified public welfare activities in multiple channels.

5. ENDEAVORING TO OPTIMIZE THE SUPPLY MANAGEMENT

The Group has always focused on supplier management and understands that sustainable development cannot be achieved without the joint engagement of our suppliers. While enhancing our own environmental and social governance capabilities, we will drive the positive development of our suppliers and promote mutual cooperation and win-win situation.

For improving accuracy and manageability of the Group's purchasing operations, it has set up the Purchasing Management System and established Rules on Project Initiation and Budget Report and Approval Process in accordance with relevant laws and regulations of the PRC, so as to regulate and monitor purchasing activities, thereby reducing operation risks.

Currently, the Group is primarily engaged in the business of licensing the broadcasting rights of self-produced and outright-purchased drama series. Purchases made by the Group consist of three main categories, namely, raw materials (i.e., outright-purchased scripts), fixed assets (including those used in production and office equipment) and office supplies (including those for department use and individual use). In particular, the Planning Department is responsible for purchasing scripts with the assistance of the Literary Creation Department; while the Administration and Human Resources Department is responsible for purchasing fixed assets and office supplies; and the production crew is responsible for purchasing office supplies for its own use.

Environmental, Social and Governance Report

During the Reporting Period, the Group had a total of 48 suppliers. The breakdown by region is as follows:

Information	Unit	Number of suppliers in 2023	Number of suppliers in 2022
Suppliers by region			
North China (Beijing, Tianjin, Shanxi, Hebei, Inner Mongolia Autonomous Region)	Nos	15	13
Northeast China (Heilongjiang, Jilin, Liaoning)	Nos	1	1
Northwest China (Shaanxi, Gansu, Qinghai, Ningxia Hui Autonomous Region, Xinjiang Uygur Autonomous Region)	Nos	3	7
East China (Shanghai, Jiangsu, Zhejiang, Anhui, Fujian, Jiangxi, Shandong)	Nos	16	15
Central China (Henan, Hubei, Hunan)	Nos	0	0
Southern China (Guangdong, Guangxi Zhuang Autonomous Region, Hainan)	Nos	0	0
Southwest China (Sichuan, Guizhou, Yunnan, Chongqing, Tibet Autonomous Region)	Nos	1	1
Hong Kong, Macao and Taiwan regions	Nos	0	0
Overseas	Nos	0	0
Total	Nos	36	37

The Group established a full life cycle management process for various suppliers from procurement, payment, acceptance to withdrawal, and continuously inspects and evaluates the hardware facilities and operational capabilities of suppliers. In the process of supplier access, we will include the supplier system certification and whether the supplier has the relevant qualifications for green environmental protection, whether it has ISO 14001 or ISO 45001 certificates and other factors into the scope of qualification audit. If necessary, the Group will check the relevant licenses at the supplier's site to ensure the authenticity and validity of the licenses provided by the supplier. During the evaluation stage, suppliers with quality defects, unqualified environmental impact assessments or integrity problems will be eliminated and blacklisted. Through communication and cooperation with our suppliers, we encourage them to comply with regulations and guidelines related to the environment and social responsibility, and implement an effective management plan to enable them to comply with regulations in a systematic manner. We hope to demonstrate supply chain responsibility, redefine internal management requirements and adjust procurement strategies. During the Reporting Period, the suppliers to whom the practices related to supplier access were implemented were fully covered in the audit of the suppliers who had cooperated.



Environmental, Social and Governance Report

During the procurement process, the Group encourages suppliers to use environmentally friendly products and services. The Group adheres to fair operating practices and has a sound supplier selection process with clear supplier selection criteria and the ability to identify potential risks in the Group's supply chain. We encourage our suppliers to maintain high standards of business ethics and conduct and strive to achieve satisfactory environmental and social performance. When selecting and evaluating suppliers, we will consider a number of factors such as quality system, environmental and social performance, and strive to establish long-term supply and demand cooperation.

6. ENDEAVORING TO ENSURE COMPLIANCE OPERATION

Anti-corruption work is an important part of corporate management and a necessary part of self-discipline mechanism of the enterprise. Strengthening anti-corruption and upholding integrity is an inherent requirement for promoting corporate reform and development, as well as a necessary choice of standardizing the operation and management activities of the enterprise. Improper conducts in business activities such as corruption, accepting bribes and offering bribes will seriously disrupt an enterprise's normal management order, impair its brand image, drastically reduce its social credibility, and hinder its sustainable and healthy development. Therefore, the Group is determined to stand against and expressly prohibits these improper practices. In accordance with the PRC Anti-Unfair Competition Law, the Group has formulated anti-fraud policy, anti-money laundering policy, procedures and policy of fraud prevention and reporting mechanism and whistleblowing policy. The Group implements such policies based on the standard of "no forbidden zone, complete coverage and zero tolerance", strictly opposes to corruption and bribery behaviors of employees with an emphasis on the internal integrity and the construction of democratic supervision mechanism of the Group.

In order to raise the awareness of anti-corruption among the Group's employees, the management of the Group has actively promoted the anti-fraud policy and related measures, and provides training for employees on laws and regulations, which mainly include: 1. strict compliance with laws and regulations and related requirements of the Group by directors, supervisors and management of the Group; and 2. promoting anti-fraud policy through employee manual, promotion or networking to ensure all employees receive training on laws and regulations as well as standards of occupational ethics. In 2023, the Group did not provide anti-corruption training to its directors and employees. In the future, we will continue to strengthen internal anti-corruption management and gradually expand it to the board of directors.

Environmental, Social and Governance Report

In the meantime, the Group establishes internal complaints and whistle-blowing system and implementation procedure. Staff can report information about actual or suspicious cases in respect of the Group and its personnel on violation of occupational ethics and others by means of reporting hotline, emails, letters etc. Internal audit personnel appointed by the Group takes on the collection, investigation, filing of reported cases and provision of advice under the supervision of the Board, the Supervisory Committee and the Audit Committee. In the course of relevant investigation, the Audit Committee may form a dedicated investigation taskforce comprised of internal audit personnel and managerial staff from related department for joint investigation. Besides, it may also engage external experts to involve in or assist with the investigation depends on circumstances. Cases in violation of local laws will be transferred to competent authorities to be dealt with in accordance with the law. We ensure that both the complainant and whistleblower are protected in the course of providing assistance in the investigation. The Group forbids any illegal discrimination or retaliation or hostile actions towards the staff involved in investigation. Any person who leaks information about the whistleblower against our regulations or makes reprisals against the whistleblower will be subject to disciplinary action.

During the Reporting Period, there has been no case of non-compliance with respect to corruption that had a significant impact on the Group.

7. ENDEAVORING TO PROMOTE GREEN DEVELOPMENT

Compliance with laws and regulations in relation to environmental protection is an essential requirement for a socially responsible corporation. Active participation in green and environment-friendly initiatives represents the top priority for an environmentally and socially responsible corporation at present and in the future.

The Group emphasizes environmental friendliness, energy-saving and emission reduction. While the Group is engaged in the film and television industry, which does not involve significant energy and resource consumption, waste generation and pollutant emission, and it is found that environmental issues are not important topics of the Group after materiality assessment, we always attach great importance to environmental protection in the course of daily operation and development, and always take conservation and emission reduction and pursuing resource recycling as the environmental goals in the business process. We are eager to integrate the concepts of green and low carbon development into our management strategy to minimize the negative impact of our operation activities on the environment, thereby enhancing the Group's efficiency in environmental protection.

Environmental, Social and Governance Report

7.1 Resource Utilization Management

A socially responsible corporation spares no effort in developing a resource-preserving and environment-friendly society. Energy-saving and improved energy efficiency may lower operating costs and facilitate long-term corporate development. The Group strictly abides by laws and regulations such as the "Environmental Protection Law of the People's Republic of China", "Water Law of the People's Republic of China" and "Energy Conservation Law of the People's Republic of China" to achieve balanced and sustainable development between the people, resources and environment. Since the Group does not operate any factory, we are therefore not expected to be exposed to significant risks in relation to water or raw material waste in the course of our operation.

The Group deeply recognizes that the protection of water resources is the common responsibility of the whole society, and puts water conservation in an important position in the development of the enterprise. The water consumption involved in the Group is mainly the daily water consumption in the internal office area. The Group has been strictly abiding by the relevant national and local laws and regulations on water resources management and has established the measures for water resources management to regulate the use of water, rationally develop, utilize and recycle, and protect water resources. In the future, we will continue to actively explore innovative methods to achieve planned water use, scientific water use, water conservation, and water recycling. During the year, the Group did not identify any significant risk of water shortage in obtaining suitable water sources. During the Reporting Period, the water consumption of the Group was 215 cubic meters (2022: 187 cubic meters) with the intensity of 0.019 cubic meters per RMB10,000 in revenue¹ (2022: 0.081 cubic meters per RMB10,000 in revenue).

The Group meets the energy requirement in the course of operation with purchased electricity. Electricity consumption primarily arises from equipment, lightings, cooling and heating systems within the scope of our daily management. In addition, the Group is not involved in the use of packaging materials as it is a film and television company. During the Reporting Period, the consumption of electricity purchased by the Group was 112,381 kWh (2022: 90,642 kWh), with an intensity of 9.91 kWh/RMB10,000 in revenue (2022: 39.20 kWh/RMB10,000 in revenue).

¹ In 2022, there was no material change in the basic situation of resource utilization and emission as compared to the previous year. The significant growth of intensity index is caused by the change of operating income influenced by external environment.

Environmental, Social and Governance Report

The Group's goal in energy and water resources management: to improve the effective utilization of energy and water resources, and to maximize the environmental and economic benefits of energy and water resources on the premise of satisfying business activities. In order to save energy and ensure efficient utilization, the Group has actively adopted energy saving measures. We promoted DingTalk paperless office throughout the Group, and actively encouraged employees to print on both sides of paper during the office process; we adopted LED lights with excellent energy saving in the office area, saving more than half of energy compared with the original fluorescent lamps; strictly controlled the power consumption of the office building, adjusted the air conditioner switch in time according to the weather changes, and closed the doors and windows when the air conditioners operated; reduced the use of official vehicles within the Group, and advocated green transportation; actively responded to the national call to carry out environmental protection promotion and other environmental protection activities.

In the future, we plan to further promote energy conservation within the Group, continue to uphold the concept of green development and the requirements of green and low-carbon development, and effectively reduce unreasonable consumption behaviors.

7.2 Response to Climate Change

The Global Risk Report published by the World Economic Forum depicted that the environmental risks remained as the primary issue from the perspective of the probability and impact of risks in the next decade. Environmental risks are closely related to climate change, and to cope with the severe challenges brought about by climate change, the development of a low-carbon economy has become the consensus of the international community. For enterprises, risks and opportunities coexist due to the impact of climate change – how to integrate climate change into the business strategies and daily operation activities of the enterprise is related to whether the enterprise can maintain and enhance its own competitiveness and survive and develop in the fierce international market competition.

The Group's operations have no significant impact on the environment and natural resources. We have stated the Group's efforts to conserve resources and reduce emissions in the preceding sections.

Meanwhile, we actively respond to the national "3060" target and promote the emission reduction of greenhouse gas, mainly carbon dioxide, in terms of climate change. We have taken relevant measures to save energy, improve the ecological environment, and enhance emission management, and make unremitting efforts to achieve the "3060" target.

The Group actively undertakes the corporate social responsibility of addressing climate change, takes effective measures to address the challenges brought by climate change, and seizes the historical opportunity of developing a low-carbon economy, expecting to occupy the strategic commanding heights in the future competition, so as to achieve its own sustainable development. Besides, the Group will also regularly provide induction training or courses related to emergency response plans and procedures for all employees in the future.

7.3 Emission Management

The Group strictly complies with laws and regulations in relation to prevention of environmental pollution, such as the “Law of the People’s Republic of China on the Prevention and Control of Atmospheric Pollution” (中華人民共和國大氣污染防治法), “Law of the People’s Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste” (中華人民共和國固體廢物污染環境防治法) and “Law of the People’s Republic of China on the Prevention and Control of Water Pollution” (中華人民共和國水污染防治法). During the reporting year, the Group did not experience any incident of material environmental pollution and ecological damage. Since the Group does not operate any factory, we are therefore not expected to be exposed to material risks in relation to environmental protection in the course of our operation.

In our daily operation activities, the Group is not involved in any waste gas and waste water emission and its greenhouse gas emissions solely include indirect greenhouse gas generated from purchased electricity; The sources of waste involved in the Group include hazardous solid wastes such as used toner cartridges and non-hazardous solid wastes such as waste paper generated during the office process. The Group has set up trash cans for office waste in the office area, and kitchen waste and hazardous waste are disposed of in the trash cans prepared in the park. The Group continues to implement the concepts of energy saving, consumption reduction and green environmental protection to reduce emissions from the source. We will always take promoting the process of emission management, waste management and environmental protection as the long-term goal, and ultimately realize the concept of circular economy and adhere to the path of sustainable development.

During the year, the Group generated 10.60 kg (2022: 7.78 kg) of hazardous waste toner cartridges with a density of 0.93 g/RMB10,000 in revenue (2022: 3.36 g/RMB10,000 in revenue); produced 1,620 kg (2022: 1,015 kg) of non-hazardous waste paper with a density of 142.80 g/RMB10,000 in revenue (2022: 438.99 g/RMB10,000 in revenue). The total amount of indirect greenhouse gas emissions is 68.56 tons of carbon dioxide equivalent (2022: 52.66 tons of carbon dioxide equivalent), and the intensity of greenhouse gas emissions is 6.04 kg of carbon dioxide equivalent per RMB10,000 in revenue (2022: 22.78 kg of carbon dioxide equivalent per RMB10,000 in revenue).

Environmental, Social and Governance Report

APPENDIX

HKEx ESG Guide Content Index

ESG Guide Reference		Report Content
LEVEL A. ENVIRONMENTAL		
ASPECT A1: EMISSIONS		
A1	General Disclosure Information on (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	7.3 Management of Emissions
A1.1	The types of emission and respective emissions data.	7.3 Management of Emissions
A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	7.3 Management of Emissions
A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	7.3 Management of Emissions
A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	7.3 Management of Emissions
A1.5	Description of emissions target(s) set and steps taken to achieve them.	7.3 Management of Emissions
A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	7.3 Management of Emissions
ASPECT A2: USE OF RESOURCES		
A2	General Disclosure Policies on the efficient use of resources, including energy, water and other raw materials.	7.1 Management of Resources Utilization
A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	7.1 Management of Resources Utilization
A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	7.1 Management of Resources Utilization

Environmental, Social and Governance Report

ESG Guide Reference		Report Content
A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	7.1 Management of Resources Utilization
A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	7.1 Management of Resources Utilization
A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Our Group is a film-and-television company and does not involve the use of packaging materials.
ASPECT A3: THE ENVIRONMENT AND NATURAL RESOURCES		
A3	General Disclosure Policies on minimising the issuer's significant impact on the environment and natural resources.	7.2 Tackle Climate Change
A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	7.2 Tackle Climate Change
ASPECT A4: CLIMATE CHANGE		
A4	General Disclosure Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	7.2 Tackle Climate Change
A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	7.2 Tackle Climate Change

Environmental, Social and Governance Report

ESG Guide Reference		Report Content
LEVEL B. SOCIAL		
EMPLOYMENT AND LABOUR PRACTICES		
Aspect B1: Employment		
B1	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	3.1 Protecting Employee Rights
B1.1	Total workforce by gender, employment type (for example, full or parttime), age group and geographical region.	3.1 Protecting Employee Rights
B1.2	Employee turnover rate by gender, age group and geographical region.	3.1 Protecting Employee Rights
Aspect B2: Health and Safety		
B2	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to provision of a safe working environment and protecting employees from occupational hazards.	3.3 Occupational Health and Safety
B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	3.3 Occupational Health and Safety
B2.2	Lost days due to work injury.	3.3 Occupational Health and Safety
B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	3.3 Occupational Health and Safety

Environmental, Social and Governance Report

ESG Guide Reference		Report Content
Aspect B3: Development and Training		
B3	General Disclosure Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	3.2 Development and Training
B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	3.2 Development and Training
B3.2	The average training hours completed per employee by gender and employee category.	3.2 Development and Training
Aspect B4: Labour Standards		
B4	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	3.1 Protecting Employee Rights
B4.1	Description of measures to review employment practices to avoid child and forced labour.	3.1 Protecting Employee Rights
B4.2	Description of steps taken to eliminate such practices when discovered.	3.1 Protecting Employee Rights
OPERATING PRACTICES		
Aspect B5: Supply Chain Management		
B5	General Disclosure Policies on managing environmental and social risks of the supply chain.	5. "Li" Optimizes Supply Management
B5.1	Number of suppliers by geographical region.	5. "Li" Optimizes Supply Management
B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how the practices are implemented and monitored.	5. "Li" Optimizes Supply Management
B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	5. "Li" Optimizes Supply Management
B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	5. "Li" Optimizes Supply Management

Environmental, Social and Governance Report

ESG Guide Reference		Report Content
Aspect B6: Product Responsibility		
B6	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	2.1 Innovative Product Development
B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Not Applicable
B6.2	Number of products and service related complaints received and how they are dealt with.	2.2 Customer Service
B6.3	Description of practices relating to observing and protecting intellectual property rights.	2.3 Intellectual Property Rights and Privacy Protection
B6.4	Description of quality assurance process and recall procedures.	2.1 Innovative Product Development
B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	2.3 Intellectual Property Rights and Privacy Protection

Environmental, Social and Governance Report

ESG Guide Reference		Report Content
Aspect B7: Anti-corruption		
B7	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	6. "Li" Ensures Compliant Operations
B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	6. "Li" Ensures Compliant Operations
B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	6. "Li" Ensures Compliant Operations
B7.3	Description of anti-corruption training provided to directors and staff.	6. "Li" Ensures Compliant Operations
COMMUNITY		
Aspect B8: Community Investment		
B8	General Disclosure Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	4. "Li" Loves Public Welfare Communication
B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	4. "Li" Loves Public Welfare Communication
B8.2	Resources contributed (e.g. money or time) to the focus area.	Explained

Independent Auditor's Report



Independent auditor's report to the shareholders of Litian Pictures Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Litian Pictures Holdings Limited (the "**Company**") and its subsidiaries (the "**Group**") set out on pages 115 to 173, which comprise the consolidated statement of financial position as at 31 December 2023, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes, comprising material accounting policy information and other explanatory information.

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.

Independent Auditor's Report

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Material uncertainty related to going concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Expected credit loss allowance for trade receivables	
<i>Refer to Note 15 to the consolidated financial statements and the accounting policies in Note 2(h)(i).</i>	
The Key Audit Matter	How the matter was addressed in our audit
<p>At 31 December 2023, the Group's gross trade receivables totalled RMB261,032,000. Loss allowance of RMB142,434,000 was recorded.</p> <p>Management measured loss allowance at an amount equal to expected credit losses ("ECLs"). ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls between the contractual and expected amounts. The Group measures ECLs by taking into account the ageing of trade receivable balances, the repayment history of the Group's customers, current market conditions, and the Group's view of economic conditions over the expected lives of the trade receivables.</p>	<p>Our audit procedures to assess the ECL allowance for trade receivables included the following:</p> <ul style="list-style-type: none">• obtaining an understanding of and assessing the design, implementation and operating effectiveness of key internal controls over the credit control, the trade receivables collection process and estimating the ECLs for trade receivables;• obtaining an understanding of the Group's policy for estimating the loss allowance with reference to the requirements of the applicable accounting standards;• obtaining an understanding of the key parameters and assumptions that management uses in its implementation of the ECL model, including the historical credit loss data used in management's estimated loss rates;

KEY AUDIT MATTERS (CONTINUED)

Expected credit loss allowance for trade receivables	
<i>Refer to Note 15 to the consolidated financial statements and the accounting policies in Note 2(h)(i).</i>	
The Key Audit Matter	How the matter was addressed in our audit
<p>We identified ECL allowance for trade receivables as a key audit matter because determining the level of loss allowance requires the exercise of significant management judgement which is inherently subjective.</p>	<ul style="list-style-type: none"> • assessing the appropriateness of management's assessment on whether ECLs derived from provision matrix have reflected the current economic conditions and forward-looking information on reporting date; • assessing whether items in the trade receivables ageing report were categorised in the appropriate ageing bracket by comparing individual items with the relevant underlying documentation, including the relevant sales agreement or licensing contract, the customer's acknowledgement of acceptance of the master tapes and distribution licenses for broadcasting of the drama series on a sample basis; • re-performing the calculation of the loss allowance as at 31 December 2023 based on the Group's credit loss allowance policies; and • assessing the reasonableness of the disclosures in the consolidated financial statements in relation to the loss allowances for trade receivables with reference to the requirements of the applicable accounting standards.

Independent Auditor's Report

KEY AUDIT MATTERS (CONTINUED)

Impairment assessment of drama series copyrights	
Refer to Note 14 to the consolidated financial statements and the accounting policies in Note 2(h)(ii).	
The Key Audit Matter	How the matter was addressed in our audit
<p>At 31 December 2023, the book value of the Group's drama series copyrights amounted to RMB863,724,000. Impairment loss on drama series copyrights of RMB313,502,000 was recorded.</p> <p>Impairment assessment of drama series copyrights is assessed annually or whenever events or changes in circumstances indicate that the recoverable amount of a drama series copyright may be below the carrying amount at the end of the reporting period.</p> <p>The recoverable amount is determined based on the value-in-use calculation, using a discounted cash flow forecast.</p> <p>The preparation of discounted cash flow forecasts involves the exercise of significant management judgement, in particular in assessing expected revenue and forecasted costs/expenses. In making such assessment, management considered factors such as current market condition, whether the Group has sufficient financial ability and internal resources to complete the production of the self-produced drama series under production and the script copyrights, and whether there is any adverse change on the expected performance and distribution plans, which may affect the future production and distribution plans, and exercised judgement in developing its expectation for the future cash flows from these drama series copyrights.</p>	<p>Our audit procedures to assess the impairment of drama series copyrights included the following:</p> <ul style="list-style-type: none"> • obtaining an understanding of and assessing the design, implementation and operating effectiveness of key internal controls relating to impairment assessment of drama series copyrights; • evaluating the appropriateness of the methodology used by management to determine the recoverable amounts of drama series copyrights with reference to the requirements of the applicable accounting standards; • assessing the appropriateness of the key assumptions made and inputs used in the discounted cash flow forecasts, including: <ul style="list-style-type: none"> – comparing the expected revenue to be generated by the drama series copyrights through checking the preliminary agreements or related business communications with potential customers, such as television channels, or the available revenue of similar drama series copyrights;

KEY AUDIT MATTERS (CONTINUED)

Impairment assessment of drama series copyrights	
<i>Refer to Note 14 to the consolidated financial statements and the accounting policies in Note 2(h)(ii).</i>	
The Key Audit Matter	How the matter was addressed in our audit
<p>We identified impairment assessment of drama series copyrights as a key audit matter because the assessment requires the exercise of significant management judgement which is inherently subjective.</p>	<ul style="list-style-type: none"> - evaluating the discount rates adopted in the discounted cash flow forecasts by comparison with those of similar entities in the same industry; and - performing sensitivity analyses of the key assumptions adopted in the discounted cash flow forecasts and the discount rates applied and assessing the impact of changes in the key assumptions and the discount rates to the conclusions reached in the impairment assessments and whether there are any indicators of management bias in the process; - comparing the forecasted costs/ expenses during the production and promotion of drama series copyrights with historical information; - on a sample basis, examining the relevant correspondences with suppliers, progress reports and other documents to check the status and progress of the self-produced drama series under production and the script copyrights used by management in the forecasts; and • inspecting relevant documents on the production of the self-produced drama series under production and the script copyrights, actual promotion expenses settlement, broadcasting situation or revenue confirmation subsequent to the reporting date.



Independent Auditor's Report

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS Accounting Standards issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSA's, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



Independent Auditor's Report

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Wan Chi Yau, Charles.

KPMG

Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

28 March 2024

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2023

(Expressed in Renminbi (“RMB”))

	Note	2023 RMB'000	2022 RMB'000
Revenue	4	113,445	23,121
Cost of sales		(181,121)	(212,344)
Gross loss	4(b)	(67,676)	(189,223)
Other (loss)/income	5	(81)	978
Selling and marketing expenses		(2,379)	(1,081)
Administrative expenses		(22,833)	(25,287)
Impairment loss on trade and other receivables	6(c)	(31,868)	(35,379)
Loss from operations		(124,837)	(249,992)
Finance costs	6(a)	(18,683)	(20,960)
Loss before taxation	6	(143,520)	(270,952)
Income tax	7	(11,938)	(24,706)
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		1,454	4,787
Total comprehensive income attributable to equity shareholders of the Company for the year		(154,004)	(290,871)
Loss per share			
Basic and diluted (RMB)	10	(0.52)	(0.99)

Consolidated Statement of Financial Position

At 31 December 2023

(Expressed in Renminbi RMB)

	Note	At 31 December 2023 RMB'000	At 31 December 2022 RMB'000
Non-current assets			
Property and equipment	11	4,634	8,166
Other financial assets	13	–	1,220
Deferred tax assets	23(b)	5,883	17,821
		10,517	27,207
Current assets			
Drama series copyrights	14	550,222	545,630
Trade and bills receivables	15	126,823	155,364
Prepayments, deposits and other receivables	16	29,344	32,904
Cash at bank and on hand	17	4,503	59,578
		710,892	793,476
Current liabilities			
Trade payables	18	221,307	252,480
Other payables and accrued expenses	19	147,415	125,132
Contract liabilities	20	149,980	34,266
Bank and other loans	21	158,775	212,670
Lease liabilities	22	3,371	1,872
Current taxation	23(a)	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	21	1,740	–
Lease liabilities	22	1,232	2,670
		2,972	2,670
NET ASSETS		32,876	186,880

The notes on pages 121 to 173 form part of these financial statements.

Consolidated Statement of Financial Position

At 31 December 2023
(Expressed in Renminbi RMB)

	Note	At 31 December 2023 RMB'000	At 31 December 2022 RMB'000
CAPITAL AND RESERVES	24		
Share capital		2,742	2,742
Reserves		30,134	184,138
TOTAL EQUITY ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY		32,876	186,880

Approved and authorised for issue by the board of directors on 28 March 2024.

Yuan Li
Chairman

Fu Jieyun
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2023

(Expressed in Renminbi RMB)

	Attributable to equity shareholders of the Company					Total equity RMB'000
	Share capital RMB'000 (Note 24(b))	Share premium RMB'000 (Note 24(d))	Other reserve RMB'000 (Note 24(e))	Exchange reserve RMB'000 (Note 24(f))	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 2022:						
Loss for the year	-	-	-	-	(295,658)	(295,658)
Other comprehensive income for the year	-	-	-	4,787	-	4,787
Total comprehensive income for the year	-	-	-	4,787	(295,658)	(290,871)
At 31 December 2022 and 1 January 2023	2,742	160,389	165,870	(8,722)	(133,399)	186,880
Changes in equity for 2023:						
Loss for the year	-	-	-	-	(155,458)	(155,458)
Other comprehensive income for the year	-	-	-	1,454	-	1,454
Total comprehensive income for the year	-	-	-	1,454	(155,458)	(154,004)
At 31 December 2023	2,742	160,389	165,870	(7,268)	(288,857)	32,876

The notes on pages 121 to 173 form part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2023
(Expressed in Renminbi RMB)

	Note	2023 RMB'000	2022 RMB'000
Cash flows from operating activities			
Loss before taxation		(143,520)	(270,952)
Adjustments for:			
Depreciation expenses	6(c)	4,217	4,112
Finance costs	6(a)	18,683	20,960
Interest income		(31)	(710)
Changes in fair value of financial assets measured at fair value through profit or loss ("FVPL")	5	1,220	1,500
Changes in working capital:			
(Increase)/decrease in drama series copyrights		(4,592)	51,067
Decrease in trade and bills receivables		28,541	126,739
Decrease/(increase) in prepayments, deposits and other receivables		3,560	(9,633)
Decrease/(increase) in restricted cash		49,387	(2,155)
Decrease in trade payables		(31,173)	(13,420)
Increase in other payables and accrued expenses		22,056	12,833
Increase in contract liabilities		115,714	3,244
Cash generated from/(used in) operating activities		64,062	(76,415)
Income tax paid	23(a)	-	-
Net cash generated from/(used in) operating activities		64,062	(76,415)
Cash flows from investing activities			
Payments for purchase of property and equipment		(211)	(953)
Interest received		31	710
Net cash used in investing activities		(180)	(243)

Consolidated Cash Flow Statement

For the year ended 31 December 2023
(Expressed in Renminbi RMB)

	Note	2023 RMB'000	2022 RMB'000
Cash flows from financing activities			
Proceeds from bank and other loans	17(b)	144,577	196,480
Repayment of bank and other loans	17(b)	(196,732)	(141,433)
Capital element of lease rentals paid	17(b)	(413)	(1,227)
Interest element of lease rentals paid	17(b)	(152)	(222)
Interest paid	17(b)	(18,304)	(9,910)
Net cash (used in)/generated from financing activities		(71,024)	43,688
Net decrease in cash and cash equivalents		(7,142)	(32,970)
Cash and cash equivalents at the beginning of the year	17(a)	10,002	38,185
Effect of foreign exchange rate changes		1,454	4,787
Cash and cash equivalents at the end of the year	17(a)	4,314	10,002

The notes on pages 121 to 173 form part of these financial statements.

Notes to the 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**”). Material accounting policies adopted by the Group are disclosed below.

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 investments in equity securities are stated at their fair values as explained in the accounting policies as set in Note 2(e).

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.

Notes to the Financial Statements

(Expressed in RMB unless otherwise indicated)

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

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

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

Judgements made by management in the application of IFRS Accounting Standards that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in Note 3.

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 (see Note 25(b)) 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.

Notes to the Financial Statements

(Expressed in RMB unless otherwise indicated)

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

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

Going concern assessment (continued)

In addition, as disclosed in Note 26, 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;

Notes to the Financial Statements

(Expressed in RMB unless otherwise indicated)

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

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

Going concern assessment (continued)

- 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*

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(c) Changes in accounting policies (continued)

(i) *New and amended IFRS Accounting Standards (continued)*

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 Note 23(b), 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.

Notes to the Financial Statements

(Expressed in RMB unless otherwise indicated)

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(d) **Subsidiaries**

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see Note 2(h)(ii)), unless it is classified as held for sale.

(e) **Other investments in securities**

Investments in securities other than investments in subsidiaries are recognised/derecognised on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss ("FVPL") for which transaction costs are recognised directly in profit or loss. An investment in equity securities is classified as FVPL and subsequent changes in fair value are recognised in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see Note 25(d).

(f) **Property and equipment**

Property and equipment are stated at cost, which includes capitalised borrowing costs, less accumulated depreciation and any accumulated impairment losses (see Note 2(h)(ii)).

If significant parts of an item of property and equipment have different useful lives, then they are accounted for as separate items.

Any gain or loss on disposal of an item of property and equipment is recognised in profit or loss.

Depreciation is calculated to write off the cost of items of property and equipment, less their estimated residual values, if any, using the straight-line method over their estimated useful lives, and is recognised in profit or loss.

Notes to the Financial Statements

(Expressed in RMB unless otherwise indicated)

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(f) **Property and equipment (continued)**

The estimated useful lives are as follows:

Leasehold improvements, office equipment and others	Over the term of lease or 2–5 years
Right-of-use assets	Over the term of lease

Depreciation methods, useful lives and residual values (if any) are reviewed at each reporting date and adjusted if appropriate.

(g) **Leased assets**

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. This is the case if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the Group has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

As a lessee

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for leases that have a short lease term of 12 months or less and leases of low-value items. When the Group enters into a lease in respect of a low-value item, the Group decides whether to capitalise the lease on a lease-by-lease basis. If not capitalised, the associated lease payments are recognised in profit or loss on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is recognised using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss as incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see Notes 2(f) and 2(h) (ii)).

Notes to the Financial Statements

(Expressed in RMB unless otherwise indicated)

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(g) Leased assets (continued)

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract, if such lease modification is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification.

In the consolidated statement of financial position, the current portion of long-term lease liabilities is determined as the present value of contractual payments that are due to be settled within twelve months after the reporting period.

(h) Credit losses and impairment of assets

(i) Credit losses from financial instruments and contract assets

The Group recognises a loss allowance for expected credit losses ("ECLs") on financial assets measured at amortised cost (including cash at bank and on hand, and trade and other receivables). Equity securities measured at FVPL are not subject to ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Generally, credit losses are measured as the present value of all expected cash shortfalls between the contractual and expected amounts.

The expected cash shortfalls of trade and other receivables and contract assets are discounted using the effective interest rate determined at initial recognition or an approximation thereof where the effect of discounting is material.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

(Expressed in RMB unless otherwise indicated)

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(h) Credit losses and impairment of assets (continued)

(i) Credit losses from financial instruments and contract assets (continued)

Measurement of ECLs (continued)

ECLs are measured on either of the following bases:

- 12-month ECLs: these are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months); and
- lifetime ECLs: these are the ECLs that result from all possible default events over the expected lives of the items to which the ECL model applies.

The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-months ECLs:

- financial instruments that are determined to have low credit risk at the reporting date; and
- other financial instruments for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

When determining whether the credit risk of a financial instrument has increased significantly since initial recognition and when measuring ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment, that includes forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is past the contractual due date.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Notes to the Financial Statements

(Expressed in RMB unless otherwise indicated)

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(h) Credit losses and impairment of assets (continued)

(i) Credit losses from financial instruments and contract assets (continued)

Credit-impaired financial assets

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

- significant financial difficulties of the debtor;
- a breach of contract, such as a default or being past the contractual due date;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise; or
- it is probable that the debtor will enter bankruptcy or other financial reorganisation.

Write-off policy

The gross carrying amount of a financial asset is written off to the extent that there is no realistic prospect of recovery. This is generally the case when the Group otherwise determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(h) Credit losses and impairment of assets (continued)

(ii) Impairment of other assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than contract assets and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units ("CGUs").

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs of disposal. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. They are allocated to reduce the carrying amounts of the assets in the CGU on a pro rata basis.

An impairment loss is reversed only to the extent that the resulting carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(iii) Interim financial reporting and impairment

Under the Listing Rules, the Group is required to prepare an interim financial report in compliance with IAS 34, *Interim financial reporting*, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see Notes 2(h)(i) and 2(h)(ii)).

Notes to the Financial Statements

(Expressed in RMB unless otherwise indicated)

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(i) **Drama series copyrights**

Drama series copyrights comprise the (i) distribution rights and copyrights of drama series and (ii) script copyrights, either acquired or produced by the Group. Drama series copyrights are stated at cost less accumulated amortisation and impairment losses (see Note 2(h)(ii)). Costs of drama series copyrights comprise consideration payable upon acquisition of drama series and/or costs/expenses incurred during the production of drama series. Script copyrights are stated at cost less impairment losses (see Note 2(h)(ii)).

The amortisation of drama series copyrights is determined using the drama series forecast computation method. Under this method, the amount of amortisation is determined based on the proportion of the revenue recognised in the reporting period for each individual drama series to the estimated total revenue expected to be recognised throughout the life cycle of the drama series.

(j) **Contract assets and contract liabilities**

A contract asset is recognised when the Group recognises revenue (see Note 2(r)) before being unconditionally entitled to the consideration under the terms in the contract. Contract assets are assessed for ECLs in accordance with the policy set out in Note 2(h)(i) and are reclassified to receivables when the right to the consideration becomes unconditional (see Note 2(k)).

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue (see Note 2(r)). A contract liability is also recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such latter cases, a corresponding receivable is also recognised (see Note 2(k)).

(k) **Trade and other receivables**

A receivable is recognised when the Group has an unconditional right to receive consideration and only the passage of time is required before payment of that consideration is due.

Trade receivables that do not contain a significant financing component are initially measured at their transaction price. Trade receivables that contain a significant financing component and other receivables are initially measured at fair value plus transaction costs. All receivables are subsequently stated at amortised cost using the effective interest method, net of loss allowance (see Note 2(h)(i)).

Notes to the Financial Statements

(Expressed in RMB unless otherwise indicated)

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(l) **Cash and cash equivalents**

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents are assessed for ECLs in accordance with the policy set out in Note 2(h)(i).

(m) **Trade and other payables**

Trade and other payables are initially recognised at fair value. Trade and other payables are subsequently stated at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at invoice amounts.

(n) **Interest-bearing borrowings**

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequently, these borrowings are stated at amortised cost using the effective interest method. Interest expense is recognised in accordance with Note 2(t).

(o) **Employee benefits**

(i) *Short-term employee benefits and contributions to defined contribution retirement plans*
Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Obligations for contributions to defined contribution retirement plans are expensed as the related service is provided.

(ii) *Termination benefits*

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises costs for a restructuring.

Notes to the Financial Statements

(Expressed in RMB unless otherwise indicated)

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(p) **Income tax**

Income tax expense comprises current tax and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax comprises the estimated tax payable or receivable on the taxable income or loss for the year and any adjustments to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects any uncertainty related to income taxes. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

Current tax assets and liabilities are offset only if certain criteria are met.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and
- temporary differences related to investment in subsidiaries to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future.

The Group recognised deferred tax assets and deferred tax liabilities separately in relation to its lease liabilities and right-of-use assets.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Deferred tax assets and liabilities are offset only if certain criteria are met.

Notes to the Financial Statements

(Expressed in RMB unless otherwise indicated)

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(q) Provisions and contingent liabilities

Generally provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the liability.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(r) Revenue and other income

Income is classified by the Group as revenue when it arises from the sale of goods or the provision of services in the ordinary course of the Group's business.

Revenue is recognised when control over a product or service is transferred to the customer at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Further details of the Group's revenue and other income recognition policies are as follows:

- (i) *Revenue from distribution and licensing of broadcasting rights of drama series*
Revenue from distribution and licensing of broadcasting right of drama series to the customer is recognised when the drama series materials are made available to the customer.
- (ii) *Sale of script copyrights*
Revenue from the sale of script copyright is recognised when the title and copy of script copyright are transferred to the customer.
- (iii) *Revenue from distribution and licensing of broadcasting rights under co-financing arrangements*
Revenue from distribution and licensing of broadcasting right under co-financing arrangement relates to the Group's investment in drama series as non-executive producer. Revenue under such arrangement is recognised when the drama series materials are made available to the customer by the executive producer.

Notes to the Financial Statements

(Expressed in RMB unless otherwise indicated)

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(r) Revenue and other income (continued)

(iv) Interest income

Interest income is recognised as it accrues using the effective interest method. For financial assets measured at amortised cost that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset (see Note 2(h)(i)).

(v) Government grants

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as other income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are recognised as deferred income and subsequently recognised in profit or loss on a systematic basis over the useful life of the asset.

(s) Translation of foreign currencies

Transactions in foreign currencies are translated into the respective functional currencies of group companies at the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognised in profit or loss.

The assets and liabilities of foreign operations are translated into RMB, the Group's presentation currency, at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into RMB at the exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income and accumulated in the exchange reserve.

(t) Borrowing costs

Borrowing costs that are directly attributable to the acquisition or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

Notes to the Financial Statements

(Expressed in RMB unless otherwise indicated)

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(u) Related parties

- (a) A person, or a close member of that person's family, is related to the Group if that person:
- (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or the Group's parent.
- (b) An entity is related to the Group if any of the following conditions applies:
- (i) The entity and the Group are members of the same group.
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
 - (vi) The entity is controlled or jointly controlled by a person identified in (a).
 - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
 - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

Notes to the Financial Statements

(Expressed in RMB unless otherwise indicated)

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(v) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3 ACCOUNTING JUDGEMENT AND ESTIMATES

The significant sources of estimation uncertainty are as follows:

(a) Going concern

These financial statements have been prepared on a going concern basis even though there are material uncertainties as explained in Note 2(b). In view of these, the directors of the Company have been given considerations to future liquidity and performance in assessing whether the Group will have sufficient financial resources to continue as a going concern. Should the Group fail to achieve the intended effects resulting from the measures as mentioned in Note 2(b), it may not be able to operate as a going concern and adjustments would have to be made to write down the carrying amounts of the Group's assets to their recoverable amounts and to provide for future liabilities that may arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively.

(b) Expected credit losses for receivables

The credit losses for trade and other receivables are assessed based on assumptions about the expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the expected loss calculation, based on the Group's past collection history, existing market conditions as well as forward looking estimates at the end of each reporting period. For details of the key assumptions and inputs used, see Note 25(a). Changes in these assumptions and estimates could materially affect the result of the assessment and the Group may make additional loss allowances in future periods.

3 ACCOUNTING JUDGEMENT AND ESTIMATES (CONTINUED)

(c) Amortisation of drama series copyrights

Drama series copyrights are amortised using the drama series forecast computation method, of which the amount is determined based on the proportion of the revenue recognised in the reporting period for each individual drama series to the estimated total revenue expected to be recognised throughout the life cycle of the drama series.

The management of the Group reviews the estimated total revenue throughout the life cycle of the drama series regularly in order to determine the amount of amortisation expenses to be recorded during any reporting period. The determination of the estimated total revenue is based on historical experience with similar drama series existing market conditions as well as forward looking estimates. The amortisation expenses for future periods are adjusted if there are significant changes from previous estimates.

(d) Impairment of drama series copyrights

If circumstances indicated that the carrying amount of a drama series copyright may not be recoverable, the drama series copyright may be considered "impaired", and an impairment loss may be recognised in accordance with accounting policy for impairment of drama series copyrights as described in Note 2(h)(ii). Drama series copyrights are tested for impairment periodically or whenever the events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. When such a decline has occurred, the carrying amount is reduced to the recoverable amount. The recoverable amount is the greater of the fair value less costs of disposal and value in use. In determining the value in use, expected future cash flows generated by the drama series copyright are discounted to their present value, which requires significant judgement relating to the level of revenue to be generated over the life cycle of the drama series copyright. The Group uses all readily available information in determining an amount that is a reasonable approximation of the recoverable amount, including estimates based on reasonable and supportable assumptions and projections of the level of revenue to be generated over the life cycle of the drama series copyright. Changes in these estimates could have a significant impact on the recoverable amount of drama series copyrights and could result in additional impairment charge or reversal of impairment in future periods.

(e) Recognition of deferred tax assets

Deferred tax assets in respect of unused tax losses and deductible temporary differences are recognised and measured based on the expected manner of realisation or settlement of the carrying amount of the assets, using tax rates enacted or substantively enacted at the end of the reporting period. In determining the carrying amounts of deferred tax assets, future taxable profits are estimated which involves a number of assumptions relating to the future operating performance of the Group and requires a significant level of judgement exercised by the management. Any change in such assumptions and judgement would affect the carrying amounts of deferred tax assets to be recognised in future periods.

Notes to the Financial Statements

(Expressed in RMB unless otherwise indicated)

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.

Further details regarding the Group's principal activities are disclosed in Note 4(b).

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

	2023 RMB'000	2022 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
	113,445	23,121

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

	2023 RMB'000	2022 RMB'000
Customer A	45,306	–
Customer B	30,967	7,783

Details of concentration of credit risks of the Group are set out in Note 25(a).

Notes to the Financial Statements

(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, 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.

Notes to the Financial Statements

(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 years ended 31 December 2023 and 2022 is set out below.

	2023			Total RMB'000
	Self-produced drama series RMB'000	Outright- purchased drama series RMB'000	Others RMB'000	
Revenue from external customers	69,133	36,100	8,212	113,445
Reportable segment gross (loss)/profit	(51,682)	5,588	(21,582)	(67,676)
	2022			
	Self-produced drama series RMB'000	Outright- purchased drama series RMB'000	Others RMB'000	Total RMB'000
Revenue from external customers	7,666	14,960	495	23,121
Reportable segment gross (loss)/profit	(170,217)	3,002	(22,008)	(189,223)

Notes to the Financial Statements

(Expressed in RMB unless otherwise indicated)

4 REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (continued)

(ii) Reconciliation of reportable segment profit or loss

	2023 RMB'000	2022 RMB'000
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.

5 OTHER (LOSS)/INCOME

	2023 RMB'000	2022 RMB'000
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

Notes to the Financial Statements

(Expressed in RMB unless otherwise indicated)

6 LOSS BEFORE TAXATION

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

(a) Finance costs

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

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

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.

Notes to the Financial Statements

(Expressed in RMB unless otherwise indicated)

6 LOSS BEFORE TAXATION (CONTINUED)

(c) Other items

	2023 RMB'000	2022 RMB'000
Depreciation expenses (Note 11):		
– owned property and equipment	2,472	2,415
– right-of-use assets	1,745	1,697
	4,217	4,112
Impairment losses on:		
– drama series copyrights (Note 14)	57,440	198,828
– trade and other receivables (Notes 15(b) and 16)	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 (Note 14)	107,256	9,193

7 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

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

	2023 RMB'000	2022 RMB'000
Current taxation (Note 23(a)):		
Provision for the year	–	–
Deferred taxation (Note 23(b)):		
Origination and reversal of temporary differences	11,938	24,706
	11,938	24,706

Notes to the Financial Statements

(Expressed in RMB unless otherwise indicated)

7 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS (CONTINUED)

(b) Reconciliation between tax expense and accounting loss at applicable tax rates:

	2023 RMB'000	2022 RMB'000
Loss before taxation	(143,520)	(270,952)
Expected tax on loss before taxation, calculated at the rates applicable to profits in the jurisdictions concerned (Notes (i), (ii) and (iii))	(35,470)	(67,386)
Tax effect of non-deductible expenses	279	180
Tax effect of unused tax losses and deductible temporary differences not recognised	47,129	91,912
	11,938	24,706

Notes:

- (i) The Company and the subsidiary of the Group incorporated in the British Virgin Islands (the "BVI") are not subject to any income tax pursuant to the rules and regulations of their respective countries of incorporation.
- (ii) The Company and the subsidiary of the Group incorporated in Hong Kong did not have assessable profits which are subject to Hong Kong Profits Tax rate of 16.5% (2022: 16.5%) for the year ended 31 December 2023.
- (iii) The subsidiaries of the Group established in the PRC (excluding Hong Kong) are subject to PRC Corporate Income Tax rate of 25% for the year ended 31 December 2023 (2022: 25%).

Notes to the Financial Statements

(Expressed in RMB unless otherwise indicated)

8 DIRECTORS' EMOLUMENTS

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

	2023			Total RMB'000
	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Retirement scheme contributions RMB'000	
Executive directors				
Mr. Yuan Li	–	1,107	63	1,170
Ms. Tian Tian	–	1,116	72	1,188
Ms. Fu Jieyun	–	956	62	1,018
Ms. Huang Jingyu (appointed on 19 January 2024)	–	–	–	–
Non-executive directors				
Mr. Yu Yang	60	–	–	60
Mr. Tang Zhiwei	60	–	–	60
Independent non-executive directors				
Mr. Teng Bing Sheng	200	–	–	200
Mr. Liu Hanlin	150	–	–	150
Mr. Gan Weimin	150	–	–	150
	620	3,179	197	3,996

Notes to the Financial Statements

(Expressed in RMB unless otherwise indicated)

8 DIRECTORS' EMOLUMENTS (CONTINUED)

	2022			
	Directors' fees	Salaries, allowances and benefits in kind	Retirement scheme contributions	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors				
Mr. Yuan Li	–	1,110	58	1,168
Ms. Tian Tian	–	1,042	20	1,062
Ms. Fu Jieyun	–	822	58	880
Non-executive directors				
Mr. Yu Yang	60	–	–	60
Mr. Tang Zhiwei	60	–	–	60
Mr. Luo Jianxing (resigned on 16 January 2023)	–	–	–	–
Independent non-executive directors				
Mr. Teng Bing Sheng	200	–	–	200
Mr. Liu Hanlin	150	–	–	150
Mr. Gan Weimin	150	–	–	150
	620	2,974	136	3,730

Notes to the Financial Statements

(Expressed in RMB unless otherwise indicated)

9 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, three (2022: three) are directors whose emoluments are disclosed in Note 8. The aggregate of the emoluments in respect of the other two (2022: two) individuals are as follows:

	2023 RMB'000	2022 RMB'000
Salaries and other emoluments	1,247	1,326
Retirement scheme contributions	78	99
	1,325	1,425

The emoluments of the individuals who are not directors and who are amongst the five highest paid individuals of the Group are within the following band:

	2023 Number of individuals	2022 Number of individuals
Hong Kong dollar ("HK\$") Nil to HK\$1,000,000	2	2

10 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.

Notes to the Financial Statements

(Expressed in RMB unless otherwise indicated)

11 PROPERTY AND EQUIPMENT

	Leasehold improvements, office equipment and others RMB'000	Right-of-use assets RMB'000	Total RMB'000
Cost:			
At 1 January 2022	10,134	7,101	17,235
Additions	953	–	953
At 31 December 2022	11,087	7,101	18,188
Additions	211	474	685
At 31 December 2023	11,298	7,575	18,873
Accumulated depreciation:			
At 1 January 2022	(4,455)	(1,455)	(5,910)
Charge for the year	(2,415)	(1,697)	(4,112)
At 31 December 2022	(6,870)	(3,152)	(10,022)
Charge for the year	(2,472)	(1,745)	(4,217)
At 31 December 2023	(9,342)	(4,897)	(14,239)
Carrying amount:			
At 31 December 2023	1,956	2,678	4,634
At 31 December 2022	4,217	3,949	8,166

- (i) Property and equipment of the Group are located in the PRC.
- (ii) The carrying amounts of the Group's right-of-use assets represented leases entered into by the Group for office premises for its own use, where the lease terms are ranged from two to five years. Further details on lease liabilities are set out in Note 22 and expenses items related to leases are set out in Notes 6(a) and 6(c).

Notes to the Financial Statements

(Expressed in RMB unless otherwise indicated)

12 INVESTMENTS IN SUBSIDIARIES

The following list contains the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group.

Name of subsidiaries	Place and date of establishment	Particulars of registered and paid-up capital	Proportion of ownership interest		Principal activities	
			The Group's effective interest	Held by the Company / Held by a subsidiary		
LiTian TV & Film 浙江力天影視有限公司 (Notes (i) and (ii))	The PRC 2 August 2013	RMB46,131,980	100%	–	100%	Production, distribution and licensing of broadcasting rights of drama series
Zhejiang LiTian Media Co., Ltd. 浙江力天傳媒有限公司 (Notes (i) and (ii))	The PRC 9 July 2014	RMB10,000,000	100%	–	100%	Production, distribution and licensing of broadcasting rights of drama series
Horgos Tiantian Meimei Film Co., Ltd. 霍爾果斯甜甜美美影業有限公司 (Notes (i) and (ii))	The PRC 24 January 2017	RMB30,000,000	100%	–	100%	Production, distribution and licensing of broadcasting rights of drama series
Horgos Haohao Xuexi Film Co., Ltd. 霍爾果斯好好學習影業有限公司 (Notes (i) and (ii))	The PRC 26 May 2017	RMB30,000,000	100%	–	100%	Production, distribution and licensing of broadcasting rights of drama series
Horgos Tiantian Xiangshang Film Co., Ltd. 霍爾果斯天天向上影業有限公司 (Notes (i) and (ii))	The PRC 15 June 2017	RMB30,000,000	100%	–	100%	Production, distribution and licensing of broadcasting rights of drama series
Xinjiang Qingchun LiTian Film Co., Ltd. 新疆青春力天影業有限公司 (Notes (i) and (ii))	The PRC 22 June 2018	RMB10,000,000	100%	–	100%	Production, distribution and licensing of broadcasting rights of drama series
Beijing LiTian Zhenzhi Film Co., Ltd. 北京力天臻至影業有限公司 (Notes (i) and (ii))	The PRC 9 May 2019	RMB10,000,000	100%	–	100%	Licensing of broadcasting rights of drama series
LiTian WFOE 海寧元帥影視策劃有限公司 (Note (i))	The PRC 25 September 2019	(Note (iii))	100%	–	100%	Investment holding
Horgos Baima Film Co., Ltd. 霍爾果斯白馬影業有限公司 (Notes (i) and (ii))	The PRC 7 September 2020	Registered capital of RMB3,000,000 and paid-up capital of RMB2,916,000	100%	–	100%	Production, distribution and licensing of broadcasting rights of drama series
Horgos Yuema Film Co., Ltd. 霍爾果斯躍馬影業有限公司 (Notes (i) and (ii))	The PRC 7 September 2020	Registered capital of RMB3,000,000 and paid-up capital of RMB297,600	100%	–	100%	Production, distribution and licensing of broadcasting rights of drama series
Horgos Zhizhen Film Co., Ltd. 霍爾果斯至臻影視有限公司 (Notes (i) and (ii))	The PRC 7 September 2020	Registered capital of RMB3,000,000 and paid-up capital of RMB2,671,000	100%	–	100%	Production, distribution and licensing of broadcasting rights of drama series
Sichuan LiTian Zhenzhi Film Culture Co., Ltd. 四川力天臻至影視文化有限公司 (Notes (i) and (ii))	The PRC 7 September 2023	Registered capital of RMB1,000,000 and paid-up capital of RMB6,000	100%	–	100%	Production, distribution and licensing of broadcasting rights of drama series

Notes to the Financial Statements

(Expressed in RMB unless otherwise indicated)

12 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Notes:

- (i) The official names of these entities are in Chinese. The English translations are for identification only.
- (ii) These entities were registered as limited liability companies under the laws and regulations in the Chinese Mainland.
- (iii) This entity was registered as a wholly foreign-owned enterprise under the laws and regulations in the Chinese Mainland. At 31 December 2023, the registered capital is HK\$200,000,000 and paid-up capital is HK\$124,720,000.

13 OTHER FINANCIAL ASSETS

	At 31 December 2023 RMB'000	At 31 December 2022 RMB'000
Unlisted equity securities measured at FVPL (Note 25(d))	–	1,220

The investment in unlisted equity securities represent the Group's 9.38% equity interests (i.e. a limited partner) in Jiaxing Chengling Equity Investment Limited Partnership, a limited partnership established in the PRC and principally engages in investing activities. Details on the determination of the fair value of this investment is set out in Note 25(d).

14 DRAMA SERIES COPYRIGHTS

	At 31 December 2023 RMB'000	At 31 December 2022 RMB'000
Self-produced drama series (Note (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 (Note (ii))	73,178	69,405
Script copyrights (Note (iii))	182,339	211,421
	863,724	837,714
Less: impairment losses	(313,502)	(292,084)
	550,222	545,630

Notes to the Financial Statements

(Expressed in RMB unless otherwise indicated)

14 DRAMA SERIES COPYRIGHTS (CONTINUED)

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 Note 2(h)(ii). 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 RMB'000	2022 RMB'000
At 1 January	545,630	522,694
Additions	169,288	230,957
Recognised in cost of sales (Note 6(c))	(107,256)	(9,193)
Impairment losses	(57,440)	(198,828)
At 31 December	550,222	545,630

15 TRADE AND BILLS RECEIVABLES

	At 31 December 2023 RMB'000	At 31 December 2022 RMB'000
Trade receivables	261,032	238,430
Less: loss allowance (Note 15(b))	(142,434)	(111,566)
	118,598	126,864
Bills receivables	8,225	28,500
	126,823	155,364

Notes to the Financial Statements

(Expressed in RMB unless otherwise indicated)

15 TRADE AND BILLS RECEIVABLES (CONTINUED)

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 RMB'000	At 31 December 2022 RMB'000
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
	126,823	155,364

Further details on the Group's credit policy and credit risk are set out in Note 25(a).

(b) Impairment of trade and bills receivables

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

	2023 RMB'000	2022 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).

Notes to the Financial Statements

(Expressed in RMB unless otherwise indicated)

16 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	At 31 December 2023 RMB'000	At 31 December 2022 RMB'000
Prepayments for productions of drama series	1,000	3,774
VAT recoverable	26,769	28,149
Others	2,705	1,111
	30,474	33,034
Less: loss allowance	(1,130)	(130)
	29,344	32,904

All of the prepayments, deposits and other receivables are expected to be recovered or recognised as expenses within one year.

17 CASH AT BANK AND ON HAND

(a) Cash at bank and on hand comprise:

	At 31 December 2023 RMB'000	At 31 December 2022 RMB'000
Cash at bank	4,469	59,520
Cash on hand	34	58
Cash at bank and on hand included in the consolidated statement of financial position	4,503	59,578
Less: restricted cash (Note (i))	(189)	(49,576)
Cash at bank and on hand included in the consolidated cash flow statement	4,314	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) At 31 December 2023, restricted cash represents bank balance frozen by a creditor as collateral for the Group to settle its payable to this creditor in accordance with the agreed settlement arrangement. At 31 December 2022, restricted cash represents deposits placed at banks as collaterals for the Group's bank and other loans.

Notes to the Financial Statements

(Expressed in RMB unless otherwise indicated)

17 CASH AT BANK AND ON HAND (CONTINUED)

(b) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated cash flow statement as cash flows from financing activities.

	Bank and other loans RMB'000 (Note 21)	Interest payable RMB'000 (Note 19)	Lease liabilities RMB'000 (Note 22)	Total RMB'000
At 1 January 2022	128,151	5,667	5,769	139,587
Changes from financing cash flows:				
Proceeds from bank and other loans	196,480	–	–	196,480
Repayment of bank and other loans	(141,433)	–	–	(141,433)
Capital element of lease rentals paid	–	–	(1,227)	(1,227)
Interest element of lease rentals paid	–	–	(222)	(222)
Interest paid	–	(9,910)	–	(9,910)
Total changes from financing cash flows	55,047	(9,910)	(1,449)	43,688
Other changes:				
Modification of co-financing arrangements to loan arrangement (non-cash transaction)	29,472	–	–	29,472
Interest expenses (Note 6(a))	–	27,978	222	28,200
Total other changes	29,472	27,978	222	57,672
At 31 December 2022 and 1 January 2023	212,670	23,735	4,542	240,947
Changes from financing cash flows:				
Proceeds from bank and other loans	144,577	–	–	144,577
Repayment of bank and other loans	(196,732)	–	–	(196,732)
Capital element of lease rentals paid	–	–	(413)	(413)
Interest element of lease rentals paid	–	–	(152)	(152)
Interest paid	–	(18,304)	–	(18,304)
Total changes from financing cash flows	(52,155)	(18,304)	(565)	(71,024)
Other changes:				
Net increase in lease liabilities	–	–	474	474
Interest expenses (Note 6(a))	–	23,167	152	23,319
Total other changes	–	23,167	626	23,793
At 31 December 2023	160,515	28,598	4,603	193,716

Notes to the Financial Statements

(Expressed in RMB unless otherwise indicated)

17 CASH AT BANK AND ON HAND (CONTINUED)

(c) Total cash outflow for leases

Amounts included in the consolidated cash flow statement for leases comprise the following:

	2023 RMB'000	2022 RMB'000
Within operating cash flows – lease rentals paid	32	76
Within financing cash flows – lease rentals paid	565	1,449
	597	1,525

18 TRADE PAYABLES

	At 31 December 2023 RMB'000	At 31 December 2022 RMB'000
Payables for productions and acquisitions of drama series (Note)	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 2023 RMB'000	At 31 December 2022 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

Note: At 31 December 2023, the Group's balance of trade payables included RMB21,208,000 where the creditor has initiated a litigation against a subsidiary of the Group in requesting this subsidiary to repay the outstanding balance. For details of this litigation, refer to Note 26.

Notes to the Financial Statements

(Expressed in RMB unless otherwise indicated)

19 OTHER PAYABLES AND ACCRUED EXPENSES

	At 31 December 2023 RMB'000	At 31 December 2022 RMB'000
Payables to co-investors of drama series under co-financing arrangements	114,929	95,881
Interest payables	28,598	23,735
Payables for staff related costs	1,510	3,587
Payables for other taxes	223	86
Others	2,155	1,843
Financial liabilities measured at amortised cost	147,415	125,132

All of the other payables and accrued expenses are expected to be settled within one year or are repayable on demand.

20 CONTRACT LIABILITIES

	At 31 December 2023 RMB'000	At 31 December 2022 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.

Notes to the Financial Statements

(Expressed in RMB unless otherwise indicated)

21 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	–	20,000
	8,167	47,890
Other loans from third parties (Notes (i) and (ii)):		
– Guaranteed by the controlling parties (Note (iii))	92,000	21,000
– Unsecured and unguaranteed	58,608	113,280
	150,608	134,280
Other loans from related parties:		
– Guaranteed by the controlling parties	–	30,500
	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 balance and related interests. For details of this litigation, refer to Note 26.

Notes to the Financial Statements

(Expressed in RMB unless otherwise indicated)

21 BANK AND OTHER LOANS (CONTINUED)

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

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

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

22 LEASE LIABILITIES

At 31 December 2023, the lease liabilities were repayable as follows:

	At 31 December 2023 RMB'000	At 31 December 2022 RMB'000
Within 1 year	3,371	1,872
After 1 year but within 2 years	1,232	1,621
After 2 years but within 5 years	–	1,049
	1,232	2,670
	4,603	4,542

Notes to the Financial Statements

(Expressed in RMB unless otherwise indicated)

23 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(a) Current taxation in the consolidated statement of financial position represents:

	At 31 December 2023 RMB'000	At 31 December 2022 RMB'000
Income tax payable at 1 January	4,713	4,713
Provision for the year (Note 7(a))	-	-
Income tax payable at 31 December	4,713	4,713

(b) **Deferred tax assets and liabilities recognised**

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

	Credit loss allowance RMB'000	Impairment losses on drama series copyrights RMB'000	Right-of-use assets RMB'000	Lease liabilities 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 (Note 7(a))	(12,067)	(12,505)	-	-	(134)	(24,706)
At 31 December 2022	7,012	10,809	-	-	-	17,821
(Charged)/credited to the consolidated statement of profit or loss (Note 7(a))	(7,012)	(4,926)	(670)	670	-	(11,938)
At 31 December 2023	-	5,883	(670)	670	-	5,883

(c) **Deferred tax assets not recognised**

In accordance with the accounting policy set out in Note 2(p), the Group has not recognised deferred tax assets in respect of cumulative tax losses and deductible temporary differences of RMB572,624,000 at 31 December 2023 (2022: RMB384,359,000), as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant entities. The cumulative tax losses comprised tax losses arose from various years, and each year's tax loss can only be carried forward for five years.

Notes to the Financial Statements

(Expressed in RMB unless otherwise indicated)

24 CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity.

Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

	Share capital RMB'000 (Note 24(b))	Share premium RMB'000 (Note 24(d))	Exchange reserve RMB'000 (Note 24(f))	Accumulated losses RMB'000	Total equity RMB'000
At 1 January 2022	2,742	160,389	(16,759)	(6,087)	140,285
Changes in equity for 2022:					
Loss for the year	-	-	-	(1,611)	(1,611)
Other comprehensive income for the year	-	-	12,506	-	12,506
Total comprehensive income for the year	-	-	12,506	(1,611)	10,895
At 31 December 2022 and 1 January 2023	2,742	160,389	(4,253)	(7,698)	151,180
Changes in equity for 2023:					
Loss for the year	-	-	-	(125,587)	(125,587)
Other comprehensive income for the year	-	-	2,116	-	2,116
Total comprehensive income for the year	-	-	2,116	(125,587)	(123,471)
At 31 December 2023	2,742	160,389	(2,137)	(133,285)	27,709

Notes to the Financial Statements

(Expressed in RMB unless otherwise indicated)

24 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(b) 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

	2023		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 Financial Statements

(Expressed in RMB unless otherwise indicated)

24 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(c) 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 2022 (2021: RMBNil).

(d) Share premium

The application of the share premium account is governed by Section 34 of the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands as amended, supplemented or otherwise modified from time to time.

(e) Other reserve

Other reserve mainly comprised (i) the paid-in capital and other reserves of a PRC subsidiary of the Group, LiTian TV & Film, and (ii) the portion of the grant date fair value of equity interests in LiTian TV & Film granted to employees of the Group in excess of the proportion of paid-in capital of LiTian TV & Film these employees entitled to which had been recognised in 2015.

(f) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in Note 2(s).

(g) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholders returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

Neither the Company nor the Group are subject to externally imposed capital requirements.

25 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Exposure to credit, liquidity and interest rate risks arises in the normal course of the Group's business.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade receivables. The Group's exposure to credit risk arising from cash at bank and on hand and bills receivables is limited because the counterparties are banks and financial institutions with good credit standings, for which the Group considers to have low credit risk. The Group does not provide any other guarantees which would expose the Group to credit risk.

Trade receivables

Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Payment terms varies under the Group's contracts with each customer, and are negotiated on an individual contract basis. For the distribution and licensing of the broadcasting rights of drama series, the total consideration of each contract is settled by instalments with reference to the point in time when the drama series materials are delivered and/or the commencement of the broadcasting of the drama series. Generally, the full payment cycle will span over a period of six months to four years. For the Group's other sources of revenue, credit term of 60 days is generally granted to customers. Normally, the Group does not obtain collateral from customers.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At 31 December 2023, 15% (2022: 21%) and 60% (2022: 65%) of the total trade receivables was due from the Group's largest trade debtor and five largest trade debtors respectively.

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significant different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

Notes to the Financial Statements

(Expressed in RMB unless otherwise indicated)

25 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(a) Credit risk (continued)

Trade receivables (continued)

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables:

	At 31 December 2023		
	Expected loss rate %	Gross carrying amount RMB'000	Loss allowance RMB'000
Current (not past due)	1.1%	18,078	(201)
Less than 6 months past due	2.6%	33,731	(872)
More than 6 months but less than 12 months past due	3.2%	6,855	(221)
More than 12 months but less than 24 months past due	19.3%	49,842	(9,596)
More than 24 months but less than 36 months past due	40.8%	13,300	(5,423)
More than 36 months but less than 48 months past due	75.1%	52,575	(39,470)
More than 48 months past due	100.0%	86,651	(86,651)
		261,032	(142,434)

Notes to the Financial Statements

(Expressed in RMB unless otherwise indicated)

25 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(a) Credit risk (continued)

Trade receivables (continued)

	At 31 December 2022		
	Expected loss rate %	Gross carrying amount RMB'000	Loss allowance RMB'000
Current (not past due)	0.4%	14,686	(54)
Less than 6 months past due	0.9%	37,595	(339)
More than 6 months but less than 12 months past due	2.1%	28,310	(598)
More than 12 months but less than 24 months past due	18.9%	17,713	(3,340)
More than 24 months but less than 36 months past due	39.5%	54,340	(21,449)
More than 36 months but less than 48 months past due	100.0%	10,304	(10,304)
More than 48 months past due	100.0%	75,482	(75,482)
		238,430	(111,566)

Expected loss rates are based on actual loss experience over the recent past years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

Notes to the Financial Statements

(Expressed in RMB unless otherwise indicated)

25 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(b) Liquidity risk

The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following table shows the remaining contractual maturities at the end of the reporting period of the Group's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest dates the Group can be required to pay:

	At 31 December 2023				
	Contractual undiscounted cash outflow				Carrying amount RMB'000
	Within 1 year or on demand RMB'000	Over 1 year but within 2 years RMB'000	Over 2 years but within 5 years RMB'000	Total RMB'000	
Trade payables	221,307	-	-	221,307	221,307
Other payables and accrued expenses measured at amortised cost	147,415	-	-	147,415	147,415
Bank and other loans	177,515	1,832	-	179,347	160,515
Lease liabilities	3,454	1,290	-	4,744	4,603
	549,691	3,122	-	552,813	533,840
	At 31 December 2022				
	Contractual undiscounted cash outflow				Carrying amount RMB'000
	Within 1 year or on demand RMB'000	Over 1 year but within 2 years RMB'000	Over 2 years but within 5 years RMB'000	Total RMB'000	
Trade payables	252,480	-	-	252,480	252,480
Other payables and accrued expenses measured at amortised cost	125,132	-	-	125,132	125,132
Bank and other loans	246,957	-	-	246,957	212,670
Lease liabilities	2,020	1,695	1,058	4,773	4,542
	626,589	1,695	1,058	629,342	594,824

Notes to the Financial Statements

(Expressed in RMB unless otherwise indicated)

25 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(c) Interest rate risk

The Group's interest rate risk arises primarily from interest-bearing borrowings and lease liabilities. Borrowings issued at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively.

The following table details the interest rate profile of the Group's total borrowings at the end of the reporting period:

	At 31 December 2023		At 31 December 2022	
	Effective interest rate %	RMB'000	Effective interest rate %	RMB'000
Fixed rate borrowings:				
– Bank and other loans	10.80%–15.00%	160,515	3.60%–15.00%	212,670
– Lease liabilities	4.75%	4,603	4.75%	4,542
		165,118		217,212

(d) Fair value measurement

(i) Financial assets and liabilities measured at fair value

Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in IFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs, i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 valuations: Fair value measured using Level 2 inputs, i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level 3 valuations: Fair value measured using significant unobservable inputs.

Notes to the Financial Statements

(Expressed in RMB unless otherwise indicated)

25 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(d) Fair value measurement

- (i) *Financial assets and liabilities measured at fair value*
Fair value hierarchy

	Fair value measurements at 31 December 2023 categorised into Level 3 RMB'000	Fair value measurements at 31 December 2022 categorised into Level 3 RMB'000
Recurring fair value measurements		
Unlisted equity securities measured at FVPL (Note 13)	-	1,220

The unlisted equity securities represent the Group's investment in an investment fund which may invest in listed and/or unlisted equity and/or debt securities. The fair value of the Group's unlisted equity securities as at 31 December 2023 is determined based on the fair value at the Group's share of the investment fund which is referenced to the fair value of the underlying investments. These underlying investments have continuously been loss making, and the directors of the Company consider the fair value of them to be nil, as there is no realistic possibility to recover the invested amounts.

During the years ended 31 December 2023 and 2022, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

- (ii) *Fair value of financial assets and liabilities carried at other than fair value*

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

26 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 (see Notes 18, 19 and 21). 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.

Notes to the Financial Statements

(Expressed in RMB unless otherwise indicated)

27 MATERIAL RELATED PARTY TRANSACTIONS

(a) Transactions with the controlling parties and senior management of the Company during the year

	2023 RMB'000	2022 RMB'000
Proceeds of loans from controlling parties	8,000	32,490
Repayment of loans to controlling parties	28,000	12,490
Proceeds of loans from senior management	9,610	26,500
Repayment of loans to senior management	20,110	16,000
Guarantees received from controlling parties for bank and other loans at the end of the reporting period	93,740	71,500

(b) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in Note 8 and certain of the highest paid employees as disclosed in Note 9, is as follows:

	2023 RMB'000	2022 RMB'000
Short-term employee benefits	5,046	4,920
Contributions to defined contribution retirement plans	275	235
	5,321	5,155

Total remuneration is included in "staff costs" (see Note 6(b)).

(c) Applicability of the Listing Rules relating to connected transactions

The Contractual Arrangements entered into by the Group as mentioned in Note 2(b) constitute continuing connected transactions or connected transactions as defined in Chapter 14A of the Listing Rules. The disclosures required by Chapter 14A of the Listing Rules are provided in the section Connected Transactions of the Directors' Report. The loans from and repayments to related parties, and guarantees received from related parties for the Group's bank and other loans constitute connected transactions as defined in Chapter 14A of the Listing Rules but are exempted from the relevant disclosure requirements.

Notes to the Financial Statements

(Expressed in RMB unless otherwise indicated)

28 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	Note	At 31 December 2023 RMB'000	At 31 December 2022 RMB'000
Non-current assets			
Interests in a subsidiary	12	29,871	153,696
Current assets			
Prepayments and other receivables		91	89
Cash at bank and on hand		480	128
Current liabilities			
Amounts due to a related company		571	217
		2,733	2,733
Net current liabilities			
		(2,162)	(2,516)
NET ASSETS			
		27,709	151,180
Capital and reserves			
Share capital	24	2,742	2,742
Reserves		24,967	148,438
TOTAL EQUITY			
		27,709	151,180

Approved and authorised for issue by the board of directors on 28 March 2024.

Yuan Li
Chairman

Fu Jieyun
Director

Notes to the Financial Statements

(Expressed in RMB unless otherwise indicated)

29 IMMEDIATE AND ULTIMATE CONTROLLING PARTIES

The directors of the Company consider the immediate holding companies of the Company at 31 December 2023 to be Litian Century Media Co., Ltd., a company wholly-owned by Mr. Yuan Li, and Marshal Investment Co., Ltd., a company wholly-owned by Ms. Tian Tian, and the ultimate controlling parties to be Mr. Yuan Li and Ms. Tian Tian. Neither Litian Century Media Co., Ltd. nor Marshal Investment Co., Ltd. produces financial statements available for public use.

30 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2023

Up to the date of issue of these financial statements, the IASB has issued a number of new or amended standards, which are not yet effective for the year ended 31 December 2023 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to IAS 1, <i>Presentation of financial statements:</i> <i>Classification of liabilities as current or non-current ("2020 amendments")</i>	1 January 2024
Amendments to IAS 1, <i>Presentation of financial statements:</i> <i>Non-current liabilities with covenants ("2022 amendments")</i>	1 January 2024
Amendments to IFRS 16, <i>Leases: Lease liability in a sale and leaseback</i>	1 January 2024
Amendments to IAS 7, <i>Statement of cash flows and IFRS 7,</i> <i>Financial Instruments: Disclosures: Supplier finance arrangements</i>	1 January 2024
Amendments to IAS 21, <i>The effects of changes in foreign exchange rates:</i> <i>Lack of exchangeability</i>	1 January 2025

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

Definition

“Articles of Association”	the articles of association of the Company, as may be amended from time to time
“Audit Committee”	the audit committee of the Company
“Board”	the board of directors of the Company
“Board Committees”	collectively, the Audit Committee, the Nomination Committee and the Remuneration Committee
“BVI”	the British Virgin Islands
“CG Code”	the corporate governance code contained in Appendix C1 to the Listing Rules
“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” or “Litian Pictures”	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)
“Controlling Shareholders”	has the meaning ascribed to it in the Listing Rules and unless the context otherwise requires, refers to the controlling shareholders of the Company, namely Mr. Yuan, Litian Century, Ms. Tian and Marshal Investment
“COVID-19”	the 2019 Coronavirus disease
“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
“Litian Century”	Litian Century Media Co. Ltd. (力天世紀傳媒有限公司), a company incorporated under the laws of the British Virgin Islands on 20 May 2019, which is 100% owned by Mr. Yuan, and a Controlling Shareholder of the Company

Definition

“LiTian TV & Film”	Zhejiang LiTian TV & Film Co., Ltd.* (浙江力天影視有限公司), a limited liability company established under the laws of the PRC on 2 August 2013, which is a consolidated affiliated entity of the Company
“Marshal Investment”	Marshal Investment Co. Ltd. (元帥投資有限公司), a company incorporated under the laws of the British Virgin Islands on 20 May 2019, which is 100% owned by Ms. Tian, and a Controlling Shareholder of the Company
“Model Code”	the model code for securities transactions by directors of listed issuers as set out in Appendix C3 of the Listing Rules
“Mr. Yuan”	Mr. Yuan Li (袁力), the chairman of the Board, an executive Director, a Controlling Shareholder and the spouse of Ms. Tian
“Ms. Tian”	Ms. Tian Tian (田甜), an executive Director, the chief executive officer of the Company, a Controlling Shareholder and the spouse of Mr. Yuan
“Nomination Committee”	the nomination committee of the Company
“Prospectus”	the prospectus of the Company dated 10 June 2020
“Remuneration Committee”	the remuneration committee of the Company
“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
“Share Option Scheme”	the share option scheme approved by the Company on 24 May 2020
“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)
“Year”	the year ended 31 December 2023
“%”	per cent.

* For identification purpose only

Five-Year Financial Summary

	For the year ended 31 December				
	2023 RMB'000	2022 RMB'000	2021 RMB'000	2020 RMB'000	2019 RMB'000
Revenue	113,445	23,121	304,958	455,267	390,996
Gross (loss)/profit	(67,676)	(189,223)	(49,791)	125,882	141,134
(Loss)/profit attributable to equity shareholders of the Company for the year	(155,458)	(295,658)	(75,123)	70,080	77,034

	At 31 December				
	2023 RMB'000	2022 RMB'000	2021 RMB'000	2020 RMB'000	2019 RMB'000
Total assets	721,409	820,683	1,014,777	1,171,219	849,587
Total liabilities	688,533	633,803	537,026	616,315	516,325
Net assets	32,876	186,880	477,751	554,904	333,262