



2021 Interim Report



(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 9958)



Litian Pictures Holdings Limited
力天影業控股有限公司

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

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

Non-executive Directors

Mr. Yu Yang (余楊)
Mr. Tang Zhiwei (唐志偉)
Mr. Luo Jianxing (羅建幸)

Independent Non-executive Directors

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

JOINT COMPANY SECRETARIES

Ms. Fu Jieyun (傅潔雲)
(appointed on 13 January 2021)
Ms. Lau Jeanie (劉准羽)
(appointed on 3 June 2021)
Ms. Lau Suk Ching (劉淑貞)
(resigned on 13 January 2021)
Mr. Lee Leong Yin (李亮賢)
(resigned on 3 June 2021)

AUTHORISED REPRESENTATIVES

Ms. Tian Tian (田甜)
Ms. Fu Jieyun (傅潔雲)
(appointed on 13 January 2021)
Ms. Lau Suk Ching (劉淑貞)
(resigned on 13 January 2021)

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
Chaoyang District
Beijing, the PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

40th Floor, Dah Sing Financial Centre
No. 248 Queen's Road East
Wanchai, Hong Kong

LEGAL ADVISORS

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

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

As to Cayman Islands law
Conyers Dill & Pearman
Cricket Square, Hutchins Drive, PO Box 2681
Grand Cayman, KY1-1111
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKS

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

COMPLIANCE ADVISOR

Rainbow Capital (HK) Limited
Room 5B
12/F, Tung Ning Building
No. 2 Hillier Street
Sheung Wan
Hong Kong

AUDITOR

KPMG
8th Floor, Prince's Building
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

	Six months ended 30 June		Percentage change
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)	
Revenue	155,258	256,744	-39.53%
Gross profit	37,709	87,582	-56.94%
Profit attributable to equity shareholders of the Company	12,508	54,323	-76.97%
Adjusted profit attributable to equity shareholders of the Company (excluding the effect of the Listing expenses)	12,508	64,218	-80.52%
Basic and diluted earnings per Share (RMB)	0.04	0.24	-83.33%

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 six months ended 30 June 2021, the Group recorded a revenue of approximately RMB155.3 million with a year-on-year decrease of 39.5%; profit attributable to equity shareholders of the Company for the period of RMB12.5 million with a year-on-year decrease of 77.0%; adjusted profit attributable to equity shareholders of the Company for the period (excluding the effect of the Listing expenses) of RMB12.5 million with a year-on-year decrease of 80.5%.

In the first half of 2021, we successfully licensed the rerun broadcasting rights of "A Gallant Army" (老虎隊), which was our self-produced drama series. In addition, we successfully licensed the first-run broadcasting rights of "Astringent Girl" (愛的理想生活), to the satellite channels and licenced the rerun broadcasting rights of a total of 8 drama series, which were our outright-purchased 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 of the Company for their long-standing and unwavering support.

Yuan Li

Chairman and Executive Director

Hong Kong, 16 August 2021

Management Discussion and Analysis

BUSINESS REVIEW AND PROSPECTS

We are a drama series distribution company in the PRC. The Group was established in 2013, and is primarily engaged in the business of licensing the broadcasting rights of self-produced and outright-purchased drama series. For the six months ended 30 June 2020 and 2021, we distributed a total of 26 and 13 drama series, respectively, which were comprised of self-produced drama series and outright-purchased drama series we purchased outright from third-party copyright owners/licensors.

For the six months ended 30 June 2021, we had licensed more than 10 drama series to well-known TV stations, including the first-run broadcast and rerun broadcast.

During the first half of 2021, we successfully licensed the rerun broadcasting rights of “A Gallant Army” (老虎隊), which was our self-produced drama series. In addition, we successfully licensed the first-run broadcasting rights of “Astringent Girl” (愛的理想生活), to the satellite channels and licenced the rerun broadcasting rights of a total of 8 drama series, which were our outright-purchased drama series.

In the second half of 2021, we will work closely with the third-party copyright owners/licensors to obtain the copyrights of additional outright-purchased drama series of different genres to cater to the different preferences of our customers. In addition, we will try our best to begin filming our expected self-produced drama series.

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

Notwithstanding the uncertainties in the industry and the overall competitive business environment, the Group will continue to be dedicated to implementing the business strategies.

FINANCIAL REVIEW

Revenue

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

	Six months ended 30 June	
	2021 RMB'000	2020 RMB'000
Revenue from the licensing of the broadcasting rights of self-produced drama series	178	3,024
Revenue from the licensing of the broadcasting rights of outright-purchased drama series	147,155	253,720
Others	7,925	–
Total	155,258	256,744

Our revenue decreased by approximately 39.5% from approximately RMB256.7 million for the six months ended 30 June 2020 to approximately RMB155.3 million for the six months ended 30 June 2021. The decrease was mainly due to (i) a decrease of approximately RMB106.6 million in revenue from the licensing of the broadcasting rights of outright-purchased drama series; and (ii) a decrease of approximately RMB2.8 million in revenue from the licensing of the broadcasting rights of self-produced drama series.

Revenue by Business Segments

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

Revenue generated from the licensing of the broadcasting rights of self-produced drama series decreased by approximately 94.1% from approximately RMB3.0 million for the six months ended 30 June 2020 to approximately RMB0.2 million for the six months ended 30 June 2021, primarily because no self-produced drama series was licensed the first-run broadcast on satellite channels in the six months ended 30 June 2021, as our self-produced drama series were not broadcasted in accordance with the estimated broadcast schedule due to slotting, pricing and other factors.

Under this business segment, revenue generated from our customers which are TV channels accounted for approximately 99.5% and 40.4% of our revenue generated from licensing the broadcasting rights of self-produced drama series for the six months ended 30 June 2020 and 2021, 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, no revenue were generated from first-run broadcast on satellite TV channels for the six months ended 30 June 2020 and 2021, respectively.

Management Discussion and Analysis

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

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

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

Under this business segment, revenue generated from our TV channels customers accounted for approximately 98.4% and 100.0% of our revenue generated from licensing the broadcasting rights of outright-purchased drama series for the six months ended 30 June 2020 and 2021, respectively, while the remainder of our segment revenue was attributable to other third-party customers.

In addition, for the six months ended 30 June 2020 and 2021, among revenue generated from licensing the broadcasting rights of outright-purchased drama series, approximately 64.0% and 82.2%, respectively, were generated from first-run broadcast on satellite TV channels. For the same periods, approximately 34.4% and 17.6% 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 generated from the licensing of the broadcasting rights of outright-purchased drama series decreased by approximately 42.0% from approximately RMB253.7 million for the six months ended 30 June 2020 to approximately RMB147.2 million for the six months ended 30 June 2021, because only one outright-purchased drama series "Astringent Girl" (愛的理想生活) was licensed the first-run broadcast on satellite channels during the first half of 2021, from which the Group generated the revenue of approximately RMB121.0 million. The decline in revenue from outright-purchased drama series was due to the challenging market conditions and macroeconomic environment, which led to the decrease in the number of outright-purchased drama series of the Group in the six months ended 30 June 2021.



Management Discussion and Analysis

Cost of Sales

The following table sets forth our cost of sales by business segment for the periods indicated:

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
Costs of the licensing of broadcasting rights of self-produced drama series	13	781
Costs of the licensing of broadcasting rights of outright-purchased drama series	112,681	168,381
Others	4,855	–
Total	117,549	169,162

Our cost of sales decreased by approximately 30.5% from approximately RMB169.2 million for the six months ended 30 June 2020 to approximately RMB117.5 million for the six months ended 30 June 2021, primarily due to the decrease in costs of the licensing of broadcasting rights series of outright-purchased drama series.

Our costs of the licensing of broadcasting rights of outright-purchased drama series decreased by approximately 33.1% from approximately RMB168.4 million for the six months ended 30 June 2020 to approximately RMB112.7 million for the six months ended 30 June 2021. This decrease was primarily due to a decrease in costs of purchasing the broadcasting rights of outright-purchased drama series which were broadcasted in the six months ended 30 June 2021.

For the business segment of licensing of the broadcasting rights of self-produced drama series, the costs of sales decreased by approximately 98.3% from approximately RMB0.8 million for the six months ended 30 June 2020 to approximately RMB13 thousand for the six months ended 30 June 2021, primarily due to the decrease in revenue from the broadcasting rights of self-produced drama series.

Management Discussion and Analysis

Gross Profit and Gross Profit Margin

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

	Six months ended 30 June			
	2021		2020	
	Gross profit RMB'000	Gross profit margin %	Gross profit RMB'000	Gross profit margin %
Licensing of the broadcasting rights of self-produced drama series	165	92.7	2,243	74.2
Licensing of the broadcasting rights of outright-purchased drama series	34,474	23.4	85,339	33.6
Others	3,070	38.7	–	N/A
Total	37,709	24.3	87,582	34.1

(i) *Gross profit*

Our gross profit decreased by approximately 56.9% from approximately RMB87.6 million for the six months ended 30 June 2020 to approximately RMB37.7 million for the six months ended 30 June 2021, primarily due to a decrease in gross profit from the licensing of the broadcasting rights of outright-purchased drama series.

(ii) *Gross profit margin*

Our gross profit margin decreased from approximately 34.1% for the six months ended 30 June 2020 to approximately 24.3% for the six months ended 30 June 2021, mainly because the low gross profit margin of "Astringent Girl" (愛的理想生活), from which our Group generated approximately 77.9% of the revenue during the period.

In addition, our gross profit margin of licensing the broadcasting rights of self-produced drama series was approximately 74.2% and 92.7%, respectively, for the six months ended 30 June 2020 and 2021.

Our gross profit margin of licensing the broadcasting rights of outright-purchased drama series was approximately 33.6% and 23.4%, respectively, for the six months ended 30 June 2020 and 2021. Our gross profit margin of licensing the broadcasting rights of outright-purchased drama series for the six months ended 30 June 2021 was lower than that for 2020, primarily because the low gross profit margin of our outright-purchased drama series "Astringent Girl" (愛的理想生活).



Management Discussion and Analysis

Other Income

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

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
Government grants	1,283	4,875
Interest income from cash at bank	53	71
Others	120	80
Total	1,456	5,026

Our other income decreased by 71.0% from RMB5.0 million for the six months ended 30 June 2020 to RMB1.5 million for the six months ended 30 June 2021, primarily due to a decrease of RMB3.6 million in government grants, which was due to (i) the bonus of RMB2.0 million in connection with the listing awarded by the local government of Haining City, Zhejiang Province for the six months ended 30 June 2020; and (ii) value-added tax refund of RMB2.2 million in the aggregate received by one of our consolidated affiliated entities, LiTian TV & Film for the six months ended 30 June 2020.

Selling and Marketing Expenses

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

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
Marketing and promotion expenses	1,189	–
Staff costs	355	404
Travel and transportation expenses	29	18
Conference expenses	73	28
Others	333	–
Total	1,979	450

Our selling and marketing expenses increased by approximately 340.0% from approximately RMB0.5 million for the six months ended 30 June 2020 to approximately RMB2.0 million for the six months ended 30 June 2021, primarily due to an increase of RMB1.2 million in marketing and promotion expenses.

Management Discussion and Analysis

Administrative Expenses

Administrative expenses primarily consist of (i) staff costs relating to our administrative; (ii) rental fee, which includes the rental expenses and property management fees in connection with our leased properties; (iii) depreciation and amortization; (iv) office expenses; (v) consultancy fee, which mainly represents professional services fees, such as legal consulting fees, in connection with our business operations; (vi) transportation fee; (vii) travel expenses; (viii) entertainment expenses; (ix) taxes and surcharges, which primarily consist of construction tax, stamp duty and other education surcharges; (x) bank charges, which primarily represent bank transaction fees; and (xi) others. The following table sets forth a breakdown of our administrative expenses for the periods indicated:

	Six months ended 30 June	
	2021 RMB'000	2020 RMB'000
Staff costs	5,923	3,593
Rental fee	158	163
Depreciation and amortization	1,730	990
Office expenses	162	98
Consultancy fee	1,179	498
Transportation fee	138	106
Travel expense	114	168
Entertainment expenses	1,257	413
Taxes and surcharges	345	1,333
Bank charges	49	34
Others	603	218
Total	11,658	7,614

Administrative expenses increased by approximately 53.1% from approximately RMB7.6 million for the six months ended 30 June 2020 to approximately RMB11.7 million for the six months ended 30 June 2021. This increase was primarily due to an increase of RMB2.3 million in staff costs and entertainment expenses, partially offset by a decrease of RMB1.0 million in taxes and surcharges.

Finance Costs

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

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
Interest expenses on:		
– bank and other loans	1,903	2,692
– lease liabilities	89	24
	1,992	2,716
Less: interest expenses capitalized into drama series copyrights	–	(236)
Total	1,992	2,480

Our finance costs decreased by 19.7% from RMB2.5 million for the six months ended 30 June 2020 to RMB2.0 million for the six months ended 30 June 2021, primarily due to a decrease in interest expenses on bank and other loans as a result of a decrease in the interest expenses on 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 is 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 six months ended 30 June 2020 and 2021.

Management Discussion and Analysis

In addition, according to the Notice on Preferential EIT Policies in for the Relation to the economical difficulty areas and Kashgar and Horgos as Two Special Economic Development Zones in Xinjiang (《財政部稅務總局關於新疆困難地區及喀什、霍爾果斯兩個特殊經濟開發區新辦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 19 May 2021, 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. As to our consolidated affiliated entities, (i) Horgos Tiantian Meimei Film Co., Ltd.* (霍爾果斯甜甜美美影業有限公司), Horgos Haohao Xuexi Film Co., Ltd.* (霍爾果斯好好學習影業有限公司), Tiantian Xiangshang Film Co., Ltd.* (霍爾果斯天天向上影業有限公司) obtained the approval from the relevant PRC tax bureaus for entitlement of EIT exemption from January 2017 to December 2021; (ii) 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 (iii) Horgos ZhiZhen Film Co., Ltd.* (霍爾果斯至臻影視有限公司), Horgos BaiMA Film Co., Ltd.* (霍爾果斯白馬影業有限公司), Horgos YueMA Film Co., Ltd.* (霍爾果斯躍馬影業有限公司) obtained the approval from the relevant PRC tax bureaus for entitlement of EIT exemption from January 2020 to December 2024.

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

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
Current taxation		
Provision for the period	2,286	484
Deferred taxation		
Origination and reversal of temporary differences	(2,906)	(5,202)
	(620)	(4,718)

Our income tax benefit decreased by 86.9% from RMB4.7 million for the six months ended 30 June 2020 to RMB0.6 million for the six months ended 30 June 2021. The decrease in the income tax benefit was primarily due to the decrease of provision of origination and reversal of temporary differences from approximately RMB5.2 million for the six months ended 30 June 2020 to approximately RMB2.9 million for the six months ended 30 June 2021, partially offset by an increase of RMB1.8 million of provision of current taxation from approximately RMB0.5 million for the six months ended 30 June 2020 to approximately RMB2.3 million for the six months ended 30 June 2021.

Profit Attributable to Equity Shareholders of the Company for the Period

As a result of the foregoing, our profit attributable to equity shareholders of the Company decreased by 77.0% from RMB54.3 million for the six months ended 30 June 2020 to RMB12.5 million for the six months ended 30 June 2021.



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 30 June 2021, we had cash at bank and on hand of approximately RMB101.0 million as compared to cash at bank and on hand of approximately RMB185.7 million as of 31 December 2020, which were predominantly denominated in RMB.

As of 30 June 2021, we had net current assets of approximately RMB540.0 million as compared to the net current assets of approximately RMB531.0 million as of 31 December 2020.

The Group primarily obtains borrowings from banks and other third parties to finance our business operations and to fulfill working capital requirements. In addition, we had total bank and other loans of approximately RMB81.9 million as of 30 June 2021 as compared to total bank and other loans of approximately RMB79.2 million as of 31 December 2020.

As of 30 June 2021, we had bank loans of RMB67.8 million, among which RMB57.3 million were secured by the Group's trade and bills receivables and restricted deposits. In addition, we had unsecured and unguaranteed loans from third-party of approximately RMB14.2 million as of 30 June 2021.

Key Financial Ratios

Return on equity

The return on equity decreased from approximately 12.3% for the six months ended 30 June 2020 to approximately 2.2% for the six months ended 30 June 2021. Return on equity equals net profit for the period divided by the average of beginning and ending balances of total equity of the relevant period.

Return on total assets

The return on total assets decreased from approximately 5.4% for the six months ended 30 June 2020 to approximately 1.1% for the six months ended 30 June 2021. Return on total assets equals net profit for the period divided by the average of beginning and ending balances of total assets of the relevant period.

Current ratio

The Group's current ratio increased from approximately 1.9 as of 31 December 2020 to approximately 2.0 as of 30 June 2021. Current ratio equals our current assets divided by current liabilities as of the end of the year/period.

Gearing ratio

The Group's gearing ratio increased from approximately 14.3% as of 31 December 2020 to approximately 14.5% as of 30 June 2021. Gearing ratio equals total debt as of the end of the year/period divided by total equity as of the end of the year/period. Total debt includes all interest-bearing bank loans and other borrowings.

CAPITAL EXPENDITURES

Our capital expenditure primarily consists of expenditures on the improvements to leased properties and purchase of office furniture and other equipment. Our capital expenditures for the six months ended 30 June 2020 and 2021 were insignificant and were primarily financed by cash flows from our operating activities.

FOREIGN EXCHANGE EXPOSURE

The Group operates in the PRC and the functional currency is RMB. The majority of the Group's revenue and expenditures are denominated in RMB. As of 30 June 2021, only certain bank balances were denominated in HKD.

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

PLEDGE OF ASSETS AND CONTINGENT LIABILITIES

As of 31 December 2020 and 30 June 2021, our deposits and trade and bills receivables, which had an aggregate amount of approximately RMB52.2 million and RMB62.2 million, respectively, were pledged to secure the bank loans of approximately RMB50.0 million and RMB57.3 million granted to the Group.

As of 30 June 2021, the Group did not have any material contingent liabilities.

HUMAN RESOURCES AND REMUNERATION POLICY

As of 30 June 2021, the Group had 63 employees (51 as of 31 December 2020). 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, contributory provident fund, social security fund and medical benefits. We also provide suitable technical training according to the needs of different positions in order to improve their abilities. The Group believes that we maintain a good working relationship with our employees, and we have not experienced any material labor disputes during the six months ended 30 June 2021.

A share option scheme was adopted by the Company pursuant to the shareholders' resolution passed on 24 May 2020 for the purpose of, among other things, providing incentives and rewards to eligible participants who have contributed to the success of the Group's operations. No share options had been granted under this scheme since its adoption.

SIGNIFICANT INVESTMENT, MATERIAL ACQUISITION AND DISPOSAL

For the six months ended 30 June 2021, the Group did not have any significant investment and material acquisition or disposal of subsidiaries, associates and joint ventures.

EVENTS AFTER THE REPORTING PERIOD

From 30 June 2021 and up to the date of this report, we had filmed the drama series named “White feather meteor” (白羽流星).

The Group will continue to monitor the impact of COVID-19 pandemic and adjust our business contingency plans as appropriate. Save as disclosed above, the Directors are not aware of any significant event requiring disclosure that has taken place subsequent to 30 June 2021 and up to the date of this report.

USE OF NET PROCEEDS

The Shares were listed on the main board of the Stock Exchange on the Listing Date. 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 “**Net Proceeds**”).

The following table sets forth a breakdown of the utilisation and proposed utilisation of the Net Proceeds as of 30 June 2021:

Unit: Hong Kong dollar million

No.	Purpose	Percentage of total amount (%)	Net Proceeds	Utilised amount	Unutilised amount	Expected timeline for utilisation of proceeds
1.	Produce own drama series	50.0	76.0	33.3	42.7	2023.12
2.	Outright-purchase the copyrights (or broadcasting rights) associated with drama series from third-party copyright owners/licensors	37.5	57.0	26.9	30.1	2023.12
3.	Hire additional experienced professionals and provide staff training	7.5	11.4	0.3	11.1	2023.12
4.	Working capital and general corporate	5.0	7.6	2.1	5.5	2023.12
Total		100	152.0	62.7	89.4	

As at 30 June 2021, the Company had used approximately HK\$62.7 million of the Net Proceeds, representing approximately 41.3% of the Net Proceeds. The Company will utilise such amounts according to the allocation set out in the Prospectus.

Corporate Governance and Other Information

CORPORATE GOVERNANCE CODE

The Company is committed to maintaining high standards of corporate governance practices and procedures in improving its corporate governance practices. The Board believes that good corporate governance is one of the essential factors leading to the success and sustainability of the Group.

During the six months ended 30 June 2021, the Company had complied with all the applicable code provisions as set out in the Corporate Governance Code and adopted most of the recommended best practices as set out therein.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as its code of conduct regarding securities transactions by the Directors. Following specific enquiries by the Company, all Directors confirmed that they have complied with the required standards set out in the Model Code during the six months ended 30 June 2021.

AUDIT COMMITTEE

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

The Audit Committee, together with the management and the external auditor of the Company, have reviewed the interim results of the Group for the six months ended 30 June 2021 and the accounting principles and practices adopted by the Group. The Audit Committee considered that the unaudited consolidated interim results of the Group for the six months ended 30 June 2021 were prepared in accordance with the applicable accounting standards.

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2021.

INTERIM DIVIDENDS

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2021 (2020: Nil).

CHANGES IN DIRECTORS' OR CHIEF EXECUTIVES' INFORMATION

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

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

As of 30 June 2021, 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⁾
Yuan Li	Interest in a controlled corporation ⁽²⁾	68,282,350	Long position	22.76%
	Spouse interest ⁽³⁾	64,380,501	Long position	21.46%
Tian Tian	Interest in a controlled corporation ⁽⁴⁾	64,380,501	Long position	21.46%
	Spouse interest ⁽⁵⁾	68,282,350	Long position	22.76%
Fu Jieyun	Interest in a controlled corporation ⁽⁶⁾	4,389,580	Long position	1.46%

Notes:

- (1) As of 30 June 2021, the total number of issued Share of the Company was 300,000,000 Shares.
- (2) Mr. Yuan Li is the sole shareholder of Litian Century and he is therefore deemed to be interested in the Shares held by Litian Century under the SFO.
- (3) Ms. Tian Tian is the spouse of Mr. Yuan Li. Therefore, Mr. Yuan is deemed to be interested in the Shares held by Marshal Investment under the SFO.
- (4) Ms. Tian Tian is the sole shareholder of Marshal Investment and she is therefore deemed to be interested in the Shares held by Marshal Investment under the SFO.
- (5) Mr. Yuan Li is the spouse of Ms. Tian Tian. Therefore, Ms. Tian is deemed to be interested in the Shares held by Litian Century under the SFO.
- (6) Ms. Fu Jieyun is the sole shareholder of Sky Development Investment Co. Ltd. (a company established under the laws of the British Virgin Islands) ("**Sky Development**") and she is therefore deemed to be interested in the Shares held by Sky Development under the SFO.

Corporate Governance and Other Information

(ii) Interests in associated corporations of the Company

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

Note:

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

Save as disclosed above, as of 30 June 2021, 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.

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

As of 30 June 2021, 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%
Xie Ailong (謝愛龍)	Interest in a controlled corporation ⁽²⁾	19,806,339	Long position	6.60%
Li Yiwei (李逸微)	Interest in a controlled corporation ⁽²⁾	19,806,339	Long position	6.60%

Notes:

(1) As of 30 June 2021, the total number of issued Shares of the Company was 300,000,000 Shares.

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

Save as disclosed above, as of 30 June 2021, to the knowledge of the Directors, no other persons (other than Directors or chief executives of the Company) had an interest or a short position in the shares or underlying shares of the Company which were required to be notified to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required, pursuant to section 336 of the SFO, to be recorded in the register referred to therein.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in this report, at no time during the six months ended 30 June 2021 was the Company, its holding company, or any of its subsidiary corporations or fellow subsidiary corporations, a party to any arrangement that would enable the Directors of the Company to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors of the Company or any of their respective spouses or children under the age of 18 were granted any right to subscribe for the share capital or debt securities of the Company or any other body corporate or had exercised by them any of such rights.

SHARE OPTION SCHEME

The Share Option Scheme was adopted pursuant to the shareholders' resolution passed on 24 May 2020 to give the Eligible Persons (as mentioned in the following paragraph) an opportunity to have a personal stake in the Company and help motivate them to optimize their future contributions to the Group and/or to reward them for their past contributions, to attract and retain or otherwise maintain on-going relationships with such Eligible Persons who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of the Group, and additionally in the case of Executives (as defined below), to enable the Group to attract and retain individuals with experience and ability and/or to reward them for their past contributions.

Eligible Persons of the Share Option Scheme include (a) any executive director of, manager of, or other employee holding an executive, managerial, supervisory or similar position in any member of the Group ("**Executive**"), any proposed employee, any full-time or part-time employee, or a person for the time being seconded to work full-time or part-time for any member of the Group; (b) a director or proposed director (including an independent non-executive director) of any member of the Group; (c) a direct or indirect shareholder of any member of the Group; (d) a supplier of goods or services to any member of the Group; (e) a customer, consultant, business or joint venture partner, franchisee, contractor, agent or representative of any member of the Group; (f) a person or entity that provides design, research, development or other support or any advisory, consultancy, professional or other services to any member of the Group; (g) an associate of any of the persons referred to in 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 has been granted since the adoption date of the Share Option Scheme and there are no outstanding share options as of 30 June 2021.



Corporate Governance and Other Information

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company maintains a sufficient public float (at least 25% of the Company's issued Shares) as required under the Listing Rules throughout the six months ended 30 June 2021.

By order of the Board

Yuan Li

Chairman and Executive Director

Hong Kong, 16 August 2021

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2021 – unaudited
(Expressed in Renminbi (“RMB”))

	Notes	Six months ended 30 June	
		2021 RMB'000	2020 RMB'000
Revenue	4	155,258	256,744
Cost of sales		(117,549)	(169,162)
Gross profit	4	37,709	87,582
Other income	5	1,456	5,026
Selling and marketing expenses		(1,979)	(450)
Administrative expenses		(11,658)	(7,614)
Impairment loss on trade and other receivables		(11,648)	(22,564)
Profit from operations		13,880	61,980
Finance costs	6(a)	(1,992)	(2,480)
Costs incurred in connection with the listing of the Company's shares		–	(9,895)
Profit before taxation	6	11,888	49,605
Income tax	7	620	4,718
Profit attributable to equity shareholders of the Company for the period		12,508	54,323
Other comprehensive income for the period (after tax):			
Items that may be reclassified subsequently to profit or loss:			
– Exchange differences on translation into presentation currency of the Group		(1,031)	(167)
Total comprehensive income attributable to equity shareholders of the Company for the period		11,477	54,156
Earnings per share	8		
Basic and diluted (RMB)		0.04	0.24

The notes on pages 31 to 46 form part of this interim financial report.



Consolidated Statement of Financial Position

At 30 June 2021 – unaudited
(Expressed in RMB)

	Notes	At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
Non-current assets			
Property and equipment	9	5,568	6,408
Other financial assets		3,000	3,000
Deferred tax assets	17	20,674	17,768
		29,242	27,176
Current assets			
Drama series copyrights	10	402,438	385,448
Trade and bills receivables	11	362,197	474,935
Prepayments, deposits and other receivables	12	208,479	97,974
Cash at bank and on hand	13	100,974	185,686
		1,074,088	1,144,043
Current liabilities			
Trade payables	14	340,271	379,480
Other payables and accrued expenses	15	102,766	149,380
Contract liabilities		1,868	–
Bank and other loans	16	81,934	79,151
Lease liabilities		794	863
Current taxation		6,408	4,121
		534,041	612,995
Net current assets		540,047	531,048
Total assets less current liabilities		569,289	558,224
Non-current liabilities			
Lease liabilities		2,908	3,320
NET ASSETS		566,381	554,904

The notes on pages 31 to 46 form part of this interim financial report.

Consolidated Statement of Financial Position (Continued)

At 30 June 2021 – unaudited
(Expressed in RMB)

	<i>Note</i>	At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
CAPITAL AND RESERVES	18		
Share capital		2,742	2,742
Reserves		563,639	552,162
TOTAL EQUITY ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY		566,381	554,904

Approved and authorised for issue by the board of directors on 16 August 2021.

Yuan Li
Director

Fu Jieyun
Director



Consolidated Statement of Changes in Equity

For the six months ended 30 June 2021 – unaudited
(Expressed in RMB)

	Attributable to equity shareholders of the Company					Total equity RMB'000
	Share capital RMB'000	Share premium RMB'000	Other reserve RMB'000	Exchange reserve RMB'000	Retained profits RMB'000	
At 1 January 2020	90	–	165,870	–	167,302	333,262
Changes in equity for the six months ended 30 June 2020:						
Profit for the period	–	–	–	–	54,323	54,323
Other comprehensive income	–	–	–	(167)	–	(167)
Total comprehensive income	–	–	–	(167)	54,323	54,156
Capitalisation issue	1,966	(1,966)	–	–	–	–
Issuance of shares by public offering	686	162,355	–	–	–	163,041
	2,652	160,389	–	–	–	163,041
At 30 June 2020 and 1 July 2020	2,742	160,389	165,870	(167)	221,625	550,459
Changes in equity for the six months ended 31 December 2020:						
Profit for the period	–	–	–	–	15,757	15,757
Other comprehensive income	–	–	–	(11,312)	–	(11,312)
Total comprehensive income	–	–	–	(11,312)	15,757	4,445

The notes on pages 31 to 46 form part of this interim financial report.

Consolidated Statement of Changes in Equity (Continued)

For the six months ended 30 June 2021 – unaudited
(Expressed in RMB)

	Attributable to equity shareholders of the Company					
	Share capital RMB'000	Share premium RMB'000	Other reserve RMB'000	Exchange reserve RMB'000	Retained profits RMB'000	Total equity RMB'000
At 31 December 2020 and 1 January 2021	2,742	160,389	165,870	(11,479)	237,382	554,904
Changes in equity for the six months ended 30 June 2021:						
Profit for the period	-	-	-	-	12,508	12,508
Other comprehensive income	-	-	-	(1,031)	-	(1,031)
Total comprehensive income	-	-	-	(1,031)	12,508	11,477
At 30 June 2021	2,742	160,389	165,870	(12,510)	249,890	566,381



Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2021 – unaudited
(Expressed in RMB)

	Notes	Six months ended 30 June	
		2021 RMB'000	2020 RMB'000
Operating activities			
Cash used in operations		(83,425)	(73,035)
Income tax paid		–	(13,685)
Net cash used in operating activities		(83,425)	(86,720)
Investing activities			
Payments for purchase of property and equipment		(29)	(250)
Interest received		53	71
Net cash generated from/(used in) investing activities		24	(179)
Financing activities			
Proceeds from issuance of shares by initial public offering, net of share issuance expenses	18(a)(iii)	–	167,117
Proceeds from bank and other loans		7,283	44,080
Repayment of bank and other loans		(4,500)	(16,214)
Capital element of lease rentals paid		(482)	(538)
Interest element of lease rentals paid		(89)	(24)
Interest paid		(1,899)	(5,313)
Net cash generated from financing activities		313	189,108
Net (decrease)/increase in cash and cash equivalents		(83,088)	102,209
Cash and cash equivalents at the beginning of the period	13	133,504	81,740
Effect of foreign exchanges rates changes		(1,031)	(167)
Cash and cash equivalents at the end of the period	13	49,385	183,782

The notes on pages 31 to 46 form part of this interim financial report.

Notes to the Unaudited Interim Financial Report

(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 Company’s shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 22 June 2020 (the “**Listing Date**”). The Company and its subsidiaries (collectively referred to as the “**Group**”) are principally engaged in the production, distribution and licensing of broadcasting rights of drama series.

2 BASIS OF PREPARATION

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange, including compliance with International Accounting Standard (“**IAS**”) 34, *Interim financial reporting*, issued by the International Accounting Standards Board (the “**IASB**”). It was authorised for issue on 16 August 2021.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2020 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2021 annual financial statements. Details of any changes in accounting policies are set out in Note 3.

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

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2020 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with International Financial Reporting Standards (“**IFRSs**”).

The financial information relating to the financial year ended 31 December 2020 that is included in the interim financial report as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that financial year but is derived from those financial statements.



Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

3 CHANGES IN ACCOUNTING POLICIES

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

- Amendment to HKFRS 16, *Covid-19-related rent concessions beyond 30 June 2021*
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, *Interest rate benchmark reform – phase 2*

None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in this interim financial report. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

4 REVENUE AND SEGMENT REPORTING

(a) Revenue

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

Disaggregation of revenue

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

	Six months ended 30 June	
	2021 RMB'000	2020 RMB'000
Revenue from the distribution and licensing of broadcasting rights of self-produced drama series	178	3,024
Revenue from the distribution and licensing of broadcasting rights of outright-purchased drama series	147,155	253,720
Others	7,925	–
	155,258	256,744

Notes to the Unaudited Interim Financial Report

(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 revenue streams such as providing casting services for TV programme.

(i) Segment results

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

Revenue and expenses are allocated to the reportable segments with reference to revenue generated by those segments and the expenses incurred by those segments. The measure used for reporting segment result is gross profit. No inter-segment sales have occurred for the six months ended 30 June 2021 and 2020. Assistance provided by one segment to another, including sharing of assets and technical know-how, is not measured.

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



Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

4 REVENUE AND SEGMENT REPORTING (continued)

(b) Segment reporting (continued)

(i) Segment results (continued)

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the six months ended 30 June 2021 and 2020 is set out below:

	Six months ended 30 June 2021			
	Self-produced drama series RMB'000	Outright-purchased drama series RMB'000	Others RMB'000	Total RMB'000
Revenue from external customers	178	147,155	7,925	155,258
Reportable segment gross profit	165	34,474	3,070	37,709
	Six months ended 30 June 2020			
	Self-produced drama series RMB'000	Outright-purchased drama series RMB'000	Others RMB'000	Total RMB'000
Revenue from external customers	3,024	253,720	–	256,744
Reportable segment gross profit	2,243	85,339	–	87,582

(ii) Geographic information

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

Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

5 OTHER INCOME

	Six months ended 30 June	
	2021 RMB'000	2020 RMB'000
Government grants	1,283	4,875
Interest income from cash at bank	53	71
Others	120	80
	1,456	5,026

6 PROFIT BEFORE TAXATION

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

(a) Finance costs

	Six months ended 30 June	
	2021 RMB'000	2020 RMB'000
Interest expenses on:		
– bank and other loans	1,903	2,692
– lease liabilities	89	24
	1,992	2,716
Less: interest expenses capitalised into drama series copyrights	–	(236)
	1,992	2,480

Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

6 PROFIT BEFORE TAXATION (continued)

(b) Other items

	Six months ended 30 June	
	2021 RMB'000	2020 RMB'000
Depreciation expenses		
– owned property and equipment	383	494
– right-of-use assets	451	496
Impairment losses on trade and other receivables	11,648	22,564
Operating lease expenses relating to short-term leases and leases of low-value assets	59	138
Cost of drama series copyrights (Note 10)	69,395	106,360

7 INCOME TAX

	Six months ended 30 June	
	2021 RMB'000	2020 RMB'000
Current taxation		
Provision for the period	2,286	484
Deferred taxation (Note 17)		
Origination and reversal of temporary differences	(2,906)	(5,202)
	(620)	(4,718)

Notes:

- (i) The Company and the subsidiaries of the Group incorporated in the British Virgin Islands (the "BVI") are not subject to any income tax pursuant to the rules and regulations of their respective countries of incorporation.
- (ii) The Company and the subsidiary of the Group incorporated in Hong Kong did not have assessable profits which are subject to Hong Kong Profits Tax rate of 16.5% for the six months ended 30 June 2021 (six months ended 30 June 2020: RMBNil).
- (iii) The subsidiaries of the Group established in the PRC (excluding Hong Kong) are subject to PRC Corporate Income Tax rate of 25% for the six months ended 30 June 2021 (six months ended 30 June 2020: 25%).
- (iv) In accordance with the income tax rules and regulations in the PRC, entities established in the Xinjiang Kashi/Horgos special economic areas before 31 December 2020 can enjoy full exemption on PRC Corporate Income Tax for five years starting from the year in which revenue was generated. The Group has established subsidiaries in the Xinjiang Kashi/Horgos special economic areas in 2017, 2018 and 2020, and accordingly, these subsidiaries are entitled to full exemption on PRC Corporate Income Tax from the calendar year of their respective establishments to the calendar year of 2021, 2022 and 2024, respectively.

Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

8 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share for the six months ended 30 June 2021 is based on the profit attributable to ordinary equity shareholders of the Company of RMB12,508,000 (six months ended 30 June 2020: RMB54,323,000) and the weighted average of 300,000,000 ordinary shares (30 June 2020: 228,709,000 ordinary shares) in issue during the year ended 31 December 2020, comprising:

- (i) 10,000,000 ordinary shares in issue at 1 January 2020;
- (ii) 215,000,000 ordinary shares issued pursuant to the capitalisation issue immediately prior to the completion of the initial public offering of the Company, as if these ordinary shares were outstanding throughout the six months ended 30 June 2020; and
- (iii) 75,000,000 ordinary shares issued on the Listing Date by initial public offering.

The calculation of the weighted average number of ordinary shares for the six months ended 30 June 2021 and 2020 is as follows:

	Six months ended 30 June	
	2021	2020
Issued ordinary shares at 1 January	10,000,000	10,000,000
Effect of capitalisation issue (Note 18(a)(ii))	215,000,000	215,000,000
Effect of shares issued by initial public offering on the Listing Date (Note 18(a)(iii))	75,000,000	3,709,000
	300,000,000	228,709,000

(b) Diluted earnings per share

There were no dilutive potential shares outstanding during the six months ended 30 June 2021 and 2020.

9 PROPERTY AND EQUIPMENT

During the six months ended 30 June 2021, the Group acquired equipment with a cost of RMB29,000 (six months ended 30 June 2020: RMB250,000).



Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

10 DRAMA SERIES COPYRIGHTS

	At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
Self-produced drama series (Note (i))		
– under production	90,586	109,131
– with production completed	92,989	92,989
Outright-purchased drama series	183,575	202,120
Co-financed drama series with production completed (Note (ii))	24,505	24,505
Script copyrights (Note (iii))	35,080	37,956
	170,767	132,356
Less: impairment losses	413,927 (11,489)	396,937 (11,489)
	402,438	385,448

Notes:

- (i) The Group acts either as sole investor or executive producer under co-financing arrangements.
- (ii) The Group acts as non-executive producers under these co-financing arrangements.
- (iii) The carrying amount of script copyrights represents the payment on obtaining the literature patent and the cost incurred in relation to adaptation of these intellectual properties.

Movements of drama series copyrights are set out below:

	Six months ended 30 June	
	2021 RMB'000	2020 RMB'000
At 1 January	385,448	179,013
Additions	86,385	113,650
Recognised in cost of sales (Note 6(b))	(69,395)	(106,360)
At 30 June	402,438	186,303

Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

11 TRADE AND BILLS RECEIVABLES

	At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
Trade receivables	420,235	525,367
Less: loss allowance	(69,862)	(58,213)
	350,373	467,154
Bills receivables	11,824	7,781
	362,197	474,935

For the distribution and licensing of the broadcasting rights of drama series, trade and bills receivable are due within 2 years from the date of billing; for the Group's other sources of revenue, trade and bills receivable are due within 60 days from the date of billing.

Debtors with balances that are more than 3 years past due are requested to settle all outstanding balances before any further credit is granted.

(a) Ageing analysis

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

	At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
Within 3 months	16,041	154,818
3 to 6 months	96,935	48,338
6 to 12 months	105,386	65,467
1 to 2 years	81,247	106,846
2 to 3 years	33,154	55,164
Over 3 years	29,434	44,302
	362,197	474,935



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(Expressed in RMB unless otherwise indicated)

11 TRADE AND BILLS RECEIVABLES (continued)

- (b) At 30 June 2021, the Group has pledged RMB10,640,000 (31 December 2020: RMBNil) of trade receivables for loans from banks (see Note 16).
- (c) The Group has discounted certain bills it received from customers at banks, and endorsed certain bills it received from customers to its suppliers and other creditors for settlement of the Group's trade and other payables on a full recourse basis. Upon the above discounting or endorsement, the Group has not derecognised the bills receivables as the Group remains to have a significant exposure to the credit risk of these bills receivables. At 30 June 2021, the carrying amounts of the associated bank loans, and trade and other payables amounted to RMB4,279,000 (31 December 2020: RMB6,309,000).

12 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
Prepayments for productions and promotional and marketing expenses of drama series	146,471	53,739
VAT recoverable	60,124	43,688
Others	1,959	623
	208,554	98,050
Less: loss allowance	(75)	(76)
	208,479	97,974

Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

13 CASH AT BANK AND ON HAND

	At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
Cash at bank	100,660	185,594
Cash on hand	314	92
Cash at bank and on hand included in the consolidated statement of financial position	100,974	185,686
Less: restricted deposits (Note (i))	(51,589)	(52,182)
Cash and cash equivalents included in the consolidated cash flow statement	49,385	133,504

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

Note:

(i) Restricted deposits represent deposits placed at banks as collaterals for the Group's bank and other loans (see Note 16).



Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

14 TRADE PAYABLES

	At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
Payables for productions and acquisitions of drama series	340,271	379,480

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

	At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
Within 3 months	58,510	94,220
3 to 6 months	71,906	8,447
6 to 12 months	12,879	80,861
1 to 2 years	124,566	116,098
More than 2 years	72,410	79,854
	340,271	379,480

15 OTHER PAYABLES AND ACCRUED EXPENSES

	At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
Payables to co-investors of drama series under co-financing arrangements	91,208	129,476
Interest payables	3,032	3,028
Payables for staff related costs	2,344	3,093
Payables for other taxes	6,182	10,761
Others	–	3,022
Financial liabilities measured at amortised cost	102,766	149,380

Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

16 BANK AND OTHER LOANS

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

	At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
Bank loans:		
– Secured by the Group's trade and bills receivables and restricted deposits (Note (i))	57,283	50,000
– Guaranteed by a subsidiary of the Group and related parties	10,500	15,000
	67,783	65,000
Other loans from third parties:		
– Unsecured and unguaranteed (Note (ii))	14,151	14,151
	81,934	79,151

Notes:

- (i) At 30 June 2021, the aggregate amount of deposits and trade and bills receivables pledged are RMB62,229,000 (31 December 2020: the aggregate amount of deposits pledged is RMB52,182,000).
- (ii) The balance represents loans from third-party non-executive producers with fixed repayment terms and bears interest at a rate of 15% per annum (31 December 2020: 15%).



Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

17 DEFERRED TAX ASSETS

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

Deferred tax assets arising from:	Credit loss allowance RMB'000	Impairment losses on drama series copyrights RMB'000	Accruals RMB'000	Total RMB'000
At 1 January 2020	9,944	–	510	10,454
Credited to the consolidated statement of profit or loss	4,630	2,872	(188)	7,314
At 31 December 2020 and 1 January 2021	14,574	2,872	322	17,768
Credited to the consolidated statement of profit or loss (Note 7)	2,906	–	–	2,906
At 30 June 2021	17,480	2,872	322	20,674

Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

18 CAPITAL, RESERVES AND DIVIDENDS

(a) Share capital

	At 30 June 2021		At 31 December 2020	
	Number of shares '000	Amount HK\$'000	Number of shares '000	Amount HK\$'000
Authorised share capital (Note (i))	500,000	5,000	500,000	5,000

	At 30 June 2021		At 31 December 2020	
	Number of shares '000	Amount RMB'000	Number of shares '000	Amount RMB'000
Ordinary shares, issued and fully paid:				
At 1 January	300,000,000	2,742	10,000,000	90
Capitalisation issue (Note (ii))	–	–	215,000,000	1,966
Issuance of shares by initial public offering (Note (iii))	–	–	75,000,000	686
At 30 June/31 December	300,000,000	2,742	300,000,000	2,742

Notes:

- (i) The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 17 June 2019. The Company's initial authorised share capital was HK\$380,000 divided into 38,000,000 shares with a par value of HK\$0.01 each. On 24 May 2020, the equity shareholders of the Company resolved to increase the authorised share capital of the Company from HK\$380,000 divided into 38,000,000 shares of HK\$0.01 each to HK\$5,000,000 into 500,000,000 shares of HK\$0.01 each.
- (ii) Immediately prior to the completion of the public offering, the Company allotted and issued 215,000,000 ordinary shares, credited as fully paid, to the equity shareholders of the Company whose names appeared on the register of members of the Company at the close of business on 24 May 2019 by way of capitalisation of the sum of HK\$2,150,000 (equivalent to approximately RMB1,966,000) standing to the credit of the share premium account of the Company.
- (iii) 75,000,000 ordinary shares of par value of HK\$0.01 each were issued at a price of HK\$2.56 per ordinary share upon the listing of the shares of the Company on the Stock Exchange. The proceeds of HK\$750,000 (equivalent to approximately RMB686,000), representing the par value, were credited to the Company's share capital. The remaining proceeds, net of share issuance expenses (including issuance expenses of RMB4,076,000 paid prior to 2020), of approximately HK\$177,563,000 (equivalent to approximately RMB162,355,000) were credited to the Company's share premium account.



Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

18 CAPITAL, RESERVES AND DIVIDENDS (continued)

(b) Dividends

The directors of the Company did not recommend an interim dividend for the six months ended 30 June 2021 (six months ended 30 June 2020: RMBNil).

19 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

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

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 30 June 2021 and 31 December 2020.

20 IMPACTS FROM COVID-19 PANDEMIC

The COVID-19 pandemic since early 2020 continues to bring uncertainties to the Group's operating environment and may impact the Group's operations and financial position.

Despite of the easing of the COVID-19 pandemic in Mainland China, the Group continues to closely monitor the possible impact of the COVID-19 pandemic has on the Group's businesses and keep contingency measures in place and under review in the case where the COVID-19 pandemic rebounds. The directors of the Company confirm that these contingency measures include but not limited to reassessing changes to the customers' preferences on the types of drama series to be broadcasted, assessing the readiness of the production units and revisiting the progress of self-produced drama series, reassessing the adequacy and suitability of the Group's existing suppliers' inventory of drama series, expanding the Group's supplier base in a view to procure suitable drama series to be broadcasted, negotiating with customers on possible delay in delivery timetables, increasing monitoring of the business environment of the Group's customers, and improving the Group's cash management by expediting debtor settlements and negotiating with suppliers on extension of payment terms.

The exact timing of the cessation of the COVID-19 pandemic is still uncertain. Nonetheless, the directors of the Company is optimistic that the COVID-19 pandemic will eventually be under full control.

Definitions

“Audit Committee”	the audit committee of the Company
“Board”	the board of directors of the Company
“China” or “PRC”	the People's Republic of China, excluding for the purpose of this report, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Company”	Litian Pictures Holdings Limited (力天影業控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability on 17 June 2019 and whose Shares are listed on the Main Board of the Stock Exchange (Stock code: 9958)
“Corporate Governance Code”	the corporate governance code contained in Appendix 14 to the Listing Rules
“Director(s)”	the director(s) of the Company
“Group” or “We”	the Company and its subsidiaries
“HK\$” or “HKD”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“Listing”	the 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 Stock Exchange
“Litian Century”	Litian Century Media Co., Ltd., a company established under the laws of the British Virgins Islands and is wholly owned by the Director, Mr. Yuan Li (袁力)
“LiTian TV & Film”	Zhejiang LiTian TV & Film Co., Ltd.* (浙江力天影視有限公司), a company established under the laws of the People's Republic of China, and a consolidated affiliated entity of the Company, which is owned as to approximately 30.35% by the Director, Mr. Yuan Li (袁力) and approximately 28.61% by his spouse, Ms. Tian Tian (田甜) and approximately 0.87% by the Director, Ms. Fu Jieyun (傅潔雲) as at the date of this report



Definitions

“Marshal Investment”	Marshal Investment Co. Ltd. (元帥投資有限公司), a company established under the laws of the British Virgin Islands and is wholly owned by Ms. Tian Tian (田甜), the spouse of the Director, Mr. Yuan Li (袁力)
“Model Code”	the model code for securities transactions by directors of listed issuers as set out in Appendix 10 to the Listing Rules
“Prospectus”	the prospectus of the Company dated 10 June 2020
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended and supplemented from time to time
“Share(s)”	the ordinary share(s) of the Company with a nominal value of HK\$0.01 each, in the share capital of the Company
“Shareholder(s)”	the holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it in sections 15 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
“%”	per cent.

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