This summary aims to give you an overview of the information contained in this [**REDACTED**] *document. As this is a summary, it does not contain all the information that may be important to you and is qualified in its entirety by, and should be read in conjunction with, the full text of this* [**REDACTED**] *document. You should read the whole* [**REDACTED**] *document including the appendices hereto, which constitute an integral part of this* [**REDACTED**] *document.*

OVERVIEW

According to Frost & Sullivan, we ranked the fourth among all Chinese drama series companies(1) in terms of revenue in 2020. We accounted for approximately 2.9% of the total market share in 2020, amongst the highly fragmented drama series industry in China. We focus on creating premium drama series(2) based on our abundant reserve of original IPs. Since our inception in 2014 in Shanghai, we have been dedicated to the full value chain of operations including investment, production, distribution, promotion, and derivatives licensing of drama series.

During the Track Record Period, we generated revenue from three business lines:

- Original drama series: We develop IPs, produce and distribute drama series and accordingly we charge licensing fees for the broadcasting rights of our original drama series from domestic online video platforms and TV channels as well as overseas platforms both directly and through third-party distributors;

- Content marketing: We provide a suite of content-based marketing services, including product placement and other services to our clients, leveraging our original drama series and proprietary IPs, charging fixed service fees; and

- Other businesses: We also provide other services including (i) producing made-to-order drama series based on customer orders; (ii) developing, producing and distributing films; (iii) investing in drama series as a non-executive producer; (iv) licensing our IP derivatives adaptation rights. During the Track Record Period, we also provided artiste management services. We disposed of the relevant subsidiary in 2020 and we ceased providing such service afterwards.

Since our inception and up to the Latest Practicable Date, we had produced and distributed a total of 17 drama series. 15 of them are original drama series in which we acted as the lead/sole investor and the executive producer, and we therefore own proprietary rights of these drama series. According to Frost & Sullivan, five of our seven drama series broadcast from 2018 to 2020 were premium drama series, representing a premium content rate(3) of

Notes:

(1) Drama series companies refer to companies primarily engaged in the business of drama series production.

(2) Premium drama series refers to drama series that are in the list of the top 20 TV drama series (measured by viewership) or top 20 web series (measured by view count) for the relevant year.

(3) According to Frost & Sullivan, premium content is a widely recognized term in the industry, referring to high-quality/top-ranked drama series possessing one or more of the following characteristics: experienced casts, skilled production crew, significant investment on production, sizable broadcasting right licensing fee, and superior viewership/view count performance. Premium content rate is the number of premium drama series as a percentage of the total drama series broadcast by a company in a year.

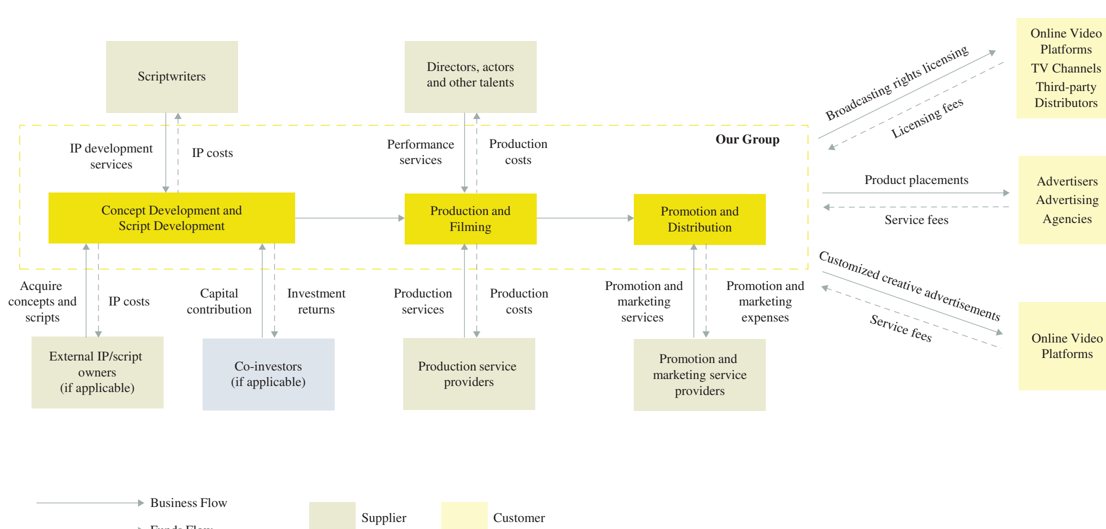
approximately 71.4%, far exceeding the average premium content rate of our top five competitors by revenue at approximately 40.8% from 2018 to 2020. In 2021, two of our three drama series broadcast were premium drama series, representing a premium content rate of approximately 66.7%. In addition, our five premium drama series broadcast from 2018 to 2020 garnered a total of more than 19.3 billion view counts on online video platforms during first-run broadcast period and annual viewership rate of over 1.0% on TV channels during the same period. Our day-to-day life themed drama series such as "A Love for Separation" (小別離), "A Little Reunion" (小歡喜), "A Little Dilemma" (小舍得), "Nothing but Thirty" (三十而已) and "Twenty Your Life On" (二十不惑) focus on popular contemporary topics such as family life, education, and female empowerment, delivering positive value propositions and inspiring extensive discussion.

We pride ourselves in taking the lead in the development of premium original IP in-house and have built an abundant reserve of original IPs and strong pipeline, allowing us to possess a competitive edge over many of our competitors. Among the eight drama series we have finished production from 2018 to 2020, seven of them are original drama series, representing a ratio of 87.5%. The ratio ranked the second among the top five producers in the industry from 2018 to 2020, according to Frost & Sullivan. In 2021, all of the three drama series we have finished production are original drama series, representing a ratio of 100.0%.

Furthermore, we are committed to our Diversified growth strategies. We continue to explore new growth avenues such as content marketing, derivative licensing and overseas distribution, in order to maximize the commercial value of our proprietary IP rights and reinforce our leadership in the industry.

OUR BUSINESS MODEL

The chart below illustrates the business and funds flow of our original drama series and content marketing businesses:



At the concept development and script development stage, we self-develop or acquire scripts and IPs from external sources. We engage scriptwriters to further develop scripts and IPs based on our experience and industry insights and we in turn pay them IP fees. Co-investors typically participate in and make capital contribution at this concept development and script development stage. At the production and filming stage, our production costs are typically related to the remuneration of filming crew and cast members. We pay directors, actors and other talents as well as production service providers for the respective services they provide. At the promotion and distribution stage, we engage experienced third-party marketing service providers and in turn pay them promotion and marketing fees. For our original drama series business, we generate revenue from charging licensing fees for the broadcasting rights of our original drama series from online video platforms and TV channels both directly and through third-party distributors. For our content marketing business, particularly the product placement and customized creative advertisement services, we generate service fee revenue from advertisers and advertising agencies as well as online video platforms.

The chart below further illustrates how our business model interacts with our talent strategy, content operation system and our growth initiatives.

Note:

(1) The four items in dashed boxes are the Company's diversified revenue sources.

We believe content starts with people. Our content starts from our effective talent management system. Each of our co-founders has more than 15 years of industry experience, and they have formed deep mutual trust and seamless partnership through many years of teamwork. We have also established and maintained a talent pool of top-tier professionals, forming a strong backbone of our creativity and productivity. In the meantime, we continuously seek insights and feedback from our employees, audience and external communities in order to truly engage, touch and inspire our audience.

We create content through processes of concept development, script development, filming, production, distribution and promotion. The premium content, the popular topics and the memorable characters are critical elements of our vast original IP reserve. Our drama series cover a comprehensive suite of trending subjects such as modern romance, heroism, costume and day-to-day life. Based on our proprietary IP rights, we are able to create collections and sequels to attract return audiences, to maximize our word-of-mouth reputation, and to ensure the success of our works. For example, we created an immensely popular collection of day-to-day life themed series focused on China's family and education topics comprising of "A Love for Separation" (小別離) in 2016, "A Little Reunion" (小歡喜) in 2019 and "A Little Dilemma" (小舍得) in 2021. We also created a successful female empowerment themed collection comprising of "Twenty Your Life On" (二十不惑) and "Nothing but Thirty" (三十而已) in 2020.

We believe content ends with people. We license the broadcasting rights of our original drama series to online video platforms, TV channels, and third party distributors, which then broadcast our drama series to audience. In this process, our track record of premium content has enabled us to have a proactive and flexible distribution strategy. With online video platforms, we typically pre-sell our drama series prior to or shortly after the commencement of filming and before the completion of scripts and receive prepayments from them. We are able to have such pre-sale arrangement due to our proven track record of delivering high quality drama series and the expected popularity of our drama series among audiences. Through such arrangement, we can secure the distribution of our original drama series and receive a certain percentage of our total licensing fees upfront, which benefits our operating cash flow position. In addition, we believe pre-sale incentivizes our customers to invest more heavily in the distribution and promotion of our drama series as they become an interested party after the pre-sale. Before, as and after our content reaches our audience, we proactively collect insights and feedback, forming a virtuous business cycle driven by people and focused on people.

We typically act as the sole/lead investor of our original drama series. From time to time, we also allow other investors to co-invest in our original drama series and share profits with them in proportion to the capital investment they made. This co-investment arrangement provides us with an additional capital source to fund our drama series projects.

Our business model is being continuously optimized. In our early years, amid the rapid development of online video platforms, we quickly incorporated this distribution channel into our business and achieved tremendous growth. In recent years, in light of the explosive growth of short-form video, we are creating more short-form content and utilizing short-video platforms to match the latest viewership preferences of audiences. Currently, we are implementing other new growth strategies such as content marketing, derivative licensing and overseas distributions. Overall, our business model stems from our premium, original IP reserve, and is rooted in our capabilities of talent management, content creation and innovation.

OUR COMPETITIVE STRENGTHS

We are grateful that we have been able to maintain our leading position in a fast evolving industry and will continue to enhance the quality standard for drama series in China. Our competitive strengths include:

- We are a drama series production company in China with a track record of creating premium content;
- We have abundant original IP content reserve;
- We have systematic production capabilities;
- We have comprehensive content distribution capabilities;
- We have diversified monetization methods; and
- We have an industry veteran founding management team in a stable and efficient partnership.

For details, see "Business – Our Competitive Strengths."

OUR STRATEGIES

Our objective is to continue to strengthen our position in the PRC drama series market and enhance our overall competitiveness. To achieve this objective, we plan to execute the following business strategies:

- Continue to produce premium original drama series and maintain our market leadership;
- Further improve our operation of IP management and shape our brand;
- Further diversify our revenue with video-based content to unleash the potential for monetization;
- Expand our business internationally; and
- Selectively conduct strategic alliances, investments and mergers and acquisitions.

For details, see "Business – Our Strategies."

RISK FACTORS

Our business involves certain risks, including but not limited to risks relating to our business and industry, risks relating to our Contractual Arrangements, risks relating to the PRC and risks relating to the [**REDACTED**]. Some of the major risks that we face include: (i) Our success depends, in a significant part, on the general prosperity and development of China's overall video-based content market, and factors affecting the video-based content market, especially the development of the drama series market, could have a material and adverse effect on our business, financial condition and results of operations; (ii) Our income is generally project-based and non-recurring in nature and a failure to license the broadcasting rights of our drama series could materially affect our financial performance; (iii) Our financial performance for a particular period highly depends on a limited number of drama series projects during the same period, which may result in wide fluctuations of financial performance; (iv) The production and distribution of drama series are extensively regulated in the PRC. Our failure to comply with evolving laws, rules and regulations could materially and adversely affect our business, financial condition and results of operations; and (v) the public reception to the drama series projects we produce and invest in are subject to uncertainties and we may not be able to respond effectively to changes in market trends.

OUR CUSTOMERS AND SUPPLIERS

Our customers primarily include top online video platforms and major TV channels. In 2019, 2020 and 2021, revenue generated from our top five customers in aggregate constituted approximately 93.2%, 88.1% and 77.6% of our total revenue, respectively. During the same year, revenue attributable to our largest customer accounted for approximately 49.5%, 32.7% and 22.6% of our total revenue, respectively. For details, see "Business – Our Customers."

Our suppliers primarily include directors, actors and production-related service providers. In 2019, 2020 and 2021, the purchase from our top five suppliers in aggregate constituted approximately 26.1%, 27.3% and 33.3% of our total purchase from our suppliers, respectively. During the same year, the total purchase from our largest supplier constituted approximately 7.9%, 10.1% and 17.6% of our total purchase from our suppliers, respectively. For details, see "Business – Our Suppliers."

PRICING

The pricing for the licensing of our original drama series is determined by negotiations between the parties considering the total investment, the genre, the distribution channels (TV channels or online video platforms), the broadcasting schedules (initial distribution or subsequent distribution and the broadcasting time slot), the prevailing market price, the target audience base, the expected level of popularity, the ranking of our drama series, as well as our target profit margin. Given that each of the drama series has its unique features and the above factors are not generic in nature which highlights the versatility and distinctiveness of each drama series, there is no quantitative formula for determining the licensing fees of our drama series, which will be subject to arm's length negotiations between the relevant parties.

Generally, the amount charged for the initial broadcasting rights is higher than subsequent distributions, and we normally seek to cover our total investment by the licensing fees received from the initial broadcast. During the Track Record Period, the licensing of the first-run broadcasting rights of our original drama series ranged (i) from RMB1.3 million to RMB3.3 million per episode for TV channels; and (ii) from RMB5.2 million to RMB15.8 million per episode for online video platforms. During the Track Record Period, the licensing of the re-run broadcasting rights of our original drama series (only applicable to TV channels) ranged from RMB47,000 to RMB0.4 million per episode. According to Frost & Sullivan, the licensing fees of the first-run of original drama series (excluding us) normally range (i) from RMB0.8 million to RMB4.0 million per episode for TV channels; and (ii) from RMB2.0 million to RMB8.0 million per episode for online video platforms. The licensing of the re-run of original drama series (only applicable to TV channels) normally range from RMB50,000 to RMB0.6 million per episode.

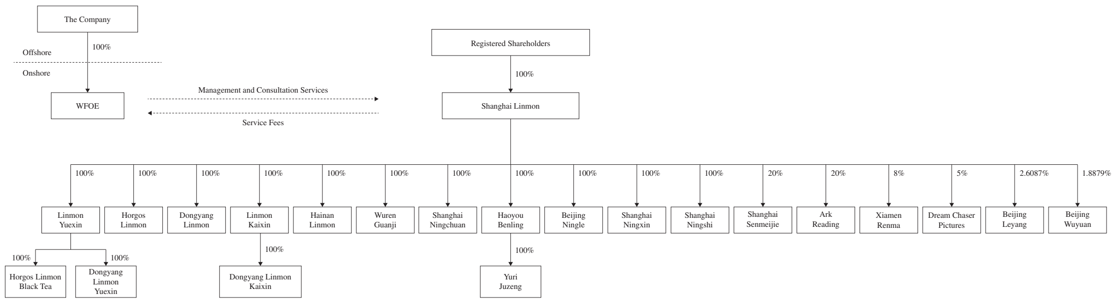
The pricing for our content marketing services is also determined by negotiations between the parties on a cost-plus basis, taking into consideration of the duration of the content, display method, our target profit margin with reference to the overall market conditions and trends, prevailing market price and various commercial factors, including the rating and popularity of the drama series, and the commercial ability to attract advertisement of the online video platforms. See "Business – Pricing" for details.

For made-to-order drama series, we charge online video platforms a pre-determined fixed fee based on negotiations between the parties, taking into consideration the estimated costs, our target profit margin for the production services we provide, genre of the drama series to be produced and the prevailing market price. During the Track Record Period, our pre-determined fixed fees of made-to-order drama series generally ranged from RMB0.6 million to RMB1.8 million per episode. According to Frost & Sullivan, pre-determined fixed fees of made-to-order drama series normally range from RMB0.5 million to RMB5.0 million per episode.

CONTRACTUAL ARRANGEMENTS

Our Company operates certain businesses that are subject to foreign investment restrictions under current PRC laws and regulations. In order to comply with such laws and regulations, while availing ourselves of international capital markets and maintaining effective control over all of our operations, we control our Consolidated Affiliated Entities through the Contractual Arrangements entered into on August 31, 2021. Pursuant to the Contractual Arrangements, we have effective control over and are entitled to receive all the economic benefits generated by the businesses currently operated by the Consolidated Affiliated Entities. For details, see "Contractual Arrangements".

The following diagram illustrates our Contractual Arrangements:



Notes:

"→" denotes direct legal and beneficial ownership in the equity interest.

"⇢" denotes contractual relationship.

For risks relating to the Contractual Arrangements, see "Risk Factors – Risks Relating to Our Contractual Arrangements."

COMPETITION

According to Frost & Sullivan, the drama series market in China is highly competitive with more than 22,500 market players in 2020 with differentiated background and capabilities. Despite the competitions, leading drama series production and distribution companies possess superior industry resources and have established long-term cooperation business relationships with leading distribution channels (including top online video platforms and top TV channels). According to Frost & Sullivan, the market share of the top five drama series production companies accounted for approximately 19.0% of the total revenue generated from the licensing of drama series in 2020 in China. We ranked the top 5 in terms of revenue for three consecutive years in 2018, 2019 and 2020.

We primarily compete with other market players on the quality of drama series content, brand recognition, scale of production, availability of financial resources, distribution capability as well as the ability to respond quickly and effectively to evolving market trends. We believe our competitive edge lies in our abundant reserve of IPs, seasoned and visionary senior management team, experienced production team, and close and stable relationships with top online video platforms and TV channels, enabling us to achieve our leading position in the market and sustainable growth.

See "Industry Overview" for a more detailed discussion regarding the markets in which we operate as well as our competitive landscape.

OUR CONTROLLING SHAREHOLDERS

Immediately following the completion of the [**REDACTED**] presuming the Assumptions, Mr. Su, Ms. Chen, Ms. Xu, Mr. Zhou will control, through the Founders SPVs, in aggregate of approximately [**REDACTED**]% of the voting power at general meetings of our Company and will remain as a group of our Controlling Shareholders. See "Relationship with Our Controlling Shareholders – Overview".

Each of our Controlling Shareholders confirms that, as of the Latest Practicable Date, they did not have any interest in a business, apart from the business of our Group, which competes or is likely to compete, directly or indirectly, with our business that would require disclosure under Rule 8.10 of the Listing Rules.

CONNECTED TRANSACTIONS

We have entered into and are expected to continue with certain transactions after the [**REDACTED**] with Tencent Group and its associates, which will constitute our non-exempt continuing connected transactions under Chapter 14A of Listing Rules. Tencent Mobility, a subsidiary of Tencent Group, is a current Shareholder and a Pre-[**REDACTED**] Investor of our Company, holding [**REDACTED**]% of the issued share capital of our Company immediately after the [**REDACTED**] presuming the Assumptions. See "Connected Transactions" and "Waivers from Strict Compliance with the Listing Rules and Exemptions from Strict Compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance."

PRE-[REDACTED] INVESTMENTS

We introduced Tencent Mobility, Great Luminosity, Shanghai Yuyi, Linmon AQ, Mango Ningze, Gongqingcheng Erchen, Zhongqing Xinxin, Jushi Botao, Zhuhai Yuman, Beijing Manfu, Linmon Dessin and Qianyi Mutian as our Pre-[**REDACTED**] Investors through several rounds of Pre-[**REDACTED**] Investments since 2014. For details of our Pre-[**REDACTED**] Investments, see "History, Reorganization and Corporate Development – Pre-[**REDACTED**] Investments".

SUMMARY OF HISTORICAL FINANCIAL INFORMATION

The following tables set forth summary financial data from our consolidated financial information for the Track Record Period, extracted from the Accountants' Report set out in Appendix I to this document. The summary consolidated financial data set forth below should be read together with, and is qualified in its entirety by reference to, the consolidated financial statements in this document, including the related notes. Our consolidated financial information was prepared in accordance with HKFRS.

Summary of Consolidated Statements of Profit or Loss

The following table sets forth selected consolidated statements of profit or loss items for the periods indicated:

	Year ended December 31,		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Revenue	1,794,164	1,426,159	1,248,964
Cost of sales	(1,393,316)	(880,403)	(689,934)
Gross profit	400,848	545,756	559,030
Other income and gains	49,290	51,011	113,197
Selling and distribution expenses	(116,074)	(131,281)	(103,336)
Administrative expenses	(97,753)	(93,774)	(162,104)
Other expenses	(10,104)	(25,198)	(54,502)
Finance costs	(21,446)	(12,420)	(4,844)
Share of profits and losses of associates	(3,140)	(879)	2,200
Changes in fair value of convertible redeemable preferred shares	(93,924)	(239,176)	(225,852)
Profit before tax	107,697	94,039	123,789
Income tax expense	(27,299)	(31,494)	(62,876)
Profit for the year	80,398	62,545	60,913
Attributable to:			
Owners of the parent	82,951	50,130	60,913
Non-controlling interests	(2,553)	12,415	–
	80,398	62,545	60,913

Non-HKFRS Measures

To supplement our consolidated financial statements, which are presented in accordance with HKFRS, we also use adjusted net profit as additional financial measure, which is not required by, or presented in accordance with, HKFRS. We believe this non-HKFRS measure facilitates comparisons of operating performance from period to period and company to company by eliminating potential impacts of certain items.

We believe this measure provides useful information to investors and others in understanding and evaluating our consolidated results of operations in the same manner as they help our management. However, our presentation of adjusted net profit may not be comparable to similarly titled measures presented by other companies. The use of this non-HKFRS measure has limitations as an analytical tool, and you should not consider it in isolation from, or as a substitute for an analysis of, our results of operations or financial condition as reported under HKFRS.

We define adjusted net profit as net profit for the year adjusted by adding back share-based payments, [**REDACTED**] expenses and changes in fair value of convertible redeemable preferred shares. The reconciling item is non-cash and does not result in cash outflow, and the adjustment has been consistently made during the Track Record Period, which complies with guidance letter HKEX-GL103-19 issued by the Stock Exchange ("**GL103-19**"). In addition, we designated the convertible redeemable preferred shares upon initial recognition as financial liabilities at fair value through profit or loss. Upon [**REDACTED**], all convertible redeemable preferred shares will be reclassified from financial liabilities to equity as a result of the automatic conversion into ordinary shares and the relevant loss or gain on fair value changes from convertible redeemable preferred shares will not incur in the future. The reconciling item is non-cash and does not result in cash outflow, which complies with GL103-19. Further, we exclude [**REDACTED**] expense arising from activities relating to the [**REDACTED**].

The following table reconciles our adjusted net profit for the periods presented to the most directly comparable financial measures calculated and presented in accordance with HKFRS, which is net profit for the year:

	Year ended December 31,		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Reconciliation of net profit to adjusted net profit			
Profit for the year	**80,398**	**62,545**	**60,913**
Add:			
Share-based payments(1)	101	1,094	5,543
[**REDACTED**] expenses(2)	–	–	19,411
Changes in fair value of convertible redeemable preferred shares(3)	70,443	179,382	193,641
Adjusted net profit (Unaudited)(4)	**150,942**	**243,021**	**279,508**

Notes:

(1) Share-based payments mainly represent the arrangement that we receive services from certain eligible suppliers and employees as consideration for our equity instruments. Share-based payments are not expected to result in future cash payments.

(2) [**REDACTED**] expenses are mainly relate to the [**REDACTED**] and commonly not included in similar non-HKFRS financial measures.

(3) Changes in fair value of convertible redeemable preferred shares will not recur after the [**REDACTED**] as all of the convertible redeemable preferred shares will convert to ordinary shares upon the completion of the [**REDACTED**].

(4) A non-HKFRS measure.

Revenue

The following table sets forth our revenue breakdown by business line in absolute amounts and as percentages of our total revenue for the periods indicated:

	Year ended December 31,					
	2019		**2020**		**2021**	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Original drama series	1,632,658	91.0%	1,207,423	84.7%	1,051,435	84.2%
Content marketing	58,832	3.3%	65,961	4.6%	109,766	8.8%
Others	102,674	5.7%	152,775	10.7%	87,763	7.0%
Total	**1,794,164**	**100.0%**	**1,426,159**	**100.0%**	**1,248,964**	**100.0%**

The table below sets forth the breakdown of our revenue from licensing of broadcasting rights of original drama series by customer type for the periods indicated:

	Year ended December 31,					
	2019		**2020**		**2021**	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Online video platforms(1)	1,257,358	77.0%	896,767	74.3%	722,459	68.7%
TV channels(2)	333,362	20.4%	276,026	22.9%	269,380	25.6%
Others(3)	41,938	2.6%	34,630	2.8%	59,596	5.7%
Total	**1,632,658**	**100.0%**	**1,207,423**	**100.0%**	**1,051,435**	**100.0%**

Notes:

(1) Online video platforms refer to our customers who operate online video platforms;

(2) TV channels refer to our customers who operate TV channels, including national and local TV channels;

(3) Others refer to third party distributors.

Original Drama Series

Revenue generated from licensing of broadcasting rights of original drama series produced by us decreased by 26.0% from RMB1,632.7 million in 2019 to RMB1,207.4 million in 2020, primarily due to the higher average licensing fees of one costume drama series in 2019, driven by the high production cost of such drama series. Revenue generated from licensing of broadcasting rights of original drama series produced by us decreased from RMB1,207.4 million in 2020 to RMB1,051.4 million in 2021, primarily due to (i) a decrease in total number of episodes of first-run original drama series licensed to our customers from 127 episodes in 2020 to 115 episodes in 2021, and (ii) a comparatively lower licensing fee per episode of "To Fly with You" (陪你逐風飛翔) broadcast in 2021.

Content Marketing

Revenue generated from content marketing increased by 12.2% from RMB58.8 million in 2019 to RMB66.0 million in 2020, primarily due to the increase in the number of brands we promoted for in our drama series from 29 in 2019 to 37 in 2020, which is in line with the increase in the number of original drama series we produced from two in 2019 to three in 2020. Revenue generated from content marketing increased from RMB66.0 million in 2020 to RMB109.8 million in 2021, primarily attributable to the increase in the number of brands we promoted for in our drama series from 37 in 2020 to 61 in 2021, which was mainly due to the popularity among audiences of "A Little Dilemma" (小舍得) and "Xiaomin's House" (小敏家) broadcast in 2021.

Other Businesses

Revenue generated from other businesses was RMB102.7 million in 2019, primarily because we produced a made-to-order drama series and generated production revenue in 2019. Revenue generated from other businesses was RMB152.8 million in 2020 which mainly related to a film we produced and distributed in 2020. Revenue generated from other businesses was RMB87.8 million in 2021 which mainly related to (i) the net licensing fee received from our investment of the capital contributions to "Hand in Hand" (陪你一起長大) in 2021 as a non-executive producer, and (ii) the revenue from the provision of production service for "Ancient Love Poetry" (千古玦塵), a made-to-order drama series produced in 2021.

Cost of Sales

Our cost of sales primarily consists of production costs incurred for producing our original drama series and provision of write-down of inventories in connection with our original drama series, content marketing cost, and other costs including production cost of made-to-order drama series, film production cost, cost in connection with artiste management services and provision of write-down of inventories in connection with film production, among which production costs of original drama series accounted for the largest component of our cost of sales during the Track Record Period.

Our cost of original drama series, which mainly consists of production costs incurred for producing our original drama series and provision of write-down of inventories in connection with our original drama series, decreased from RMB1,352.4 million in 2019 to RMB698.0 million in 2020, primarily because (i) we produced "Novoland: Eagle Flag episodes" (九州縹緲錄) with relatively high production costs in 2019, and (ii) we further tightened the budget control of our drama series in 2020. Our cost of original drama series decreased from RMB698.0 million in 2020 to RMB632.3 million in 2021, primarily due to a decrease in production cost of original drama series mainly attributable to a decrease in total number of episodes of first-run original drama series produced by us from 127 episodes in 2020 to 115 episodes in 2021.

Our content marketing cost remained relatively stable at RMB19.9 million in 2019 and RMB17.4 million in 2020. Our content marketing cost increased from RMB17.4 million in 2020 to RMB47.3 million in 2021, primarily attributable to integrated marketing campaigns business which incurred comparatively higher costs. We started to provide integrated marketing campaigns service since 2021 as expanding into integrated marketing campaigns brings in additional revenue streams monetizing our IPs and our relationships with advertising customers.

Gross Profit and Gross Profit Margin

The following table sets forth a breakdown of our gross profit by business line in absolute amounts and as a percentage of revenue, or gross profit margin, for the periods indicated:

	Year ended December 31,					
	2019		**2020**		**2021**	
	Gross Profit	**Gross Profit Margin**	**Gross Profit**	**Gross Profit Margin**	**Gross Profit**	**Gross Profit Margin**
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Original drama series	280,306	17.2%	509,408	42.2%	419,167	39.9%
Content marketing	38,973	66.2%	48,517	73.6%	62,427	56.9%
Others	81,569	79.4%	(12,169)	(8.0)%	77,436	88.2%
Total	**400,848**	**22.3%**	**545,756**	**38.3%**	**559,030**	**44.8%**

Our gross profit increased from RMB400.8 million in 2019 to RMB545.8 million in 2020 primarily because (i) we produced "Novoland: Eagle FlagÞpisodes" (九州縹緲錄) in 2019 with relatively high production cost; and (ii) we further tightened the budget control of our drama series. As a result, our gross profit margin increased from 22.3% in 2019 to 38.3% in 2020. Our gross profit remained relatively stable at RMB545.8 million and RMB559.0 million in 2020 and 2021, respectively. Our gross profit margin increased from 38.3% in 2020 to 44.8% in 2021, primarily due to the increase of gross profit margin of other businesses in 2021, which was mainly because (i) we invested in "Hand in Hand" (陪你一起長大) in 2021 as a non-executive producer and charged net licensing fees in proportion to our investment, and (ii) we charged fixed production fees for production of "Ancient Love Poetry" (千古玦塵), a made-to-order drama series, and recognized revenue at a net basis, which entailed a relatively higher gross profit margin. Our gross profit margin of content marketing business decreased from 73.6% in 2020 to 56.9% in 2021, primarily attributable to integrated marketing campaigns business which incurred comparatively higher costs and entailed comparatively lower gross margin. Our gross profit margin of our other businesses was negative 8.0% in 2020, primarily due to the impairment loss of "Counterfeit Secret Service" (冒牌特工隊), a film that completed filming while did not complete post-production since we ceased our continued investment into its production due to the expected decrease in popularity of its content among audiences and our estimation of its profitability based on the overall market conditions and trends in 2020. We made a full provision for the impairment of "Counterfeit Secret Service" (冒牌特工隊) based on our review of the inventory condition and the market performance in accordance with our inventory provision policies.

We recorded an opening balance of accumulated losses in the amount of RMB783.9 million as of January 1, 2019, primarily due to the aggregate losses of RMB906.9 million (being the difference between the balance of RMB2,299.2 million of the convertible redeemable preferred shares as of January 1, 2019 less that of deferred tax as of January 1, 2019 and the initial investment amount of RMB1,392.3 million of preferred shares received by Shanghai Linmon) mainly from changes in fair value of convertible redeemable preferred shares. Changes in fair value of convertible redeemable preferred shares is a non-operating item, which is not directly correlated with our business performance in a particular period. Changes in fair value of convertible redeemable preferred shares will not recur after the [**REDACTED**] as all of the convertible redeemable preferred shares will convert to our ordinary shares upon the completion of the [**REDACTED**]. Since 2019, we have increased the number of original drama series that we acted as the lead/sole investor and executive producer and therefore own the proprietary rights, which contributed to a significant amount of our revenue during the Track Record Period. As a result, we recorded net profit of RMB80.4 million, RMB62.5 million and RMB60.9 million in 2019, 2020 and 2021 during the Track Record Period and the accumulated losses decreased since 2019. Our net profit decreased from RMB80.4 million in 2019 to RMB62.5 million in 2020, primarily due to an increase in fair value loss on convertible redeemable preferred shares. Our net profit remained relatively stable at RMB62.5 million and RMB60.9 million in 2020 and 2021, respectively.

Summary of Consolidated Statements of Financial Position

The following table sets forth our current assets and current liabilities as of the dates indicated:

	As of December 31,		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Current assets			
Inventories	825,294	336,922	554,213
Trade and notes receivables	462,118	255,759	385,582
Prepayments, other receivables and other assets	188,439	175,047	203,990
Financial assets at fair value through profit or loss	591,164	670,245	325,124
Restricted cash	119,760	–	–
Cash and cash equivalents	202,737	125,254	824,952
Total current assets	2,389,512	1,563,227	2,293,861
Total non-current assets	613,062	978,750	669,286
Current liabilities			
Trade payables	57,596	12,216	76,246
Other payables and accruals	784,705	311,835	466,669
Interest-bearing bank and other borrowings	281,519	17,230	–
Convertible redeemable preferred shares	–	3,055,412	3,276,406
Lease liabilities	15,489	13,090	16,941
Tax payable	7,250	63,918	74,835
Total current liabilities	1,146,559	3,473,701	3,911,097
Total non-current liabilities	2,762,045	9,855	374,530
Net current assets/ (liabilities)	**1,242,953**	**(1,910,474)**	**(1,617,236)**
Non-controlling interests	100	–	–
Total deficits	(906,030)	(941,579)	(1,322,480)

We recorded net current assets of RMB1,243.0 million as of December 31, 2019 and net current liabilities of RMB1,910.5 million as of December 31, 2020, primarily as a result of (i) the increased convertible redeemable preferred shares of RMB3,055.4 million due to the reclassification of convertible redeemable preferred shares from non-current liabilities to current liabilities, (ii) the decreased inventories, primarily due to the completion of production of our drama series in 2020, and (iii) the decreased trade and notes receivables, primarily due to our settlement of trade receivables with our customers, as partially offset by the decreased other payables and accruals.

Our net current liabilities decreased by 15.4% from RMB1,910.5 million as of December 31, 2020 to RMB1,617.2 million as of December 31, 2021, primarily as a result of (i) the increased cash and cash equivalents, and (ii) the increased inventories, as partially offset by (i) the decreased financial assets at fair value through profit or loss, and (ii) the increased convertible redeemable preferred shares.

We expect continued fluctuation of the fair value of our convertible redeemable preferred shares will affect our financial position until the [**REDACTED**], upon which all the convertible redeemable preferred shares would be reclassified from financial liabilities to equity as a result of the automatic conversion into our ordinary shares upon the [**REDACTED**]. As such, we will return to net asset position when all of the convertible redeemable preferred shares are converted to ordinary shares upon [**REDACTED**] and do not expect to recognize any relevant loss or gain on fair value changes from the convertible redeemable preferred shares in the future. Besides, we expect to improve our net current liabilities position as (i) we have obtained additional credit facilities and extension of existing credit facilities from large reputable commercial banks in China, and (ii) we expect to receive the net [**REDACTED**] from the [**REDACTED**]. We had net liabilities of RMB906.0 million, RMB941.6 million and RMB1,322.5 million as of December 31, 2019, 2020 and 2021, respectively. Our net liabilities position as of December 31, 2019, 2020 and 2021 were primarily due to the convertible redeemable preferred shares of RMB2,728.8 million, RMB3,055.4 million and RMB3,276.4 million as of December 31, 2019, 2020 and 2021, respectively. See "Risk Factors – We have incurred net liabilities and net current liabilities in the past, which we may continue to experience in the future."

Summary of Consolidated Statements of Cash Flows

The following table sets forth a summary of our cash flows for the periods indicated:

	Year ended December 31,		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Operating cash flows before movements in working capital	256,670	401,817	407,966
Movements in working capital	26,914	161,134	125,638
Income tax paid	(91,784)	(41,666)	(100,212)
Interest received	1,598	1,883	2,711
Net cash flows from operating activities	193,398	523,168	436,103
Net cash flows from/(used in) investing activities	(100,081)	(407,054)	328,896
Net cash flows used in financing activities	(162,567)	(193,597)	(54,017)
Effect of foreign exchange rate changes, net	–	–	(11,284)
Net increase/(decrease) in cash and cash equivalents	(69,250)	(77,483)	710,982
Cash and cash equivalents at beginning of year	271,987	202,737	125,254
Cash and cash equivalents at end of year	202,737	125,254	824,952

Key Financial Ratios

The following table sets forth certain of our key financial ratios as of the dates or for the periods indicated:

	Year ended/as of December 31,		
	2019	**2020**	**2021**
Profitability ratios			
Gross profit margin	22.3%	38.3%	44.8%
Net profit margin	4.5%	4.4%	4.9%
Adjusted net profit margin[(1)]	8.4%	17.0%	22.4%
Return on equity[(2)]	N/A[(3)]	N/A[(3)]	N/A[(3)]
Return on assets[(4)]	2.6%	2.3%	2.2%
Liquidity ratios			
Current ratio[(5)]	2.1	0.5	0.6
Quick ratio[(6)]	1.4	0.4	0.4

Notes:

(1) A non-HKFRS measure.

(2) Return on equity is calculated based on profit for the period divided by the arithmetic mean of the opening and closing balances of total equity of the same period and multiplied by 100%.

(3) Denotes "not applicable" as we recorded total deficit as of December 31, 2019, 2020 and 2021, primarily due to the fair value losses in convertible redeemable preferred shares.

(4) Return on assets is calculated based on profit for the period divided by the arithmetic mean of the opening and closing balances of total assets of the same period and multiplied by 100%.

(5) Current ratio is calculated based on total current assets divided by total current liabilities as of the dates indicated.

(6) Quick ratio is calculated based on total current assets less inventories divided by total current liabilities as of the dates indicated.

[**REDACTED**] STATISTICS

All statistics in the following table are based on the assumptions that (i) the [**REDACTED**] has been completed and [**REDACTED**] are issued pursuant to the [**REDACTED**]; and (ii) the [**REDACTED**] is not exercised and options granted under the Pre-[**REDACTED**] Share Option Scheme are not exercised.

	Based on an [REDACTED] of HK$[REDACTED] per Share	**Based on an [REDACTED] of HK$[REDACTED] per Share**
Market capitalization of our Shares(1)	HK$[**REDACTED**]	HK$[**REDACTED**]
Unaudited [**REDACTED**] adjusted consolidated net tangible assets per Share(2)	HK$[**REDACTED**]	HK$[**REDACTED**]

Notes:

(1) The unaudited [**REDACTED**] adjusted consolidated net tangible assets attributable to owners of the parent per Share are calculated based on [**REDACTED**] Shares in issue (including the completion of the conversion of the Preferred Shares into Ordinary Shares) assuming that the [**REDACTED**] has been completed on December 31, 2021, without taking into account any Shares which may be issued upon exercise of the [**REDACTED**] or any option which may be granted under the Pre-[**REDACTED**] Share Option Scheme or any Shares which may be allotted and issued or repurchased under the general mandates for the allotment and issue or repurchase of the Shares as described in Appendix IV to this document.

(2) The unaudited [**REDACTED**] adjusted net tangible asset per Share as of December 31, 2021 is calculated after making the adjustments referred to in Appendix II.

For the calculation of the unaudited [**REDACTED**] adjusted net tangible asset value per Share, see "Unaudited [**REDACTED**] Financial Information" in Appendix II.

DIVIDEND

In 2020, our subsidiaries, Shanghai Linmon Yuexin and Shanghai Linmon Kaixin, declared and approved a dividend of RMB13.0 million and RMB10.8 million to its non-controlling shareholder, respectively. The dividends were paid and settled in cash through bank transfers in 2020. No dividend has been paid or declared by the Company during the Track Record Period.

Our Company is a holding company incorporated under the laws of the Cayman Islands. As a result, the payment and amount of any future dividend will depend on the availability of dividends received from our subsidiaries. PRC laws require that dividends be paid only out of the net profit calculated according to the PRC accounting principles. PRC laws also require foreign invested enterprises to set aside part of their net profit as statutory reserves, which are not available for distribution as cash dividends. Distributions from our subsidiaries may also be restricted if they incur debt or losses or in accordance with any restrictive covenants in bank credit facilities or other agreements that we or our subsidiaries may enter into in the future. For details, see "Financial Information – Dividend."

As advised by our Cayman Islands counsel, under Cayman Islands law, a Cayman Islands company may pay a dividend out of either profits or share premium account. Even if there is net liabilities, a dividend may be paid out of the share premium account, provided that the memorandum and articles of association do not prohibit such payment. In no circumstances may a dividend be declared or paid if this would result in the company being unable to pay its debts as they fall due in the ordinary course of business.

IMPACTS OF THE COVID-19 PANDEMIC

Since the outbreak of COVID-19, the PRC government had been implementing various anti-pandemic measures in response to the various stages of the pandemic, which directly impacted the drama series industry, including the lock-down of certain affected areas and social distancing policies. We extended the lunar new year holiday to February 10, 2020 pursuant to the Shanghai municipal government's order. In addition, since March 14, 2022 and up to the Latest Practicable Date, we arranged our employees in Shanghai to work from home due to the COVID-19 pandemic in Shanghai and our Directors confirm such arrangement did not materially and adversely affect our business operations and financial performance as of the Latest Practicable Date. In addition, we also adopted strict disease prevention measures to reduce the risk of our employees and production crew onsite including sterilizing, ventilating the workplaces, and monitoring the body temperature of staff. During the COVID-19 pandemic, we adjusted the production plans of our drama series projects flexibly. We frontloaded processes which can be carried out without limitations during the COVID-19 pandemic, including, for example, script development, pre-production and postproduction. In addition, we have formulated a business contingency plan for the COVID-19 outbreak, including protocols and procedures to follow to change shooting location from the cities with COVID-19 outbreak risks to other cities in China and from location shooting to studio shooting as necessary from time to time. As confirmed by our Directors, as of the Latest Practicable Date, none of the production schedules of our drama series projects were materially affected by the COVID-19 pandemic and we fulfilled our contract obligations to deliver all drama series to customers as agreed.

In addition, the PRC government also suspended the operation of cinemas during the pandemic in the first quarter of 2020. As a result, we promptly adjusted the distribution plan of our film, the "Monster Run" (怪物先生). Instead of licensing theatrical distribution rights to cinemas, we licensed the broadcasting rights to top domestic online video platforms including Tencent Video in 2020 and generated revenue of RMB135.0 million in 2020.

Despite the above, our gross profit and adjusted net profit (a non-HKFRS measure) increased from RMB400.8 million and RMB150.9 million in 2019 to RMB545.8 million and RMB243.0 million in 2020 though our revenue decreased from RMB1,794.2 million to RMB1,426.2 million in 2020. Our Directors confirmed that, the COVID-19 pandemic did not have any material adverse impact on our business and results of operations, and is not expected to bring any permanent or material interruption to our operations. However, there can be no assurance that our business and financial condition will not be adversely affected, particularly if the pandemic continues for an extended period or worsens in the PRC. See "Risk Factors – Risks Relating to Our Business and Industry – The COVID-19 pandemic could have a material adverse effect on our business, financial condition and results of operations" for details.

RECENT DEVELOPMENTS

As of the Latest Practicable Date, we had 31 drama series projects which were under script development and pre-production and two drama series projects that were under filming/post-production. In January 2022, "Beyond" (超越), an original drama series solely invested and produced by us, was broadcast on CCTV, Dragon TV, Beijing TV, Tencent Video, iQIYI and Youku. In March 2022, "Under the Skin" (獵罪圖鑑), an original drama series solely invested and produced by us, was broadcast on iQIYI and Tencent Video. After performing sufficient due diligence work which our Directors consider appropriate and after due and careful consideration, our Directors confirm that, up to the date of this document, save as disclosed below, (i) there has been no material adverse change in our financial, operational, and/or trading position since December 31, 2021, being the date of our latest audited consolidated financial position as set out in the Accountants' Report in Appendix I to this document and (ii) there has been no material adverse change in our business, the industry in which we operate and/or market or regulatory environment to which we are subject.

[REDACTED] EXPENSES

Our [**REDACTED**] expenses mainly include professional fees, [**REDACTED**] commissions and other fees incurred in connection with the [**REDACTED**]. The estimated total [**REDACTED**] expenses (based on the mid-point of our indicative [**REDACTED**] range for the [**REDACTED**] and assuming that the [**REDACTED**] is not exercised), including [**REDACTED**] commission for the [**REDACTED**], are approximately RMB[**REDACTED**] (including (i) [**REDACTED**] commission of approximately RMB[**REDACTED**], and (ii) non-[**REDACTED**] related expenses of approximately RMB[**REDACTED**], which consist of fees and expenses of legal advisors and Reporting Accountant of approximately RMB[**REDACTED**] and other fees and expenses of approximately RMB[**REDACTED**]), representing approximately [**REDACTED**]% of the gross [**REDACTED**] from the [**REDACTED**], of which approximately RMB[**REDACTED**] is directly attributable to the issue of our [**REDACTED**] to the public and will be deducted from equity upon the [**REDACTED**], and approximately RMB[**REDACTED**] will be expensed in our consolidated statements of profit or loss. Our Directors do not expect such expenses to materially impact our results of operations in 2022.

USE OF [REDACTED]

We estimate that we will receive net [**REDACTED**] of approximately HK$[**REDACTED**] from the [**REDACTED**], assuming that the [**REDACTED**] is not exercised, after deducting the [**REDACTED**] commissions and other estimated [**REDACTED**] expenses payable by us and assuming the initial public [**REDACTED**] of HK$[**REDACTED**] per Share, being the mid-point of the indicative [**REDACTED**] range set forth on the cover page of this document. We intend to apply the net [**REDACTED**] for the following purposes:

Percentage of net [REDACTED]	**Future plans**	**Approximately HK$ in millions**
10%	Further expand our IP pool	[**REDACTED**]
50%	Fund our original drama series production	[**REDACTED**]
15%	Initiatives in emerging business opportunities	[**REDACTED**]
15%	Pursue strategic investment and acquisition opportunities	[**REDACTED**]
10%	General corporate purposes	[**REDACTED**]

See "Future Plans and Use of [**REDACTED**]" for details.