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 2021. We accounted for approximately 2.5% of the total market share in 2021, amongst the highly fragmented drama series industry in China. We typically create high viewership 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.

Notes:

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

(2) High viewership 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.

The following table sets forth the details of all drama series produced by us from our inception and up to the Latest Practicable Date:

Name of the Drama Series	Production Mode	Whether it is High Viewership Drama Series (Y/N/N/A)	Broadcasting Time Period
"To Be a Better Man" (好先生)	Original drama series	N/A(1)	Since May 2016
"A Love for Separation" (小別離)	Original drama series	N/A(1)	Since August 2016
"Fighter of the Destiny" (擇天記)	Original drama series	N/A(1)	Since April 2017
"Only Side by Side with You" (南方有喬木)	Original drama series	N	Since March 2018
"Legend of Fuyao" (扶搖)	Original drama series	Y	Since June 2018
"Novoland: Eagle Flag" (九州縹緲錄)	Original drama series	N	Since July 2019
"A Little Reunion" (小歡喜)	Original drama series	Y	Since July 2019
"The King's Avatar" (全職高手)	Made-to-order drama series	N	Since July 2019
"Hunting" (獵狐)	Original drama series	Y	Since April 2020
"Twenty Your Life On" (二十不惑)	Original drama series	Y	Since July 2020
"Nothing but Thirty" (三十而已)	Original drama series	Y	Since July 2020
"A Little Dilemma" (小舍得)	Original drama series	Y	Since April 2021
"Ancient Love Poetry" (千古玦塵)	Made-to-order drama series	Y	Since June 2021
"To Fly with You" (陪你逐風飛翔)	Original drama series	N	Since November 2021
"Xiaomin's House" (小敏家)	Original drama series	Y	Since December 2021
"Beyond" (超越)	Original drama series	N/A(2)	Since January 2022
"Under the Skin" (獵罪圖鑑)	Original drama series	N/A(2)	Since March 2022

Notes:

(1) The list of high viewership drama series was not available for those which were initially broadcast prior to 2018.

(2) The list of high viewership drama series of each year is not typically available until the end of the year.

According to Frost & Sullivan, six of our eight original drama series broadcast from 2019 to 2021 were high viewership drama series, representing a high viewership drama series rate[(3)] of approximately 75.0%, far exceeding the average high viewership drama series rate of our top five competitors by revenue at approximately 45.9% from 2019 to 2021. In addition, our six high viewership drama series broadcast from 2019 to 2021 garnered a total of more than 16.3 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.

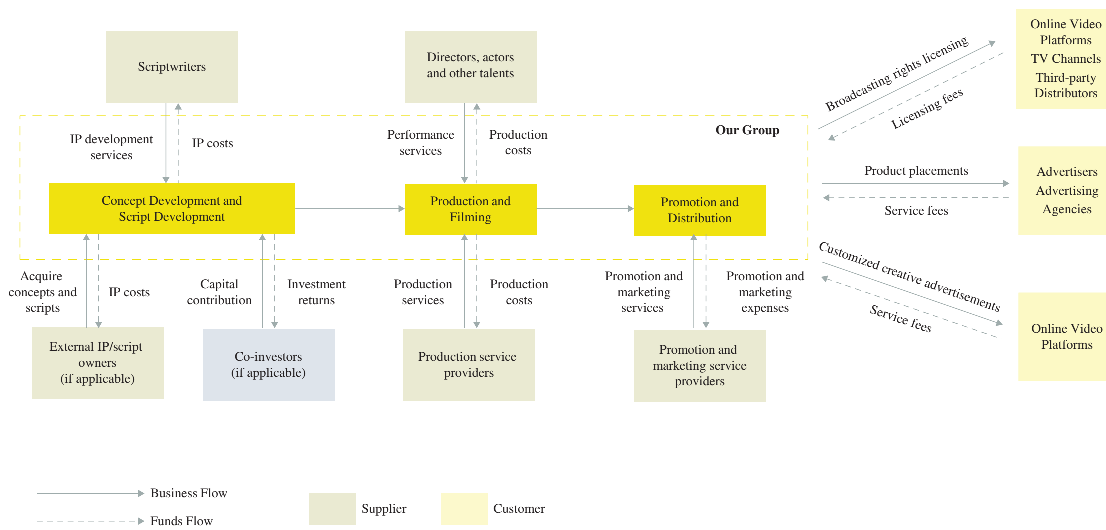
We pride ourselves in taking the lead in the development of premium original IP in-house and have built an abundant reserve of original IPs and strong pipeline, allowing us to possess a competitive edge over many of our competitors. Among the ten drama series we have finished production from 2019 to 2021, eight of them are original drama series, representing a ratio of 80.0%. The ratio ranked the second among the top five producers in the industry from 2019 to 2021, according to Frost & Sullivan.

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.

(3) According to Frost & Sullivan, high viewership 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. High viewership drama series rate refers to the number of high viewership drama series as a percentage of the total drama series broadcast by each company in a year.

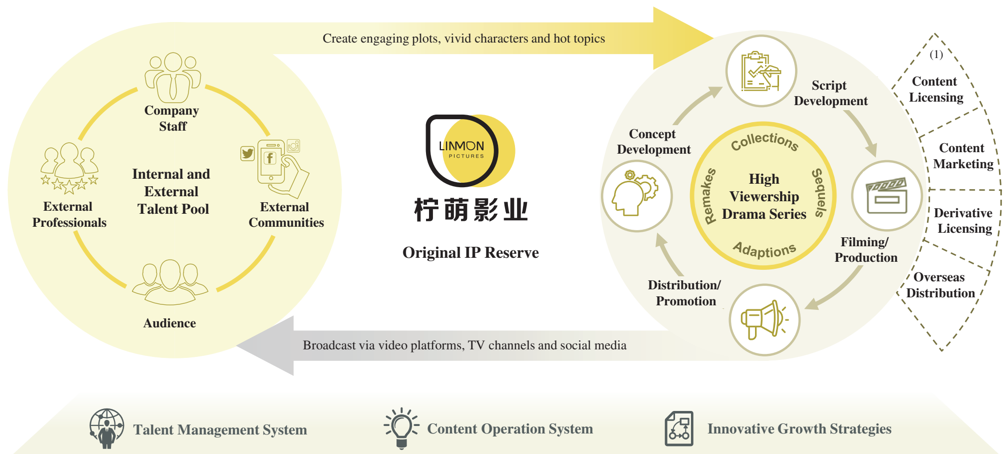
OUR BUSINESS MODEL

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 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 and three months ended March 31, 2022, revenue generated from our top five customers in aggregate constituted approximately 93.2%, 88.1%, 77.6% and 85.9% of our total revenue, respectively. During the same period, revenue attributable to our largest customer accounted for approximately 49.5%, 32.7%, 22.6% and 41.8% 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 and three months ended March 31, 2022, the purchase from our top five suppliers in aggregate constituted approximately 26.1%, 27.3%, 33.3% and 30.0% of our total purchase from our suppliers, respectively. During the same period, the total purchase from our largest supplier constituted approximately 7.9%, 10.1%, 17.6% and 14.1% of our total purchase from our suppliers, respectively. For details, see "Business – Our Suppliers."

Since our inception and up to the Latest Practicable Date, our fourth largest and the second largest supplier in 2020 and 2021, namely, Supplier G, provided both acting and non-acting services in "A Love for Separation" (小別離), "A Little Reunion" (小歡喜) and "Xiaomin's House" (小敏家), and non-acting services in "A Little Dilemma" (小舍得). According to Frost & Sullivan, principal actors providing non-acting services is a common practice in the industry and, to its best knowledge, it is not aware of any market players in the industry being challenged and determined by the relevant authorities in violation of the relevant laws and regulations in respect of actor's remuneration. As advised by our PRC Legal Advisor, in relation to Supplier G, if the relevant authorities deem the non-acting services fees were part of actors' remuneration and determine that we are in violation of the relevant laws and regulations in respect of actor's remuneration, the NRTA may (i) suspend or cancel our drama series production license; and (ii) suspend or cancel the broadcasting of our relevant drama series "Little Reunion" (小歡喜) and "Xiaomin's House" (小敏家), upon which the two drama series may be required to be taken down from broadcasting channels. The amount of maximum exposure of variable consideration in relation to price adjustments arising from risk of all the aforesaid two drama series being taken down from broadcasting channels was RMB659 million, RMB659 million, RMB1,131 million and RMB1,100 million as of December 31, 2019, 2020 and 2021 and March 31, 2022, respectively. As advised by our PRC Legal Advisor, considering that the Notice for Further Strengthening the Administration on Radio or Television Programs and Online Audio-visual Entertainment Programs (《關於進一步加強廣播電視和網絡視聽文藝節目管理的通知》) and the Circular of the National Radio and Television Administration on Further Strengthening the Administration of the Creation and Production of TV Series and Web Series (《國家廣播電視總局關於進一步加強電視劇網絡劇創作生產管理有關工作的通知》) make clear to restrict actors' remuneration only (which is consistent with the understanding of the competent officer of Shanghai RTA, with whom our PRC Legal Advisor interviewed in May 2022), it is considered that the possibility of non-acting services being deemed as part of the actors' remuneration by competent authorities to be remote. Therefore, the risk of the competent authorities suspending or cancelling the broadcast of the relevant TV drama series and suspend or cancel our Radio and TV Programs Production and Operation License is also remote. On the basis of (i) discussions with the PRC Legal Advisor in respect of the basis for its interpretation of "actor's remuneration" as restricted under the 2018 NRTA Notice and the 2020 NRTA Notice and (ii) the regulatory assurance provided by the officer of the Shanghai RTA, the Joint Sponsors concur with the PRC Legal Advisor's view that it considered the possibility of non-acting services being deemed as part of actors' remuneration by competent authorities to be remote and the risk of the competent authorities suspending or cancelling the broadcast of the relevant TV drama series and suspending or cancelling the Group's Radio and TV Programs Production and Operation License to thereby be remote. See "Business – Our Suppliers" for details.

PRICING

The licensing fee of our original drama series is determined by the price per episode and the number of episodes of the drama series. The price of our original drama series per episode 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. The number of episodes of our original drama series is subject to, including but not limited to, the genre and the complexity of the plot.

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 drama series are priced higher if (i) the total investment of the drama series is higher; (ii) it is licensed to online video platforms as compared to TV channels; (iii) it is expected to have higher rankings; (iv) it is for the licensing of the first-run broadcasting rights as compared to re-run broadcasting rights; and (v) it is expected to be broadcast during prime time.

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 RMB1.9 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 RMB0.8 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.

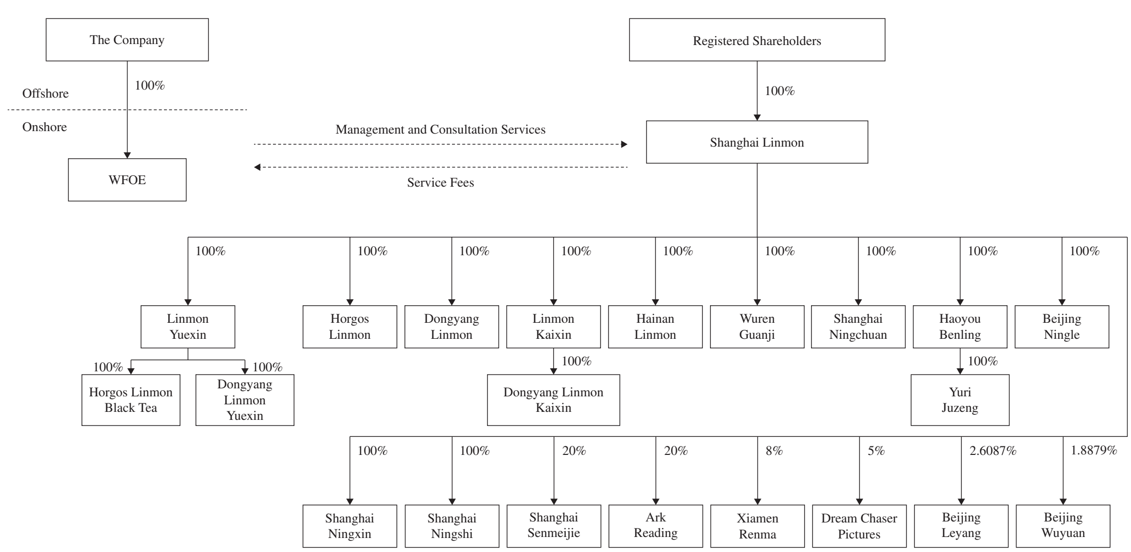
The pricing for our content marketing services is also determined by negotiations between the parties on a cost-plus basis, taking into consideration of the duration of the content, display method, our target profit margin with reference to the overall market conditions and trends, prevailing market 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 18.2% of the total revenue generated from the licensing of drama series in 2021 in China. We ranked the top 5 in terms of revenue for three consecutive years in 2019, 2020 and 2021.

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 and Mr. Zhou, through their acting in concert arrangement, 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, he/she 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 and its associates, which will constitute our non-exempt continuing connected transactions under Chapter 14A of Listing Rules. Tencent Mobility, a subsidiary of Tencent, is a current Shareholder and a Pre-[**REDACTED**] Investor of our Company, holding approximately [**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,			Three months ended March 31,	
	2019	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Revenue	1,794,164	1,426,159	1,248,964	48,083	470,648
Cost of sales	(1,393,316)	(880,403)	(689,934)	(6,037)	(287,469)
Gross profit	400,848	545,756	559,030	42,046	183,179
Other income and gains[(1)]	49,290	51,011	113,197	25,477	14,311
Selling and distribution expenses	(116,074)	(131,281)	(103,336)	(12,359)	(40,786)
Administrative expenses	(97,753)	(93,774)	(162,104)	(21,701)	(55,557)
Other expenses	(10,104)	(25,198)	(54,502)	(557)	(3,378)
Finance costs	(21,446)	(12,420)	(4,844)	(968)	(565)
Share of profits and losses of associates	(3,140)	(879)	2,200	174	(695)
Changes in fair value of convertible redeemable preferred shares	(93,924)	(239,176)	(225,852)	(49,665)	(70,539)
Profit/(loss) before tax	107,697	94,039	123,789	(17,553)	25,970
Income tax expense	(27,299)	(31,494)	(62,876)	5,625	(28,093)
Profit/(loss) for the year/period	80,398	62,545	60,913	(11,928)	(2,123)
Attributable to:					
Owners of the parent	82,951	50,130	60,913	(11,928)	(2,123)
Non-controlling interests	(2,553)	12,415	–	–	–
	80,398	62,545	60,913	(11,928)	(2,123)

Note:

(1) Among our other income and gains, our government grants amounted to RMB28.8 million, RMB13.4 million, RMB42.3 million, RMB3.9 million and RMB5.3 million in 2019, 2020 and 2021 and three months ended March 31, 2021 and 2022, respectively, all of which were non-recurring in nature.

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/(loss) for the period 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. 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/(loss) for the period:

	Year ended December 31,			Three months ended March 31,	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Reconciliation of net profit/(loss) to adjusted net profit					
Profit/(loss) for the year/period	**80,398**	**62,545**	**60,913**	**(11,928)**	**(2,123)**
Add:					
Share-based payments[1]	101	1,094	5,543	154	6,128
[**REDACTED**] expenses[2]	–	–	19,411	–	6,947
Changes in fair value of convertible redeemable preferred shares[3]	70,443	179,382	193,641	37,249	70,539
Adjusted net profit[4]	**150,942**	**243,021**	**279,508**	**25,475**	**81,491**

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) 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,						Three months ended March 31,			
	2019		2020		2021		2021		2022	
	RMB'000	%	*RMB'000*	%	*RMB'000*	%	*RMB'000*	%	*RMB'000*	%
							(Unaudited)			
Original drama series	1,632,658	91.0%	1,207,423	84.7%	1,051,435	84.2%	9,608	20.0%	456,190	96.9%
Content marketing	58,832	3.3%	65,961	4.6%	109,766	8.8%	–	–	14,119	3.0%
Others	102,674	5.7%	152,775	10.7%	87,763	7.0%	38,475	80.0%	339	0.1%
Total	**1,794,164**	**100.0%**	**1,426,159**	**100.0%**	**1,248,964**	**100.0%**	**48,083**	**100.0%**	**470,648**	**100.0%**

The following table sets forth a total of 15 original drama series broadcast since our inception and up to the Latest Practicable Date and revenue generated during Track Record Period from such original drama series and from the respective content marketing services for the periods indicated:

	Year ended December 31,						Three months ended March 31,			
	2019		2020		2021		2021		2022	
	Original drama series	Content marketing	Original drama series	Content marketing	Original drama series	Content marketing	Original drama series	Content marketing	Original drama series	Content marketing
	(RMB in thousands)									
"To Be a Better Man" (好先生)(1)	–	–	–	–	–	–	–	–	–	–
"A Love for Separation" (小別離)(2)	792	–	1,353	–	178	–	174	–	–	–
"Fighter of the Destiny" (擇天記)(3)	–	–	–	–	–	–	–	–	–	–
"Only Side by Side with You" (南方有喬木)(4)	1,651	–	–	–	–	–	–	–	–	–
"Legend of Fuyao" (扶搖)(5)	–	–	–	–	–	–	–	–	–	–
"Novoland: Eagle Flag" (九州縹緲錄)	1,005,857	4,717	–	–	–	–	–	–	–	–

	Year ended December 31,						Three months ended March 31,			
	2019		2020		2021		2021		2022	
	Original drama series	Content marketing	Original drama series	Content marketing	Original drama series	Content marketing	Original drama series	Content marketing	Original drama series	Content marketing
	(RMB in thousands)									
"A Little Reunion" (小歡喜)	624,358	54,115	–	–	–	–	–	–	–	–
"Hunting" (獵狐)	–	–	428,758	13,887	–	–	–	–	–	–
"Twenty Your Life On" (二十不惑)	–	–	357,145	14,528	–	–	–	–	–	–
"Nothing but Thirty" (三十而已)(6)	–	–	420,167	37,546	9,434	–	9,434	–	–	–
"A Little Dilemma" (小舍得)	–	–	–	–	426,305	53,887	–	–	–	–
"To Fly with You" (陪你逐風飛翔)(7)	–	–	–	–	219,293	13,499	–	–	3,382	–
"Xiaomin's House" (小敏家)(8)	–	–	–	–	396,225	42,380	–	–	29,487	7,899(9)
"Beyond" (超越)	–	–	–	–	–	–	–	–	299,664	5,387
"Under the Skin" (獵罪圖鑑)	–	–	–	–	–	–	–	–	123,657	833
Total	**1,632,658**	**58,832**	**1,207,423**	**65,961**	**1,051,435**	**109,766**	**9,608**	**–**	**456,190**	**14,119**

Notes:

(1) "To Be a Better Man" (好先生) was under first-run broadcasting before the Track Record Period and did not generate any revenue during the Track Record Period.

(2) "A Love for Separation" (小別離) was under first-run broadcasting before the Track Record Period. Revenue from "A Love for Separation" (小別離) in 2019, 2020 and 2021 was from the licensing of the re-run broadcasting rights of such drama series.

(3) "Fighter of the Destiny" (擇天記) was under first-run broadcasting before the Track Record Period and did not generate any revenue during the Track Record Period.

(4) "Only Side by Side with You" (南方有喬木) was under first-run broadcasting in 2018. Revenue from "Only Side by Side with You" (南方有喬木) in 2019 was from the licensing of the re-run broadcasting rights of such drama series.

(5) "Legend of Fuyao" (扶搖) was under first-run broadcasting before the Track Record Period and did not generate any revenue during the Track Record Period.

(6) "Nothing but Thirty" (三十而已) was under first-run broadcasting in 2020. Revenue from "Nothing but Thirty" (三十而已) in 2021 was the shared revenue from our online video platform customer under our revenue-sharing scheme, which was calculated based on the number of additional and renewal of subscriptions attributable to our "Nothing but Thirty" (三十而已).

(7) "To Fly with You" (陪你逐風飛翔) was under first-run broadcasting in 2021. Revenue from "To Fly with You" (陪你逐風飛翔) in the three months ended March 31, 2022 was from the licensing of the re-run broadcasting rights of such drama series.

(8) "Xiamin's House" (小敏家) was under first-run broadcasting in 2021. Revenue from "Xiamin's House" (小敏家) in the three months ended March 31, 2022 was from the licensing of the re-run broadcasting rights of such drama series.

(9) We generated content marketing revenue from ″Xiaomin's House″ (小敏家) in the three months ended March 31, 2022 through integrated marketing campaign for the service period in the three months ended March 31, 2022.

For details of our revenue generated from two made-to-order drama series, please see "– Other Businesses – Made-to-order Drama Series Production".

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,						Three months ended March 31,			
	2019		2020		2021		2021		2022	
	RMB'000	%	*RMB'000*	%	*RMB'000*	%	*RMB'000*	%	*RMB'000*	%
							(Unaudited)			
Online video platforms[1]	1,257,358	77.0%	896,767	74.3%	722,459	68.7%	9,434	98.2%	334,804	73.4%
TV channels[2]	333,362	20.4%	276,026	22.9%	269,380	25.6%	134	1.4%	95,655	21.0%
Others[3]	41,938	2.6%	34,630	2.8%	59,596	5.7%	40	0.4%	25,731	5.6%
Total	**1,632,658**	**100.0%**	**1,207,423**	**100.0%**	**1,051,435**	**100.0%**	**9,608**	**100.0%**	**456,190**	**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 mainly due to a relatively smaller investment scale considering its genre and target audience base. Revenue generated from licensing of broadcasting rights of original drama series produced by us increased from RMB9.6 million in the three months ended March 31, 2021 to RMB456.2 million in the three months ended March 31, 2022, primarily because we recognized revenue from the licensing of the first-run broadcasting rights of two original drama series, namely "Beyond" (超越) and "Under the Skin" (獵罪圖鑑), to our customers following the broadcasting of such original drama series in the three months ended March 31, 2022 while we did not recognize revenue from the licensing of the first-run broadcasting rights of any original drama series in the same period 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. Revenue generated from content marketing was RMB14.1 million in the three months ended March 31, 2022, while we did not generate revenue from content marketing in the three months ended March 31, 2021, primarily because we recognized content marketing revenue from two original drama series of which we licensed the first-run broadcasting rights to our customers and which were broadcast in the three months ended March 31, 2022 while no such original drama series were broadcast in the same period 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. Revenue generated from other businesses was RMB0.3 million in the three months ended March 31, 2022 which mainly related to our production and release of short videos (not content marketing-related).

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, which was mainly due to the large scale of the project and the genre of this drama series as a costume and fantasy drama series, which generally incur higher costs for make-up, costumes, production sets and post-production, especially the special effects, and (ii) we further tightened the budget control of our drama series in 2020 through adopting various measures including reducing the numbers of travels among different filming and shooting sites, setting more compact filming schedules for our drama series and strategically reducing the use of large-scale production services providers that provide multiple types of services, and directly engaging more small-scale production services providers which directly provide specific types of services to enhance our bargaining power and cost-effectiveness. 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 cost of original drama series increased from RMB5.4 million in the three months ended March 31, 2021 to RMB281.0 million in the three months ended March 31, 2022, primarily because we recognized revenue from the licensing of the first-run broadcasting rights of two original drama series, namely "Beyond" (超越) and "Under the Skin" (獵罪圖鑑), to our customers following the broadcasting of such original drama series in the three months ended March 31, 2022 while we did not recognize revenue from the licensing of the first-run broadcasting rights of any original drama series in the same period 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. Our content marketing cost was RMB6.3 million in the three months ended March 31, 2022, while we did not record content marketing cost in the three months ended March 31, 2021, primarily because we recognized content marketing revenue from two original drama series of which we licensed the first-run broadcasting rights to our customers and which were broadcast in the three months ended March 31, 2022 while no such original drama series were broadcast in the same period in 2021.

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,						Three months ended March 31,			
	2019		2020		2021		2021		2022	
	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
							(Unaudited)			
Original drama series	280,306	17.2%	509,408	42.2%	419,167	39.9%	4,166	43.4%	175,163	38.4%
Content marketing	38,973	66.2%	48,517	73.6%	62,427	56.9%	–	0.0%	7,833	55.5%
Others	81,569	79.4%	(12,169)	(8.0)%	77,436	88.2%	37,880	98.5%	183	54.0%
Total	**400,848**	**22.3%**	**545,756**	**38.3%**	**559,030**	**44.8%**	**42,046**	**87.4%**	**183,179**	**38.9%**

Our gross profit increased from RMB400.8 million in 2019 to RMB545.8 million in 2020 primarily because (i) we produced "Novoland: Eagle Flag episodes" (九州縹緲錄) in 2019 with relatively high production cost, which was mainly due to the large scale of the project and the genre of this drama series as a costume and fantasy drama series, which generally incur higher costs for make-up, costumes, production sets and post-production, especially the special effects; and (ii) we further tightened the budget control of our drama series through adopting various measures including reducing the numbers of travels among different filming and shooting sites, setting more compact filming schedules for our drama series and strategically reducing the use of large-scale production services providers that provide multiple types of services, and directly engaging more small-scale production services providers which directly provide specific types of services to enhance our bargaining power and cost-effectiveness. 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.

Our gross profit increased from RMB42.0 million in the three months ended March 31, 2021 to RMB183.2 million in the three months ended March 31, 2022, primarily attributable to our license of the first-run broadcasting rights of two original drama series in 2022. Our gross profit margin decreased from 87.4% in the three months ended March 31, 2021 to 38.9% in the three months ended March 31, 2022, primarily because 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, which entailed a relatively higher gross profit margin in three months ended March 31, 2021.

We recorded an opening balance of accumulated losses in the amount of RMB783.9 million as of January 1, 2019, primarily due to (i) 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. All of the convertible redeemable preferred shares will convert to our ordinary shares upon the completion of the [**REDACTED**]; and (ii) the provisions made for impairment of inventories in relation to our drama series and movies prior to the commencement of the Track Record Period.

In addition, at the early stage of our business operations between 2015 to 2017, we only had three drama series broadcast that we acted as the lead investor and executive producer, with two drama series, namely "To Be a Better Man" (好先生) and "A Love for Separation" (小別離) broadcast in 2016 and one drama series, "Fighter of the Destiny" (擇天記) broadcast in

2017, which resulted in the limited revenue from licensing drama series. Certain of our drama series broadcast prior to the Track Record Period, such as "A Love for Separation" (小別離) that we acted as the lead investor and executive investor have gained popularity among audiences and distribution platforms, and increased audience loyalty to our brand. 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 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. Our net loss of RMB2.1 million in the three months ended March 31, 2022 was primarily due to the changes in fair value of convertible redeemable preferred shares of a loss of RMB70.5 million and the [**REDACTED**] expenses of RMB7.8 million incurred in relation to the [**REDACTED**].

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,			As of March 31,
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current assets				
Inventories	825,294	336,922	554,213	353,118
Trade and notes receivables	462,118	255,759	385,582	501,886
Prepayments, other receivables and other assets	188,439	175,047	203,990	208,765
Financial assets at fair value through profit or loss	591,164	670,245	325,124	216,715
Restricted cash	119,760	–	–	–
Cash and cash equivalents	202,737	125,254	824,952	1,116,597
Total current assets	2,389,512	1,563,227	2,293,861	2,397,081
Non-current assets				
Property, plant and equipment	8,849	1,676	5,908	5,237
Right-of-use assets	46,358	23,112	28,893	24,635
Goodwill	30,418	–	–	–
Other intangible assets	2,740	1,301	2,759	2,569
Investments in associates	53,769	52,890	55,090	54,395
Advance payments for other intangible assets	–	828	–	–

	As of December 31,			As of March 31,
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Deferred tax assets	389,000	457,157	54,281	51,213
Financial assets at fair value through profit or loss	11,600	9,609	58,690	57,720
Prepayments, other receivables and other assets	70,328	82,177	113,665	76,674
Trade receivables	–	–	–	48,209
Time deposits	–	350,000	350,000	350,000
Total non-current assets	613,062	978,750	669,286	670,652
Current liabilities				
Trade payables	57,596	12,216	76,246	46,953
Other payables and accruals	784,705	311,835	466,669	462,023
Interest-bearing bank and other borrowings	281,519	17,230	–	–
Convertible redeemable preferred shares	–	3,055,412	3,276,406	3,346,945
Lease liabilities	15,489	13,090	16,941	14,381
Tax payable	7,250	63,918	74,835	31,932
Total current liabilities	1,146,559	3,473,701	3,911,097	3,902,234
Non-current liabilities				
Other payables and accruals	–	–	362,769	472,477
Interest-bearing bank and other borrowings	2,830	–	–	–
Convertible redeemable preferred shares	2,728,796	–	–	–
Lease liabilities	30,419	9,855	11,761	9,388
Total non-current liabilities	2,762,045	9,855	374,530	481,865
Net current assets/ (liabilities)	**1,242,953**	**(1,910,474)**	**(1,617,236)**	**(1,505,153)**
Non-controlling interests	100	–	–	–
Total deficits	(906,030)	(941,579)	(1,322,480)	(1,316,366)

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.

Our net current liabilities decreased by 6.9% from RMB1,617.2 million as of December 31, 2021 to RMB1,505.2 million as of March 31, 2022, primarily as a result of (i) the increased cash and cash equivalents, and (ii) the increased trade and notes receivables, as partially offset by (i) the decreased inventories, 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**]. Besides, we expect to improve our net current liabilities position as (i) we have obtained additional credit facilities and extension of existing credit facilities with an aggregate amount of RMB1.9 billion from large reputable commercial banks in China, (ii) we generated net cash flows from operating activities of RMB193.4 million, RMB523.2 million, RMB436.1 million and RMB190.0 million in 2019, 2020 and 2021 and the three months ended March 31, 2022, respectively, and we expect to further improve our operating cash flows by enhancing our profitability through increasing economies of scale and market recognition of our drama series, (iii) we plan to adopt comprehensive measures to effectively control cost and operating expenses which, among others, include effectively controlling our administrative expenses through streamlining organizational structure to enhance the management efficiency, and (iv) we expect to receive the net [**REDACTED**] from the [**REDACTED**]. We had net liabilities of RMB906.0 million, RMB941.6 million, RMB1,322.5 million and RMB1,316.4 million as of December 31, 2019, 2020 and 2021 and March 31, 2022, respectively. Our net liabilities increased from RMB906.0 million as of December 31, 2019 to RMB941.6 million as of December 31, 2020 mainly due to the deemed distribution to shareholders of RMB87.4 million and dividends paid to non-controlling shareholders of RMB23.9 million, as partially offset by profit and total comprehensive income for 2020 of RMB62.5 million and disposal of subsidiaries of RMB12.5 million. Our net liabilities increased from RMB941.6 million as of December 31, 2020 to RMB1,322.5 million as of December 31, 2021 mainly due to the deferred tax impact as part of the Reorganization of RMB451.1 million, as partially offset by profit and total comprehensive income for 2021 of RMB60.9 million and equity-settled share award arrangements of RMB9.3 million. Our net liabilities decreased slightly to RMB1,316.4 million as of March 31, 2022 as a result of the loss and total comprehensive loss for the period of RMB2.1 million, as offset by equity-settled share award arrangements of RMB8.2 million. 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,			Three months ended March 31,	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Operating cash flows before movements in working capital	256,670	401,817	407,966	31,719	106,926
Movements in working capital	26,914	161,134	125,638	211,548	150,162
Income tax paid	(91,784)	(41,666)	(100,212)	(63,554)	(67,928)
Interest received	1,598	1,883	2,711	596	801
Net cash flows from operating activities	193,398	523,168	436,103	180,309	189,961
Net cash flows from/(used in) investing activities	(100,081)	(407,054)	328,896	(158,012)	112,559
Net cash flows used in financing activities	(162,567)	(193,597)	(54,017)	(19,610)	(7,784)
Effect of foreign exchange rate changes, net	–	–	(11,284)	150	(3,091)
Net increase/(decrease) in cash and cash equivalents	(69,250)	(77,483)	710,982	2,687	294,736
Cash and cash equivalents at beginning of year/period	271,987	202,737	125,254	125,254	824,952
Cash and cash equivalents at end of year/period	202,737	125,254	824,952	128,091	1,116,597

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,			Three months ended/as of March 31,
	2019	2020	2021	2022
Profitability ratios				
Gross profit margin	22.3%	38.3%	44.8%	38.9%
Net profit/(loss) margin	4.5%	4.4%	4.9%	(0.5)%
Adjusted net profit margin(1)	8.4%	17.0%	22.4%	17.1%
Return on equity(2)	N/A(3)	N/A(3)	N/A(3)	N/A(3)(4)
Return on assets(5)	2.6%	2.3%	2.2%	N/A(4)
Liquidity ratios				
Current ratio(6)	2.1	0.5	0.6	0.6
Quick ratio(7)	1.4	0.4	0.4	0.5
Capital adequacy ratios				
Gearing ratio(8)	N/A(3)	N/A(3)	N/A(3)	N/A(3)

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 and March 31, 2022, primarily due to the fair value losses in convertible redeemable preferred shares.

(4) Denotes "not applicable" as the ratios are not meaningful given the recorded profit/(loss) only represented the amount for the three months ended March 31, 2022.

(5) 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%.

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

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

(8) Gearing ratio is calculated by total debt divided by total equity 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	HK$[**REDACTED**]	HK$[**REDACTED**]
Unaudited [**REDACTED**] adjusted consolidated net tangible assets per Share(1)(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 March 31, 2022, 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 March 31, 2022 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.

CERTAIN WAIVER FROM COMPLIANCE WITH THE LISTING RULES

We have applied to the Stock Exchange for, and the Stock Exchange [has granted] us, a waiver from strict compliance with Rule 8.08(1) of the Listing Rules to reduce the minimum public float of our Company to the higher of (a) [21.26]%; (b) such percentage of Shares to be held by the public immediately after completion of the [**REDACTED**] and before the [**REDACTED**] is exercised; and (c) such percentage of Shares to be held by the public upon any exercise of the [**REDACTED**], of the enlarged issued share capital of the Company. For more details, see "Waivers from Strict Compliance with the Listing Rules and Exemptions from Strict Compliance with the Companies (Winding Up And Miscellaneous Provisions) Ordinance – Waiver in respect of public float requirements" in this document.

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.

Although the general conditions of the COVID-19 outbreak had been substantially improved since the second half of 2020, there has been temporary, regional cases of COVID-19 in China. In March 2022, more than 30,000 COVID-19 asymptomatic and confirmed cases were recorded in Shanghai and Shanghai has been subject to lockdown restrictions as ordered by the government to contain the spread of the COVID-19 since April 1, 2022 (the "**Shanghai Outbreak**"). In April 2022, more than 300 COVID-19 confirmed cases were recorded in Beijing (the "**Beijing Outbreak**").

See "Business – Impacts of the COVID-19 Pandemic – Our Precautionary Measures" for the precautionary measures we have implemented.

Impact of the COVID-19 Outbreak on Our Group

Pursuant to the lockdown arrangements, we arranged our employees in Shanghai to work from home due to the Shanghai Outbreak from March 14, 2022 to June 6, 2022. We also arranged our employees in Beijing to work from home due to the Beijing Outbreak from May 5, 2022 to May 30, 2022. Our Directors confirm that such arrangement did not materially and adversely affect our business operations and financial performance as of the Latest Practicable Date.

In addition, we also 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.

However, due to the Shanghai Outbreak, two of our original drama series projects which were under filming and pre-production were affected. Our Directors confirm that we still expect to deliver the above two original drama series pursuant to the relevant agreements with our customers and the relevant adjustments did not materially and adversely affect our business operations and financial performance.

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 and further to RMB559.0 million and RMB279.5 million in 2021 though our revenue decreased from RMB1,794.2 million to RMB1,426.2 million in 2020 and further to RMB1,249.0 million in 2021. In the three months ended March 31, 2022, our revenue, gross profit and adjusted net profit (a non-HKFRS measure) increased as compared to the same period in 2021. Our Directors confirmed that, the COVID-19 pandemic did not have any material adverse impact on our business and results of operations during the Track Record Period and up to the Latest Practicable Date, 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.

To the best knowledge of our Directors, as of the Latest Practicable Date, the Shanghai Outbreak and the Beijing Outbreak did not materially and adversely affect our customers' business operations as the business of our customers (primarily online video platforms and major domestic TV channels) is online in nature. To the best knowledge of our Directors, as of the Latest Practicable Date, the Shanghai Outbreak and Beijing Outbreak may affect certain of our suppliers based in Shanghai and Beijing to a certain extent and we are able to engage alternative suppliers located at other locations with similar or more favorable terms.

RECENT DEVELOPMENTS

As of the Latest Practicable Date, we had 29 drama series projects which were under script development and pre-production, two drama series project that were to be broadcast and two drama series projects that were under filming/post-production. As of the Latest Practicable Date, ten of the drama series projects which were under script development and pre-production were pre-sold and were expected to be broadcast within the next four years, subject to negotiations with customers, if any, and the remaining 19 of the drama series projects which were under script development and pre-production but were not yet pre-sold were expected to be broadcast within the next eight years, subject to future pre-sale arrangements and actual development progress.

The script development and pre-production process of a drama series typically takes 18 to 24 months and the filming/post-production process typically takes four to six months. However, not all drama series projects under script development and pre-production would be materialized into completed drama series projects of which we finished filming and for which we obtained the relevant Television Drama Distribution License during the Track Record Period. See "Risk Factors – Risks Relating to Our Business and Industry – Information on our pipeline projects may not prove to be accurate or indicative of our future results of operations".

The below table sets forth the movement of our drama series projects under script development/pre-production as of the beginning and end of the Track Record Period, and the number of our drama series projects which commenced script development/pre-production, filming and did not come to fruition during the Track Record Period.

	Year ended December 31,			Three months ended March 31,
	2019	2020	2021	2022
Number of the drama series projects under script development and pre-production at the beginning of the period[(1)]	19	21	25	27

	Year ended December 31,			Three months ended March 31,
	2019	**2020**	**2021**	**2022**
Number of the drama series which commenced script development and pre-production during the period(2)	9	11	12	4
Number of the drama series projects which commenced filming during the period(3)	3	1	6	0
Number of the drama series projects that did not come to fruition during the period(4)	4(5)	6(6)	4(7)	0
Number of the drama series projects under script development and pre-production at the end of the period(8)	21	25	27	31(9)

Notes:

(1) Projects under script development and pre-production do not include those IPs procured by us but were still under our internal review as of the respective dates. The number of our drama series projects under script development and pre-production at the beginning of each period increased from 19 as of January 1, 2019 to 21 as of January 1, 2020, 25 as of January 1, 2021 and 27 as of January 1, 2022.

(2) The number of our drama series which commenced script development and pre-production were 9, 11, 12 and 4 in 2019, 2020 and 2021 and the three months ended March 31, 2022, respectively.

(3) Due to our development progress, the number of our drama series projects which commenced filming were three, one, six and nil in 2019, 2020 and 2021 and the three months ended March 31, 2022, respectively.

(4) The number of our drama series projects that did not come to fruition were four, six, four and nil in 2019, 2020 and 2021 and the three months ended March 31, 2022, respectively.

(5) Four of our drama series projects did not come into fruition mainly because we decided to terminate the projects after comprehensively evaluating the expiration of the relevant IPs, the development status and the expected commercial outcome of the relevant projects and we made provisions of RMB7.8 million.

(6) Six of our drama series projects did not come into fruition mainly because we decided to terminate the projects after comprehensively evaluating the expiration of the relevant IPs, the development status and the expected commercial outcome of the relevant projects and we made provisions of RMB10.2 million.

(7) Four of our drama series projects did not come into fruition mainly because we decided to terminate the projects after comprehensively evaluating the expiration of the relevant IPs, the development status and the expected commercial outcome of the relevant projects and we made provisions of RMB12.6 million.

(8) The number of our drama series projects under script development and pre-production at the end of each period equals to the number of drama series projects which were under script development and pre-production at the beginning of each period plus the number of the drama series which commenced script development and pre-production during the period minus the number of the drama series projects which commenced filming during the period minus the number of the drama series projects that did not come to fruition during the period.

(9) The number of the drama series projects under script development and pre-production decreased from 31 as of March 31, 2022 to 29 as of the Latest Practicable Date because "Nothing But You" (愛情而已) and "Utter Innocence" (赤子之心), which were under script development and pre-production as of March 31, 2022, commenced filming in May 2022 and July 2022, respectively.

(10) The number of our completed drama series projects were two, three, three and two in 2019, 2020 and 2021 and the three months ended March 31, 2022, respectively.

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 March 31, 2022, 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.

KEY REGULATORY DEVELOPMENTS IN CHINA

Regulations relating to overseas listing

According to Article 6 of the Special Administrative Measures (Negative List) for Foreign Investment Access (Edition 2021) (《外商投資准入特別管理措施(負面清單)(2021年版)》) (the "**2021 Negative List**") which took effect on January 1, 2022, with respect to the securities offering and listing in an overseas market by a domestic company engaging in the fields prohibited by the 2021 Negative List, the consent of the relevant competent authorities of the State shall be obtained, and overseas investors shall not participate in the operation and management of the enterprise, and overseas investors' shareholding percentage shall be subject to the relevant provisions on administration of domestic securities investment by overseas investors. On December 24, 2021, the CSRC issued the Provisions of the State Council on Administration of Overseas Securities Offering and Listing by Domestic Companies (Draft for Comments) 《國務院關於境內企業境外發行證券和上市的管理規定(草案徵求意見稿)》 (the "**Draft Administration Provisions**"), and the Administrative Measures for the Filing of Overseas Securities Offering and Listing by Domestic Companies (Draft for Comments) 《境內企業境外發行證券和上市備案管理辦法(徵求意見稿)》(the "**Draft Filing Measures**"), which were open for public comments until January 23, 2022. As of the Latest Practicable Date, the Draft Administration Provisions and the Draft Filing Measures have not been formally adopted and the relevant PRC laws and regulations have not yet made clear provisions on whether regulatory opinions, record-filing or approval documents issued by the competent industry authorities are required to be obtained for the indirect overseas issuance and listing of securities by domestic companies through a VIE structure. It is also unclear how the CSRC will seek the opinions of competent industry authorities or relevant authorities in the record-filing process in case of companies involved in prohibited sectors under the 2021 Negative List. Nevertheless, the Draft Administration Provisions and the Draft Filing Measures and other effective PRC laws and regulations do not impose an outright prohibition on indirect overseas issuance and listing of securities of domestic enterprises with a VIE structure. At the press conference held for Draft Administration Provisions and the Draft Filing Measures on December 24, 2021, officials from the CSRC clarified that implementation of the Draft Administration Provisions and the Draft Filing Measures will follow the non-retroactive principle, which means that only the initial public offerings by China-based companies and additional public offerings by existing overseas-listed China-based companies to be conducted after the effectiveness of the foregoing regulations will be required to fulfill the filing procedure. In addition, the new regulations and rules will allow a proper transition period for existing overseas-listed China-based companies that do not have an imminent plan for public offerings to comply with the filing requirement in due course. Further, the officials from the CSRC confirmed that companies with VIE structure that comply with the applicable PRC laws and regulations can still conduct overseas offering and listing upon the completion of the requisite procedures.

As such, our PRC Legal Advisers are of the view that a [**REDACTED**] adopting VIE structure through contractual arrangement, such as ours, does not fall within the scope of Article 6 of 2021 Negative List. As of the Latest Practicable Date, there are no laws, regulations or regulatory documents cited by either the CSRC or other relevant industry authorities in effect that would explicitly require the Company to comply with any approval, verification or filing procedures for overseas securities [**REDACTED**] and [**REDACTED**]. Our PRC Legal Advisors advised that the overseas securities [**REDACTED**] and [**REDACTED**] is not required to obtain the examination and approval from the CSRC and/or the relevant industry authorities in accordance with the relevant laws and regulations currently in effect. As of the Latest Practicable Date, we had not received any inquiries, notices, warnings, or sanctions regarding the overseas securities [**REDACTED**] and [**REDACTED**] or our corporate structure from the CSRC or any other PRC government authorities in terms of compliance with the proposed filing requirement under the new regulatory regime, if enacted. To our best knowledge and our PRC Legal Adviser's due inquires, we and our PRC Legal Adviser are not aware of the existence of any circumstances that would prohibit us from conducting overseas securities [**REDACTED**] and [**REDACTED**] under the Draft Administration Provisions and the Draft Filing Measures. Therefore, if the Draft Administration Provisions and the Draft Filing Measures became effective in their current form before or after the [**REDACTED**] is completed, other than the uncertainties of the filing procedures which may be further clarified in the final version of the Draft Administration Provisions and the Draft Filing Measures and/or their implementation rules, we do not foresee any impediment for us to comply with the Draft Administration Provisions and the Draft Filing

Measures in any material respects. For details, see "Risk Factors – Risks relating to the PRC – We may be subject to the approval or other requirements of the CSRC or other PRC governmental authorities in connection with future capital raisings activities".

Furthermore, based on the clarification of the officials from the CSRC regarding the VIE structure as mentioned above, our PRC Legal Adviser is of the view that the Draft Administration Provisions and the Draft Filing Measures allow China-based companies with VIE structure that comply with applicable PRC laws and regulations to conduct overseas securities offerings and listings, and do not raise additional compliance requirements for business operations of such companies. According to the consultations with the relevant governmental authorities, our PRC Legal Adviser is of the view that our VIE structure does not violate currently applicable PRC laws and regulations.

On the basis of (1) discussions with our PRC Legal Advisers and the Joint Sponsors' PRC Legal Advisers to understand the requirements imposed under the Draft Administration Provisions and the Draft Filing Measures, assuming the Draft Administration Provisions and the Draft Filing Measures are implemented in their current form, and the potential implication of the same on the Company's business operations and its [**REDACTED**] application on the Stock Exchange, and to understand the promulgation status of the Draft Administration Provisions and the Draft Filing Measures; (2) discussions with us and our confirmations that (i) there are no such circumstances under which the [**REDACTED**] and financing activities are expressly prohibited by PRC laws, regulations and relevant provisions, and (ii) as of the Latest Practicable Date, we have not received any notice or decision from the CSRC and/or the relevant authorities under the State Council stating that our overseas issuance of shares and [**REDACTED**] would threaten or endanger China's national security; and (3) reviewing of the PRC legal opinion prepared by our PRC Legal Advisers, which stated that, among other things, (i) each of the Subsidiaries and Consolidated Affiliated Entities in the PRC have been duly established and has good standing, and has duly completed all necessary regulation filings or registrations at the relevant market regulation authorities in the PRC, (ii) the registered capital of each such Subsidiary or Consolidated Affiliated Entity has been duly paid in accordance with the application PRC laws, (iii) the beneficial owners of our shares have completed the requisite registration under SAFE Circular 37, and (iv) on the basis of the pre-existing laws and regulations in the PRC, no approval, permit or other review process is required from the Ministry of Commerce of the PRC, the CSRC or other PRC government departments or authorities for the [**REDACTED**], nothing material came to the Joint Sponsors' attention that would cast doubt on our assessment and our PRC Legal Advisor's views with respect to the Draft Administration Provisions and the Draft Filing Measures as aforementioned.

Regulations relating to drama series industry in China

There have been tightening of and changes in the regulatory environment of the drama series production industry in recent years. In particular, the NRTA has issued the Notice for Further Strengthening the Administration on Radio or Television Programs and Online Audio-visual Entertainment Programs (《關於進一步加強廣播電視和網絡視聽文藝節目管理的通知》) on October 31, 2018 (the "**2018 NRTA Notice**") to impose restrictions on the maximum compensation that actors can individually and collectively receive as a percentage of the total investment of a drama series. In particular, the NRTA requires that, among other things, the total payment for all actors of a drama series shall not exceed 40% of the total production costs, and the payment for principal actors shall not exceed 70% of the total payment of all actors. As confirmed by our Directors and advised by our PRC Legal Advisor, we had been in compliance with the 2018 NRTA Notice since its issuance and had not been the subject of any review, enquiry or investigation by any PRC regulatory authorities in relation to such notice during the Track Record Period and up to the Latest Practicable Date. We have formulated our budget plan in accordance with the requirements of the notice. Specifically, we estimate the total budget for our drama series projects and determine the maximum amount of payments we can pay to actors and principal actors in accordance with the requirements of the notice, taking into consideration the transactions with entities controlled by, or other close associates of, each actor. In addition, we also submit reports disclosing the payments to actors and principal actors for the local competent authorities' review and approval and obtain Television Drama Distribution License (國產電視劇發行許可證) only after the completion of their review and approval. Based on the foregoing, our Directors, as advised by our PRC Legal Advisor, confirm that we have been in compliance with such notice since its issuance and such notice does not have a material adverse impact on our Company. Our Directors also confirm that the cost to comply with such notice is minimal. Based on (i) the discussions with us, the PRC Legal Advisor, the Joint Sponsors' PRC legal advisor, through which the Joint Sponsors noted the relevant requirements under the PRC regulations and how compliance with the 2018 NRTA Notice can be assessed from the PRC law perspective, and with Frost & Sullivan, through which the Joint Sponsors noted the impact of the 2018 NRTA Notice on the industry as a whole, (ii) the review of relevant materials provided by us with respect to our compliance with the 2018 NRTA Notice, including material contracts we entered into to engage the principal actors for our drama series, reports submitted to the NRTA with respect to the production cost of our drama series and the Television Drama Distribution Licenses subsequently issued by the NRTA with respect to our drama series, and (iii) the aforementioned Directors' views on the basis of the views of the PRC Legal Advisor that the 2018 NRTA Notice did not have a material adverse impact on our Company and the aforementioned Directors' view that the cost to comply with the 2018 NRTA Notice is minimal, nothing material has come to the Joint Sponsors' attention to cast doubt on the reasonableness of our view that the 2018 NRTA Notice will not have any material adverse impact on our Group. See "Regulatory Overview – Examination of Actor's Remuneration of TV Series and Web Series" for details.

Pursuant to the Notice on Further Strengthening the Management of the Creation and Production of TV and WEB Series (《關於進一步加強電視劇網絡劇創作生產管理有關工作的通知》) promulgated by NRTA on February 6, 2020, the TV and WEB Series are recommended to be limited in 40 episodes, and the creation of short series within 30 episodes is encouraged. We are required to follow the NRTA's further directions, advices, and approval regime from time to time. This may adversely affect our revenue due to the limitation in the number of episodes of our drama series, and in turn, affect our profit margin, which may in turn adversely affect our business, financial condition and results of operations. As confirmed by our Directors and advised by our Legal Advisor, we had been in compliance with such notice since its issuance and had not been the subject of any review, enquiry or investigation by any PRC regulatory authorities in relation to such notice during the Track Record Period and up to the Latest Practicable Date. See "Regulatory Overview – Content Examination and Distribution Licensing System" for details.

The NRTA also issued the Notice on Further Strengthening the Management of Arts and Their Personnel (《關於進一步加強文藝節目及其人員管理的通知》) on September 2021 (the "**2021 NRTA Notice**") requiring radio and television institutions and online audio-visual platforms to resolutely resist immoral personnel and personnel involved in illegal activities and avoid incorrect political positions and centrifugal from the Party and the country. In practice, if artists exposed to negative news arising from their involvement in illegal activities or behaviors which deviate from societal core value are part of the cast of our drama series, TV channels or online video platform may suspend the broadcasting of such drama series, which may result in us being obligated to repay all the payments we have received to our customers with respect to the relevant drama series and a material adverse change to our business and results of operations. To mitigate the risks going forward, we require all our agreements with all the actors and directors to include a negative publicity clause stating that we are entitled to seek reimbursement of the amount of service fees we pay to such actor or director in the event any lawsuits, personal misbehaviors, rumors or negative news related to them affected our distribution of the relevant drama series. We also conduct search on actors and directors before engaging them to evaluate their past performance and reputation in the industry to lower the risks of us engaging immoral personnel and personnel involved in illegal activities. In addition, we had not been the subject of any review, enquiry or investigation by any PRC regulatory authorities in relation to such notice during the Track Record Period and up to the Latest Practicable Date. As advised by our PRC Legal Advisor, even in the event in which any actors of the drama series produced by us are exposed to any negative news or involved in any illegal activities, we will not be subject to any legal or administrative liabilities by the relevant competent government authorities merely because we produced such drama series. Based on the foregoing, our Directors, as advised by our PRC Legal Advisor, confirm that such notice did not have a material adverse impact on our Group during the Track Record Period and up to the Latest Practicable Date, and our Directors confirm that the cost to comply with such notice is relatively low. Based on (i) the discussions with us, the PRC Legal Advisor, the Joint Sponsors' PRC legal advisor and Frost & Sullivan in respect of the impact of such regulatory requirements raised in the 2021 NRTA Notice on our business and on our industry generally, including any risk that we may fail to comply with the evolving laws, regulations and policies in the future, as set out below; (ii) the review of relevant materials provided by us with respect to our compliance with the 2021 NRTA Notice, including list of the key actors and directors involved in our drama series and Television Drama Distribution Licenses obtained with respect to our drama series; (iii) the conduct of desktop news searches with respect to the key actors and directors involved in our drama series; and (iv) the aforementioned Directors' views on the basis of the views of the PRC Legal Advisor that the 2021 NRTA Notice did not have a material adverse change on our Company, nothing material has come to the Joint Sponsors' attention to cast doubt on the reasonableness of our view that the 2021 NRTA Notice will not have any material adverse impact on our Group during the Track Record Period and up to the Latest Practicable Date. See "Regulatory Overview – Content Examination and Distribution Licensing System" and "Business – Compliance" for details.

Regulations relating to tax management of practitioners in the field of cultural and entertainment in China

On September 22, 2021, the State Taxation Administration (國家稅務總局) issued the Strengthen the Tax Management of Practitioners in the Field of Cultural and Entertainment (《加強文娛領域從業人員稅收管理》). It requires the strengthening of the tax management of actors, online anchors agency companies, artistic managers and the relevant producers, urges them to fulfill the individual income tax withholding obligations in accordance with the applicable PRC law and provide relevant information and cooperate with tax authorities to implement tax management work for actors and online anchors in accordance with the applicable PRC law. During the Track Record Period, we withheld individual income tax for the actors who entered into contracts directly with our Group for our drama series. We and our PRC Legal Advisor confirm that no agreement other than the acting service agreements (or acting and planning service agreements or other agreements with the substance of acting services) were signed with the principal actors or their studios/enterprises to pay the actors in disguise for other services, and there were no illegal "yin-yang contracts" (陰陽合同) entered into by our Group. However, such regulation does not prohibit actors and producers to enter into agreements for non-acting services which the actors actually provide. With respect to the recent regulatory update and development in the Strengthen the Tax Management of Practitioners in the Field of Cultural and Entertainment (《加強文娛領域從業人員稅收管理》) issued by the State Tax Administration, based on (i) the discussions with us, the PRC Legal Advisors and the Joint Sponsors' PRC legal advisors in respect of the impact of the regulatory requirement of the Strengthen the Tax Management of Practitioners in the Field of Cultural and Entertainment on our business operations, including any risk that we may fail to comply with the evolving laws, regulations and policies in the future, as set out below; (ii) the discussions with our PRC Legal Advisors, through which it was understood that the Strengthen the Tax Management of Practitioners in the Field of Cultural and Entertainment simply emphasizes the pre-existing requirements on the withholding of individual income tax by producers; (iii) the review of relevant materials with respect to the sampled contracts entered into with our acting services suppliers and our procurement costs with respect to acting services providers, the conduct of third party due diligence work with respect to our suppliers (in particular, suppliers involved in providing acting services during the Track Record Period), and the conduct of due diligence work with respect to our procurement costs and cash outflows; and (iv) the confirmations of our Directors and our PRC Legal Advisors that, with respect to the acting services provided by the principal actors, no agreement other than the acting service agreements (or acting and planning service contracts or other contract with the substance of acting services) were entered into with principal actors or their studios/controlled enterprises to pay the actors in disguise for other services, and that there were no illegal "yin-yang contracts entered into by our Group, nothing material has come to the Joint Sponsors' attention to cast doubt on the reasonableness of our view that the Strengthen the Tax Management of

Practitioners in the Field of Cultural and Entertainment did not have any material adverse impact on the Group's business operations and financial performance as of the Latest Practicable Date. See "Regulatory Overview – Tax-related Regulations"

COMPLIANCE

Past Tax Compliance Self-checks

We conducted tax compliance self-checks in 2018, 2019 and 2020. After the completion of the 2018 Tax Compliance Self-check, we paid up the VAT of RMB18.79 million and VAT surcharges of RMB2.26 million on November 5, 2018, which were deducted in the first quarter of 2019 when the corresponding VAT invoices were issued. Horgos Linmon Black Tea also paid a surcharge for overdue value-added tax payment of RMB0.12 million on November 5, 2018. The stamp duty and surcharges for overdue tax payments of Horgos Linmon Black Tea and Horgos Linmon with an amount of RMB0.66 million in aggregate were also paid up. After the 2019 Tax Compliance Self-check, we made up the total enterprise income tax of RMB76.99 million and surcharge for overdue tax payment of RMB2.8 million by April 23, 2019. Pursuant to the 2020 Tax Compliance Self-check, we paid up an additional enterprise income and individual income tax of RMB3.46 million and a surcharge for overdue tax payment of RMB1.69 million by November 24, 2020. We are not subject to any legal or administrative penalties from the competent tax authorities as a result of the tax compliance self-checks in 2018, 2019 and 2020. See "Business – Legal Proceedings and Compliance – Past Tax Compliance Self-checks" for details.

[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 (i) approximately RMB[**REDACTED**] is directly attributable to the issue of our [**REDACTED**] to the public and will be deducted from equity upon the [**REDACTED**]; (ii) approximately [**REDACTED**], [**REDACTED**], [**REDACTED**] and [**REDACTED**] have been recognized in our consolidated statements of profit or loss and other comprehensive income in each of the years ended December 31, 2019, 2020 and 2021 and the three months ended March 31 2022, respectively; and (iii) approximately RMB[**REDACTED**] will be further expensed in our consolidated statements of profit or loss and other comprehensive income. 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:

- approximately 10%, or approximately HK$[**REDACTED**] will be allocated to further expand our IP pool, including purchase of high-potential IPs, recruitment of talented writers, and enhancement of our concept development capability of original IP;

- approximately 50%, or approximately HK$[**REDACTED**] will be allocated to the production, distribution and promotion of our original drama series to produce more high-quality high viewership drama series, including the production, distribution and promotion of our original drama series;

- approximately 15%, or approximately HK$[**REDACTED**] will be allocated to initiatives in emerging business opportunities, including but not limited to, the development and commercialization of accounts of characters in our drama series in short form videos, the development and commercialization of content marketing and advertising, as well as IPs extension in non-video entertainment media;

- approximately 15%, or approximately HK$[**REDACTED**] will be allocated to pursue strategic investment and acquisition opportunities to implement our long-term IP-centric growth strategies for content development and industry penetration, and cultivate our vibrant IP ecosystem to further increase our influence among audiences; and

- approximately 10%, or approximately HK$[**REDACTED**] will be used for general corporate purposes.

For further details, please refer to the section headed "Future Plans and Use of [**REDACTED**] – Use of [**REDACTED**]" in this document.