柠萌影视

Linmon Media Limited

檸萌影視傳媒有限公司

(An exempted company incorporated in the Cayman Islands with limited liability)

(Stock Code: 9857)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2022

The board of directors (the "**Directors**") (the "**Board**") of Linmon Media Limited (the "**Company**") hereby announces the audited consolidated annual results of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2022 (the "**Reporting Period**"), together with the comparative figures for the corresponding period of 2021, as follows:

FINANCIAL PERFORMANCE HIGHLIGHTS

	For the year ended 31 December	
	2022	2021
	RMB'000	*RMB'000*
REVENUE	**951,469**	1,248,964
Cost of sales	**(577,484)**	(689,934)
Gross profit	**373,985**	559,030
Gross profit margin	**39%**	45%
Other income and gains	**140,298**	113,197
Selling and distribution expenses	**(105,624)**	(103,336)
Administrative expenses	**(280,947)**	(162,104)
Other expenses	**(22,715)**	(54,502)
Finance costs	**(4,098)**	(4,844)
Share of profits and losses of associates	**(1,765)**	2,200
Changes in fair value of convertible redeemable preferred shares	**(789,063)**	(225,852)

FINANCIAL PERFORMANCE HIGHLIGHTS (continued)

	For the year ended 31 December	
	2022	2021
	RMB'000	*RMB'000*
(LOSS)/PROFIT BEFORE TAX	**(689,929)**	123,789
Income tax expenses	**(42,105)**	(62,876)
(LOSS)/PROFIT AND TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR	**(732,034)**	60,913
Add:		
Share-based payments	**30,163**	5,543
Listing expenses	**54,598**	19,411
Changes in fair value of convertible redeemable preferred shares	**789,063**	193,641
Adjusted net profit[1]	**141,790**	279,508

Note:

(1) "Adjusted net profit" is not required by Hong Kong Financial Reporting Standards ("**HKFRSs**"). It is defined by the Group as net profit adjusted by adding back (i) changes in fair value of convertible redeemable preferred shares; (ii) share-based payments; and (iii) listing expenses incurred (collectively, the "**Adjusted Items**"). Changes in fair value of convertible redeemable preferred shares will not recur after the listing as the convertible redeemable preferred shares have been converted into ordinary shares upon the listing. The Group believes the non-HKFRSs measure facilitates comparisons of operating performance from period to period and company to company by eliminating potential impacts of certain Adjusted Items.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In 2022, against the backdrop of repeated outbreaks of COVID-19 epidemic and quality and efficiency enhancement of the industry, the Group focused on the production of premium original drama series that were of record-high quality, and accelerated the promotion of overseas businesses, resulting in a rapid year-on-year increase in overseas distribution income. For short video business, the Group spared no effort in content production and created a number of blockbuster short drama series; whereas for content marketing, it iterated and upgraded the system as well as explored the directions of IP derivative and commercialization. However, as affected by the epidemic, the production and broadcasting progress of some drama series were behind schedule, as such, the revenue recognition had to postpone correspondingly. In 2022, the Group recorded operating revenue of RMB951 million and adjusted net profit of RMB142 million.

RECORD-HIGH QUALITY OF ORIGINAL DRAMA SERIES

During the year, the Group created drama series with the main theme showing the trend of the modern era, made innovation breakthroughs in the suspense genre and sports theme, and achieved the series-based development of premium drama series. The Group produced and distributed original drama series, namely “Beyond” (超越), “Under the Skin” (獵罪圖鑑), “Nobody Knows” (膽小鬼) and “Twenty Your Life On II” (二十不惑2). The quality of drama series was highly recognized by the market. The four drama series scored an average rating of 7.9 on Douban.com, which was the highest in the recent history of the Company. “Beyond” (超越) won the 16th “Five-One Project” Excellent Work Award for Spiritual Civilization Development. “Beyond” (超越) and “Twenty Your Life On II” (二十不惑2) were listed under the 2022 “China TV Series Selection” by the National Radio and Television Administration. On the premise of ensuring the quality of drama series, the Company continued to strengthen its own operational management and control capabilities, strengthen cost control, integrate internal and external resources, and accelerate the development. The project of “Beyond” (超越) took only half a year from the start of shooting to broadcast.

“Beyond” (超越)


“Under the Skin” (獵罪圖鑑)

“Nobody Knows” (膽小鬼)

“Twenty Your Life On II” (二十不惑2)

– Original drama series “Beyond” (超越): a key guiding project of National Radio and Television Administration, which was selected as a key project of TV series themed “Our New Era”. It was a prime-time TV drama premiered on CCTV-1 at the beginning of this year, which was broadcast in conjunction with the Winter Olympics. The highest viewership rate of a single episode reached 3.52%, covering over 200 million viewers. It has a rating of 8.2 on Douban.com. and it was broadcast on Tencent Video, iQIYI and Youku video platforms at the same time.

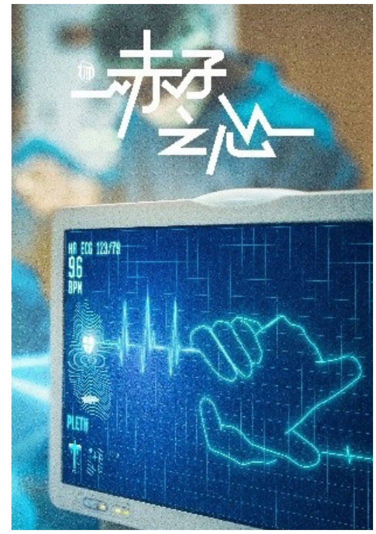
– Original drama series “Under the Skin” (獵罪圖鑑): as a blockbuster drama series of suspense genre of the Company, it was broadcast on iQIYI and Tencent Video platforms, and ranked first in terms of accumulated effective view counts per episode every 30 days.

– Original drama series “Nobody Knows” (膽小鬼): a word-of-mouth drama among the domestic suspense drama of the year with a rating of 7.8 on Douban.com, and it was broadcast on Youku video platform.

– Original drama series “Twenty Your Life On II” (二十不惑2): as a female empowerment themed sequel of the Company, it has been highly recognized by the market with a rating of 8.1 on Douban.com, being the TOP 1 of urban drama series in 2022. The drama series ranked first in four websites (the mainstream viewership researchers, namely CSM National Network (CSM全國網), CSM64 City (CSM64城), CSM Metropolitan Area Network (CSM城域網) and Nielsen (尼爾森)) in terms of average viewership for the same time slot among provincial satellite TV channels. It was broadcast on Hunan Satellite TV, iQIYI and Mango TV.

During the year, the Group newly launched the projects of “Nothing But You” (愛情而已), “Utter Innocence” (赤子之心) and “A Journey Love” (一念關山). As at the date of this announcement, “Nothing But You” (愛情而已) has been broadcast in late March 2023, whereas “Utter Innocence” (赤子之心) and “A Journey Love” (一念關山) are under post-production. All three drama series have been pre-sold.

"Nothing But You" (愛情而已)



"Utter Innocence" (赤子之心)

"A Journey Love" (一念關山)

Significant Growth in Overseas Businesses

In 2022, the Group actively expanded overseas markets, and overseas distribution grew rapidly. During the year, revenue from overseas distribution increased by over 77% year-on-year, of which revenue from overseas distribution of original drama series increased by over 2.8 times year-on-year. At the same time, the Company built its own channels to accelerate the self-production of localized original drama series overseas, and promoted the co-production with local platforms:

– Overseas distribution: During the year, "Twenty Your Life On" (二十不惑) series was successfully launched on mainstream platforms such as Netflix, Viu, and Astro of Malaysia, broadcast simultaneously with the domestic market, and has been included in TOP 10 viewership lists in multiple Netflix regions; "Under the Skin" (獵罪圖鑑) was broadcast on 16 mainstream platforms globally and won the ATA Asia Television Award; "Nobody Knows" (膽小鬼) was broadcasting on Now TV, a first-tier premium platform; and "A Little Mood for Love" (小敏家) and "To Be a Better Man" (好先生) were broadcasting on Disney+ in multiple regions in February 2023.

– Self-production: During the year, the Company made every effort to push forward the self-production of the Thai version of "Nothing But Thirty" (三十而已). As at the date of this announcement, the major crew members and scripts have been basically determined, and it is expected to start shooting in the second quarter of 2023. In addition, the Thai version of "Under the Skin" (獵罪圖鑑) is under development, and the Company is also developing the original IP content of Thai drama series.

– Self-owned channels: During the year, the Group's YouTube channel was officially launched, and drama series such as "Under the Skin" (獵罪圖鑑) and "Twenty Your Life On II" (二十不惑2) have been broadcast successively with viewership increasing rapidly. It will be one of the important channels for the overseas distribution of the Company's drama series in the future.

– Co-production: During the year, the Company primarily carried out overseas co-production of drama series by way of licensing. As at the date of this announcement, the co-productions of the Indonesian version and Hong Kong version of "Nothing But Thirty" (三十而已) have commenced, and the co-production of the Japanese version of drama series is also under way.

Creation of a Number of Blockbuster Short Videos

Short video business is one of the new business segments. In 2022, the Group vigorously expanded the short video business, continued to upgrade its content production capabilities, and established itself as a top brand with continuous output and a number of blockbuster short videos in the short drama series segment. The business models currently include platform customization, traffic sharing, C-end payment, business cooperation, etc.

During the year, the Group produced and broadcast a total of 8 micro drama series with a total viewership of over 500 million times, of which 5 drama series have reached the platform traffic sharing standard, and two of them have been broadcast more than 100 million times. For the short drama series "Starting from the Divorce" (從離婚開始), its accumulated viewership has exceeded 250 million times, and its highest viewership of a single episode has exceeded 150 million times.

At the beginning of 2023, "Twenty Nine" (二十九), a short drama series of the Company, outperformed its rivals in the Spring Festival. As at the date of this announcement, the total viewership of the official clips has exceeded 790 million times, and the highest viewership of a single episode has exceeded 140 million times with the average viewership per episode exceeding 39 million times. On Douyin, the total viewership of the clips of relevant topics has reached 1,450 million times, which was the highest level among the short drama series on Douyin short video platform. It topped the viewership list of short drama series for four consecutive weeks, and ranked first in terms of Douyin ecological PGC (Professional Generated Content) as well as the number of fans increased on Douyin on the day of launch.

"Twenty Nine" (二十九)

"Starting from the Divorce" (從離婚開始)

Iteration and Upgrade of Content Marketing

During the year, the repeated outbreaks of epidemic caused delay in the broadcasting of the Group's drama series, and the content marketing business was also affected. In response to the above-mentioned challenges, the Group strengthened the expansion of strategic brand customers, and upgraded the marketing plans to a full-chain marketing system, mainly covering three business segments, namely IP placement, IP long-tail marketing and IP interest-based e-commerce:

- IP placement: During the year, the Company strengthened the development of strategic brand customers, and carried out placement cooperation with 46 brands including Yum! Group, Ping An, RIO, etc. It expanded the placement cooperation for external drama series by actively leveraging its advantages in the field of brand investment. To date, it has followed up the placement cooperation for 6 external key drama series;

- IP long-tail marketing: With IP as its core element, the Company provided brand customers with full-chain integrated marketing services from placement to sales, which covered artiste business, content production, media planning and distribution, marketing channel integration, etc. During the year, the Company and brand owners jointly launched a series of marketing plans, the "202 Summer Girls' Day (202夏日女生節)", which helped brand customers achieve high growth in exposure and sales volume. Through distribution of short videos, licensing of portrait of artistes of drama series, and linkage of drama series' official Douyin accounts, the brands' sales increased significantly. Business cooperation with artistes were carried out with 15 brands including Prada and PepsiCo;

- IP interest-based e-commerce: The Company has extended its IP influence to e-commerce platforms, providing distribution and agency operation services for brand owners, which shifted from single-brand cooperation to multi-category product markets, and effectively expanded business scenarios. The Company has launched "Chow Tai Seng Accessories Flagship Store" and "Dreame Shopping Official Live Room".

EXPLORATION OF IP DERIVATIVE DEVELOPMENT

In 2022, the Group accelerated the IP derivative development, and explored the derivatives and commercialization in the fields of musical, audio books, NFT, murder mystery game, etc.

In September 2022, in conjunction with the broadcasting of "Twenty Your Life On II" (二十不惑2), the Group launched the NFT digital blind box for the drama series, which was sold out within one day after its launch and became the most popular item on the platform.

In March 2023, on the first anniversary of the broadcasting of "Under the Skin" (獵罪圖鑑), its musical, audio book and side-products under the same name were officially launched. The musical was highly recognized by the market with a rating of 9.3 on Damai platform in the evening of its first show. As at the date of this announcement, the Group has started to prepare for the next musical of "Under the Skin" (獵罪圖鑑). The audio book was released on the Himalaya platform. As at the date of this announcement, the completion rate was approximately 86.0%, which was higher than other albums of the same level on the platform, and the quality rating was 9.6. As at the date of this announcement, derivative products of "Nothing But You" (愛情而已), such as light side-products, audio book and publication of fiction, are also under active development, and its audio book has been released simultaneously with the broadcasting of drama series.

At present, the Company has set up an IP derivative team, which will focus on its IP in the future, and will carry out multi-form development of derivatives and exploration of commercialization in conjunction with the broadcasting of drama series.

NFT digital blind box of "Twenty Your Life On II" (二十不惑2)


Musical of "Under the Skin" (獵罪圖鑑)

FULLY RESPONDING TO THE IMPACT OF COVID-19

In 2022, affected by the recurring COVID-19 epidemic, the Group changed the shooting cities of the original drama series projects of "Nothing But You" (愛情而已) and "Utter Innocence" (赤子之心), which were originally planned to be broadcast in 2022, from Shanghai to Shenzhen or Qingdao, resulting in additional works such as location re-scouting in the cities, construction of shooting sites and seeking of local suppliers. During the shooting process, the epidemic also affected the schedule of the cast and crew and the selection of shooting scenes, resulting in a delay in the progress of the projects compared with the original plan. The drama series eventually failed to be broadcast in 2022 and incurred certain additional costs.

During the year, the Company responded to the above-mentioned impact of the epidemic by adopting various measures, including flexible adjustment to its production plans of drama series and acceleration of the business process that was relatively less affected by the epidemic, such as script development and pre-production. In respect of the filming sessions that were greatly affected by the epidemic, the Company responded quickly, and formulated emergency plans right away, including investigating the situations and policies of the epidemic in other cities, changing the shooting cities of drama series, changing from location shooting to studio shooting, combining the shooting scenes, etc. At the same time, the Company required its employees and third-party service providers to wear surgical masks at the filming sites and maintain personal and studio hygiene, and fully fulfilled local epidemic prevention and control policies such as nucleic acid testing and quarantine.

As at the date of this announcement, "Nothing But You" (愛情而已) has been broadcast in late March 2023, and "Utter Innocence" (赤子之心) has also been completed and is under post-production, which is expected to be broadcast in 2023.

In terms of office epidemic prevention and control, the Company actively fulfilled the requirements for epidemic prevention and control by circulating the latest epidemic prevention policies to employees, requiring them to wear surgical masks and disinfecting the office (especially areas with high human contacts) frequently, monitoring and tracking the epidemic status in real time, allowing work from home when necessary and arranging flexible working hours. During the year, the Company arranged employees in Shanghai to work from home from 14 March to 6 June 2022 and employees in Beijing to work from home from 5 May to 30 May 2022.

Although the epidemic has impacted the Company's businesses to a certain extent, the impact is relatively controllable. The Company expects the above-mentioned drama series will be delivered before the delivery date as agreed with customers, and will not have a material adverse impact on our business operations and financial performance.

DEVELOPMENT OUTLOOK

Looking forward, the production of premium original drama series will remain the core business of the Group. The Group will adhere to the series-based development of original drama series, strengthen IP operation and management capabilities, and promote IP derivative development and commercialization. Its own operational management and control capabilities will be further improved by taking the comprehensive budget management system as the starting point. In addition, it will accelerate the development of new businesses, so that the international business will fully launch the multi-facet development models covering overseas distribution, overseas local production, IP development and licensing, etc. For content marketing business, the Group will further upgrade the marketing system, continue to develop strategic brand resources, innovate the marketing model, give full play to the brand advantages, and actively expand the cooperation for external drama series. For short video business, the Group will further establish itself as a top brand with continuous blockbuster output, and strive to achieve industry-leading comprehensive indicators of production capacity and blockbuster rate, thereby building a more diversified business and revenue system.

EMPLOYEES

As of 31 December 2022, the Group had 181 employees, who were primarily based in Shanghai, Beijing and Hangzhou.

The Group maintains high recruitment standards and recruits employees based on a number of factors, including their level of knowledge, years of industry experience, education background and their conformity with our values. The Group is committed to establishing a competitive and fair remuneration and benefits system. Our business development is effectively motivated through remuneration incentives, which ensure that our employees receive competitive remuneration packages. The Group continuously refines our remuneration and incentive policies through market research and peers benchmarking. We conduct performance evaluation for employees regularly to provide feedbacks on their performance. Meanwhile, the Group provides internal and external training opportunities for employees to improve their professional knowledge and skills to meet the development needs of the Group.

FINANCIAL REVIEW

Revenue

Unit: RMB million

	For the year ended 31 December			
Types of business	**2022**	2021	Change	Change %
Broadcasting rights of original drama series	**888.7**	1,051.4	(162.7)	(15.5%)
Content marketing	**57.3**	109.8	(52.5)	(47.8%)
Others	**5.5**	87.8	(82.3)	(93.7%)
Total	**951.5**	1,249.0	(297.5)	(23.8%)

The Group's revenue decreased by 23.8% from RMB1,249.0 million for the year ended 31 December 2021 to RMB951.5 million for the year ended 31 December 2022, primarily because the production and broadcasting progress of some of the Group's drama series were affected by the COVID-19 pandemic, and the broadcasting of drama series, "Nothing But You" (愛情而已), originally scheduled to be broadcast in 2022 has been postponed to 27 March 2023, resulting in the revenue recognition of relevant drama series being postponed to 2023.

Revenue from Broadcasting Rights of Original Drama Series

The Group's revenue generated from licensing of broadcasting rights of original drama series decreased by 15.5% from RMB1,051.4 million for the year ended 31 December 2021 to RMB888.7 million for the year ended 31 December 2022, primarily because the production and broadcasting progress of some of the Group's drama series were affected by the COVID-19 pandemic, and the broadcasting of drama series, "Nothing But You" (愛情而已), originally scheduled to be broadcast in 2022 has been postponed to 27 March 2023, resulting in the revenue recognition of relevant drama series being postponed to 2023. Meanwhile, unlike the previous drama series broadcast on both online platforms and TV channels, "Under the Skin" (獵罪圖鑑) and "Nobody Knows" (膽小鬼), which are web drama series (純網劇) broadcast in 2022, did not have corresponding revenue from TV channels distribution.

Revenue from Content Marketing

Revenue generated from content marketing decreased by 47.8% from RMB109.8 million for the year ended 31 December 2021 to RMB57.3 million for the year ended 31 December 2022, mainly due to the decrease in revenue from content marketing over the corresponding period of last year as affected by the themes and other factors of the original drama series broadcast in 2022. Meanwhile, the broadcasting of drama series originally scheduled to be broadcast in 2022 has been postponed to 2023, resulting in the recognition of revenue from content marketing of the relevant drama series being postponed to 2023.

Revenue from Other Businesses

Revenue from other businesses decreased by 93.7% from RMB87.8 million for the year ended 31 December 2021 to RMB5.5 million for the year ended 31 December 2022, mainly due to the revenue recognized for the Group's capital contributions in "Hand in Hand" (陪你一起長大) in 2021 as a non-executive producer and the production revenue from the delivery of the project of "Ancient Love Poetry" (千古玦塵) in 2021. The revenue from such businesses was an incidental revenue of the Company. In 2022, the revenue of this segment was mainly generated from the new businesses of artiste business, e-commerce business, etc.

Cost of Sales

The Group's cost of sales decreased by 16.3% from RMB689.9 million for the year ended 31 December 2021 to RMB577.5 million for the year ended 31 December 2022, which was mainly in relation to the decrease in the number of drama series broadcast in the current period.

Gross Profit and Gross Profit Margin

Gross Profit

Unit: RMB million

	For the year ended 31 December			
Types of business	**2022**	2021	Change	Change %
Broadcasting rights of original drama series	**335.9**	419.2	(83.3)	(19.9%)
Content marketing	**36.8**	62.4	(25.6)	(41.0%)
Others	**1.3**	77.4	(76.1)	(98.3%)
Total	**374.0**	559.0	(185.0)	(33.1%)

Gross Profit Margin

	For the year ended 31 December		
Types of business	**2022**	2021	Change %
Broadcasting rights of original drama series	**37.8%**	39.9%	(2.1%)
Content marketing	**64.2%**	56.8%	7.4%
Others	**23.6%**	88.2%	(64.6%)
Total	**39.3%**	44.8%	(5.5%)

As a result of the foregoing, the Group's gross profit decreased by 33.1% from RMB559.0 million for the year ended 31 December 2021 to RMB374.0 million for the year ended 31 December 2022, and the Group's gross profit margin decreased from 44.8% for the year ended 31 December 2021 to 39.3% for the year ended 31 December 2022, primarily due to the following reasons: (i) the gross profit and gross profit margin of the business in relation to broadcasting rights of original drama series decreased for the year ended 31 December 2022, mainly because "Under the Skin" (獵罪圖鑑) and "Nobody Knows" (膽小鬼), which are web drama series, had no revenue from TV channels distribution and therefore had a lower average gross profit and gross profit margin as compared to the drama series broadcast on both online platforms and TV channels in the same period last year; and (ii) the Group invested in "Hand in Hand" (陪你一起長大) in 2021 as a non-executive producer and charged licensing fees in proportion to the Group's investment, and the Group charged the production fees of the project of "Ancient Love Poetry" (千古玦塵), the revenues of both were recognized on a net basis, resulting in a relatively higher gross profit and gross profit margin for other businesses.

Other Income and Gains

Other income increased by 23.9% from RMB113.2 million for the year ended 31 December 2021 to RMB140.3 million for the year ended 31 December 2022, primarily due to an increase in foreign exchange gains recognized for the year ended 31 December 2022 as a result of the change in foreign exchange rate.

Selling and Marketing Expenses

The Group's selling and marketing expenses increased by 2.2% from RMB103.3 million for the year ended 31 December 2021 to RMB105.6 million for the year ended 31 December 2022, primarily due to (i) the increase in staff costs and benefits of the Group's sales staff, which was driven by the increase in the number and average salary level of the Group's sales staff; (ii) the increase in corresponding expenses for the employee share incentive plan covering a full year of 2022, as compared to the employee share incentive plan which only covered 3 months after the grant date in 2021; and (iii) the increase in listing expenses incurred in relation to the global offering.

Administrative Expenses

The Group's administrative expenses increased by 73.3% from RMB162.1 million for the year ended 31 December 2021 to RMB280.9 million for the year ended 31 December 2022, primarily due to (i) the increase in staff costs and benefits as a result of the increase in the number of employees of the Company due to the growth of the Group's new business scale; (ii) the increase in corresponding expenses for the employee share incentive plan covering a full year of 2022, as compared to the employee share incentive plan which only covered 3 months after the grant date in 2021; and (iii) the increase in listing expenses incurred in relation to the global offering.

Other Expenses

The Group's other expenses decreased by 58.3% from RMB54.5 million for the year ended 31 December 2021 to RMB22.7 million for the year ended 31 December 2022. The decrease in other expenses was mainly because the changes in fair value of financial liabilities under co-production amounted to RMB39.3 million in 2021, while there was no additional arrangement for co-production investment without entitlement to copyright and floating income in 2022. Profit or loss from the changes in fair value of financial liabilities was only affected by the balance of financial liabilities from co-production investment arrangements of previous years. With the settlement of payment this year, the balance has gradually reduced and thus the corresponding profit or loss from the changes in fair value of financial liabilities has also reduced.

Finance Costs

The Group's finance costs primarily consist of accrued interest expenses on lease liabilities and interest expenses on discounted notes receivable. Finance costs decreased by 14.6% to RMB4.1 million for the year ended 31 December 2022, as compared to RMB4.8 million for the year ended 31 December 2021, primarily because (i) the interest costs in 2021 were mainly attributable to the interest expenses on loans, which were settled in 2021, and no such cost incurred in 2022; and (ii) expenses on additional discounted notes in 2022 increased from RMB0.95 million as of 31 December 2021 to RMB2.39 million.

Share of Profits and Losses of Associates

The Group recognized share of profits of associates of RMB2.2 million for the year ended 31 December 2021 and share of losses of associates of RMB1.8 million for the year ended 31 December 2022, which were primarily related to the Group's investments in Beijing Ark Reading Technology Co., Ltd. (北京方舟閱讀科技有限公司) and Shanghai Senmeijie Culture Media Co., Ltd. (上海森美介文化傳媒有限公司).

Income Tax Expenses

The Group's income tax expenses decreased by 33.1% from RMB62.9 million for the year ended 31 December 2021 to RMB42.1 million for the year ended 31 December 2022. Such year-on-year decrease was primarily due to a decrease in its taxable income for the year ended 31 December 2022 as compared to that for the same period of 2021. The Group's income tax rate fluctuated from 50.8% for the year ended 31 December 2021 to negative 6.1% for the year ended 31 December 2022, primarily because the fair value loss on convertible redeemable preferred shares was recorded in the Company, being a Cayman Islands company that applies a zero tax rate, and the effective tax rate after excluding the impact of the fair value loss on convertible redeemable preferred shares for the years ended 31 December 2021 and 2022 was 28.5% and 42.5%, respectively, which was due to the increase in the non-deductible expenses.

Adjusted Net Profit

To supplement the Group's consolidated financial statements, which were presented in accordance with HKFRSs, the Group also used adjusted net profit as an additional financial measure, which is not required by, or presented in accordance with, HKFRSs. The Company believed that, by comparing against the Group's loss resulting from the application of HKFRSs, the adjusted net profit for the year ended 31 December 2022, as a non-HKFRSs measure, eliminated the potential impacts of certain items, which facilitated comparisons of operating performance from period to period and company to company, and provided more useful information to shareholders and potential investors in understanding and evaluating the Group's results of operations.

Unit: RMB million

	For the year ended 31 December	
	2022	2021
(Loss)/profit for the year	**(732.0)**	60.9
Add:		
Share-based payments	**30.2**	5.5
Listing expenses	**54.5**	19.5
Changes in fair value of convertible redeemable preferred shares	**789.1**	193.6
Adjusted net profit	**141.8**	279.5
Adjusted earnings per share – basic *(RMB yuan)**	**0.57**	2.82

* Adjusted earnings per share is calculated by adjusted net profit divided by weighted average number of ordinary shares in issue during the year.

As a result of the foregoing, the Group's adjusted net profit decreased by 49.3% from RMB279.5 million for the year ended 31 December 2021 to RMB141.8 million for the year ended 31 December 2022. Such decrease was mainly because the production and broadcasting progress of some of the Group's drama series were affected by the COVID-19 pandemic, and the broadcasting of drama series, "Nothing But You" (愛情而已), originally scheduled to be broadcast in 2022 has been postponed to 27 March 2023, resulting in the revenue recognition of relevant drama series being postponed to 2023.

The Group's basic earnings per share corresponding to the adjusted net profit decreased by 79.8% from RMB2.82 for the year ended 31 December 2021 to basic earnings per share of RMB0.57 for the year ended 31 December 2022.

Current Assets, Financial and Capital Resources

We have historically funded our cash needs principally from cash generated from operations, and to a lesser extent, equity financing. We adopt a prudent financial management policy to ensure that the Group maintained a stable and healthy financial position. Taking into account the financial resources available to the Group, including the Group's cash and cash equivalents on hand, cash generated from operations and available financing, and the net proceeds from the issuance of ordinary shares in connection with the initial public offering, and after prudent and careful consultation and enquiry, the Directors are of the view that the Group has sufficient working capital to meet the Group's present operating needs.

As at 31 December 2022, the Group had net current assets of RMB2,475.0 million, as compared to net current liabilities of RMB1,617.2 million as at 31 December 2021. The Group's current ratio increased from 0.6% as at 31 December 2021 to 5.6% as at 31 December 2022. The increase in net current assets was mainly due to (i) all of the convertible redeemable preferred shares were converted to ordinary shares upon listing, (ii) the increase in inventories, wealth management products of financial assets at fair value through profit or loss and time deposits; and (iii) the time deposits as of 31 December 2021 were reclassified to current assets as of 31 December 2022, since their maturity dates were less than one year.

As at 31 December 2022, the Group's total equity attributable to owners of the Company amounted to RMB2,390.5 million, as compared to total deficits of RMB1,322.5 million as at 31 December 2021. The increase was primarily due to (i) the issuance of ordinary shares in connection with the initial public offering; and (ii) the conversion of convertible redeemable preferred shares into ordinary shares upon listing. The Group's total debts amounted to RMB891.8 million, representing a decrease of 79.2% as compared to RMB4,285.6 million as at 31 December 2021. Such decrease was primarily due to the conversion of convertible redeemable preferred shares into ordinary shares upon listing.

The following table sets forth cash flows for the years indicated:

Unit: RMB million

	For the year ended 31 December		
	2022	2021	Change %
Net cash (used in)/generated from operating activities	**(199.0)**	436.1	(145.6%)
Net cash (used in)/generated from investing activities	**(284.9)**	328.9	(186.6%)
Net cash generated from/(used in) financing activities	**329.1**	(54.0)	(709.4%)
Net (decrease)/increase in cash and cash equivalents	**(154.8)**	711.0	(121.8%)
Cash and cash equivalents at beginning of year	**825.0**	125.3	558.4%
Exchange gain/(loss) on cash and cash equivalents	**72.6**	(11.3)	(742.5%)
Cash and cash equivalents at end of year	**742.8**	825.0	(10.0%)

Operating Activities

For the year ended 31 December 2022, the Group's net cash outflow from operating activities was RMB199.0 million, representing a decrease of 145.6% as compared to a net inflow of RMB436.1 million for the year ended 31 December 2021. Such decrease was mainly due to (i) the increase in procurement expenses as a result of the production of nearly 120 episodes of drama series in the current period; (ii) the payment of a large amount of listing agency fees in the current period; and (iii) the increase in the collection cycle from platforms and television channels in 2022 as compared to 2021, where the number of accounts receivable turnover days increased from 89 days to 132 days.

Investing Activities

For the year ended 31 December 2022, net cash outflow from investing activities was RMB284.9 million, representing a decrease of 186.6% as compared to a net inflow of RMB328.9 million for the year ended 31 December 2021. The increase in outflow was mainly because the Group used short-term idle funds to purchase principal-guaranteed wealth management products, etc., to improve the return on capital.

Financing Activities

For the year ended 31 December 2022, net cash inflow from financing activities was RMB329.1 million, representing an increase of 709.4% as compared to a net outflow of RMB54.0 million for the year ended 31 December 2021. The increase was mainly due to the proceeds from issuance of ordinary shares in connection with the initial public offering received by the Group during 2022.

Gearing Ratio

The gearing ratio (calculated by dividing total debts by total assets) was 27.2% for the year ended 31 December 2022, as compared to 144.6% as at 31 December 2021. Such decrease was primarily due to the conversion of convertible redeemable preferred shares into ordinary shares upon listing.

Capital Expenditures

Capital expenditures consist of expenditures for the purchase of intangible assets and the purchase of property, plant and equipment. For the years ended 31 December 2022 and 31 December 2021, the total capital expenditures amounted to RMB15.5 million and RMB7.4 million, respectively, representing an increase of 109.5%. Such increase was mainly due to the relocation of the Beijing office and renovation of the new office premises in 2022.

Significant Investments Held/Future Plans for Significant Investments or Capital Assets

There were no significant investments held by the Group or future plans of the Group for significant investments or capital assets as at 31 December 2022.

Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

The Group had no material acquisitions or disposals of subsidiaries, associates and joint ventures during the year ended 31 December 2022.

Charges on Assets

As at 31 December 2022, no property, plant and equipment were pledged by the Group.

Contingent Liabilities

As at 31 December 2022, the Group did not have any unrecorded significant contingent liabilities.

Foreign Exchange and Exchange Rate Risk

Currently, the Group's operations are mainly carried out in China, so the Group's foreign exchange risk exposure arises from changes in bank foreign exchange balances and exchange rates of other currencies involved in relevant businesses. For the year ended 31 December 2022, the Group did not incur any material foreign currency exchange losses in its operations. The management of the Group will continue to monitor the Group's foreign exchange exposure and consider taking prudent measures as and when appropriate to mitigate the adverse impact of exchange fluctuation.

Subsequent Events After the Reporting Period

There were no significant events that would have a material impact on the Group's business operation subsequent to the Reporting Period and up to the date of this announcement.

USE OF PROCEEDS FROM LISTING

The Company was listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 10 August 2022 (the "**Listing Date**") with the issuance of 15,139,300 new shares. After deducting the underwriting commission in connection with the global offering and other expenses payable by the Company in connection with the global offering, the net proceeds from listing amounted to approximately HK$311.8 million. These proceeds will be utilised in accordance with the plans as disclosed in the section headed "Net Proceeds from the Global Offering" of the announcement of offer price and allotment results of the Company dated 9 August 2022, namely:

	Net proceeds (HK$ million)				
Item	**Percentage (%)**	**Available**	**Utilised during the Reporting Period**	**Unutilised during the Reporting Period**	**Expected timeline for the unutilised balance**
IP pool expansion	10	31.2	26.1	5.1	By the end of 2024
– IP purchase	5	15.6	15.6	0	N/A
– Writer recruitment	2	6.2	1.1	5.1	By the end of 2024
– Recruitment of or collaboration with scriptwriters	3	9.4	9.4	0	N/A
Drama series production and promotion	50	155.9	53.9	102.0	By the end of 2024
– Original drama series production	45	140.3	38.3	102.0	By the end of 2024
– Original drama series distribution and promotion	5	15.6	15.6	0	N/A
Initiatives into emerging business opportunities	15	46.8	46.8	0	N/A
Potential strategic investment and acquisition opportunities	15	46.8	0	46.8	By the end of 2024
Working capital and general corporate purposes	10	31.1	31.1	0	N/A
Total	**100**	**311.8**	**157.9**	**153.9**	

To the extent that the net proceeds are not immediately applied to the above purposes, we intend to deposit the net proceeds into interest-bearing accounts with licensed commercial banks or financial institutions in the PRC or Hong Kong. We will comply with the PRC laws in respect of foreign exchange registration and proceeds remittance.

FINAL DIVIDEND

The Board does not recommend the payment of any final dividend for the year ended 31 December 2022.

ANNUAL GENERAL MEETING

The annual general meeting of the Company will be held on Thursday, 25 May 2023. A notice convening the annual general meeting will be published and dispatched to the Shareholders in the manner required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") in due course.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 22 May 2023 to 25 May 2023, both days inclusive, in order to determine the identity of the shareholders who are entitled to attend the annual general meeting, during which period no share transfers will be registered. To be eligible to attend the annual general meeting, all properly completed transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's share registrar in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on 19 May 2023.

CORPORATE GOVERNANCE PRACTICE

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of its shareholders and to enhance corporate value and accountability. Since the listing of the Company's shares on the Main Board of the Stock Exchange on the Listing Date, the Company has adopted the requirements and code provisions of the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Listing Rules. During the period from the Listing Date and up to the date of this announcement (the "**Relevant Period**"), the Company has complied with all applicable code provisions as set out in the CG Code, except for the deviation from code provision C.2.1 of the CG Code.

Code provision C.2.1 of the CG Code provides that the roles of chairman of the board of directors and chief executive officer should be separate and should not be performed by the same individual. The roles of chairman of the Board and president of the Company (similar to the position of the chief executive officer as defined in the Listing Rules taking responsibility for the overall management of the Company) are currently performed by Mr. Su Xiao ("**Mr. Su**"). In view of Mr. Su's substantial contributions to the Group since our establishment and his extensive experience, we consider that having Mr. Su acting as both our chairman of the Board and president will provide strong and consistent leadership to the Group and facilitate the efficient execution of our business strategies. We consider it appropriate and beneficial to our business development and prospects that Mr. Su continues to act as both our chairman of the Board and president, and therefore currently do not propose to separate the functions of chairman of the Board and president.

While this would constitute a deviation from code provision C.2.1 of the CG Code, the Board believes that this structure will not impair the balance of power and authority between the Board and the management of the Company, given that: (i) there are sufficient checks and balances in the Board, as a decision to be made by the Board requires approval by at least a majority of Directors, and the Board comprises three independent non-executive Directors, which is in compliance with the requirement under the Listing Rules; (ii) Mr. Su and the other Directors are aware of and undertake to fulfill their fiduciary duties as Directors, which require, among other things, that they act for the benefits of the Company and in the best interests of the Company and will make decisions for the Group accordingly; and (iii) the Board comprises experienced and high-calibre individuals who meet regularly to discuss issues affecting the operations of the Company, thus ensuring the balance of power and authority of the Board. Moreover, the overall strategies and other key business, financial, and operational policies of the Group are made collectively after thorough discussions among all of the Board members and senior management members. The Board will continue to review the effectiveness of the corporate governance structure of the Group in order to assess whether separation of the roles of chairman of the Board and president is necessary.

The Group will continue to review and monitor its corporate governance practices to ensure compliance with the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as its code of conduct for securities transactions by the Directors. Having made specific enquiries of all Directors, each Director has confirmed that he/she has complied with the required standards as set out in the Model Code during the Relevant Period.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Save for the initial public offering of the Company as described in the Prospectus, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the Relevant Period.

AUDIT COMMITTEE

The Board has established an audit committee (the "**Audit Committee**") which comprises one non-executive Director, namely Mr. Zhang Rong, and two independent non-executive Directors, namely Ms. Tang Songlian and Ms. Long Yu. Ms. Tang Songlian is the chairman of the Audit Committee. The primary duties of the Audit Committee are to review and supervise the financial reporting process, internal control system and risk management system of the Group, oversee the audit process, review and approve connected transactions, provide recommendations and advice to the Board and perform other duties and responsibilities as may be assigned by the Board.

The Audit Committee, together with the Board, has reviewed the accounting principles and practices adopted by the Group and the audited consolidated financial statements of the Group for the year ended 31 December 2022.

SCOPE OF WORK OF AUDITOR ON THE ANNUAL RESULTS ANNOUNCEMENT

The financial information set out in this announcement does not constitute the Group's audited accounts for the year ended 31 December 2022, but represents an extract from the consolidated financial statements for the year ended 31 December 2022 which have been audited by the auditor of the Company, Ernst & Young, in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants.

PUBLICATION OF ANNUAL RESULTS AND 2022 ANNUAL REPORT

This annual results announcement is published on the websites of the Stock Exchange at www.hkexnews.hk and the Company at www.linmon.cn, and the annual report of the Company for the year ended 31 December 2022 will be despatched to the shareholders of the Company and published on the above websites in due course.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2022

	Notes	2022 *RMB'000*	2021 *RMB'000*
REVENUE	*4*	**951,469**	1,248,964
Cost of sales		**(577,484)**	(689,934)
Gross profit		**373,985**	559,030
Other income and gains	*4*	**140,298**	113,197
Selling and distribution expenses		**(105,624)**	(103,336)
Administrative expenses		**(280,947)**	(162,104)
Other expenses		**(22,715)**	(54,502)
Finance costs		**(4,098)**	(4,844)
Share of profits and losses of associates		**(1,765)**	2,200
Changes in fair value of convertible redeemable preferred shares		**(789,063)**	(225,852)
(LOSS)/PROFIT BEFORE TAX	*5*	**(689,929)**	123,789
Income tax expense	*6*	**(42,105)**	(62,876)
(LOSS)/PROFIT AND TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR		**(732,034)**	60,913
Attributable to:			
Owners of the parent		**(732,034)**	60,913
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic (RMB yuan)	*8*	**(2.95)**	0.61
Diluted (RMB yuan)	*8*	**(2.95)**	0.60

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**17,659**	5,908
Right-of-use assets		**45,129**	28,893
Other intangible assets		**4,836**	2,759
Investments in associates		**37,948**	55,090
Deferred tax assets		**48,195**	54,281
Financial assets at fair value through profit or loss		**51,051**	58,690
Prepayments, other receivables and other assets		**68,930**	113,665
Time deposits		**–**	350,000
Total non-current assets		**273,748**	669,286
CURRENT ASSETS			
Inventories	*9*	**683,931**	554,213
Trade and notes receivables	*10*	**355,558**	385,582
Prepayments, other receivables and other assets		**171,297**	203,990
Financial assets at fair value through profit or loss		**429,599**	325,124
Time deposits		**524,115**	–
Restricted cash		**101,230**	–
Cash and cash equivalents		**742,750**	824,952
Total current assets		**3,008,480**	2,293,861
CURRENT LIABILITIES			
Trade payables	*11*	**40,357**	76,246
Other payables and accruals	*12*	**471,551**	466,669
Convertible redeemable preferred shares		**–**	3,276,406
Lease liabilities		**15,980**	16,941
Tax payable		**5,614**	74,835
Total current liabilities		**533,502**	3,911,097
NET CURRENT ASSETS/(LIABILITIES)		**2,474,978**	(1,617,236)
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,748,726**	(947,950)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)
31 December 2022

	Note	**2022**	2021
		RMB'000	*RMB'000*
NON-CURRENT LIABILITIES			
Other payables and accruals	*12*	**328,767**	362,769
Lease liabilities		**29,489**	11,761
Total non-current liabilities		**358,256**	374,530
Net assets/(liabilities)		**2,390,470**	(1,322,480)
EQUITY			
Equity attributable to owners of the parent			
Share capital		**59**	28
Share premium		**4,437,226**	23,983
Reserves		**(2,046,815)**	(1,346,491)
Total equity/(deficits)		**2,390,470**	(1,322,480)

1. CORPORATE AND GROUP INFORMATION

Linmon Media Limited (the "**Company**") is a limited liability company incorporated in the Cayman Islands on 10 June 2021. The registered address of the Company is Suite #4-210, Governors Square, 23 Lime Tree Bay Avenue, PO Box 32311, Grand Cayman KY1-1209, Cayman Islands.

The Company is an investment holding company. The Company's subsidiaries were principally involved in the production, distribution and licencing of broadcasting rights of TV series ("**drama series**").

In the opinion of the directors, the Company does not have an immediate holding company or ultimate holding company. Mr. Su Xiao, Ms. Chen Fei, Ms. Xu Xiao'ou, Mr. Zhou Yuan, through their acting in concert arrangement and their respective wholly-owned offshore holding companies (including Lemontree Evergreen Holding Limited, Lemontree Harvest Investment Limited, Free Flight Limited, Faye Free Flight Limited, MEOO Limited, A&O Investment Limited, Z&N Investment Limited and Linmon Run Limited), are the controlling shareholders of the Company, as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 10 August 2022.

2. BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for financial assets and liabilities at fair value through profit or loss, financial assets at fair value through other comprehensive income and convertible redeemable preferred shares which have been measured at fair value. These financial statements are presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2022. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

Generally, there is a presumption that a majority of voting rights results in control. When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is not organised into business units based on their products and only has one reportable operating segment. Management monitors the operating results of the Group's operating segment as a whole for the purpose of making decisions about resource allocation and performance assessment.

Geographical information

During the years ended 31 December 2022 and 2021, the Group's operations were mainly within one geographical segment because most of the Group's revenue was generated from customers located in Mainland China. All of the non-current assets of the Group were located in Mainland China.

Information about major customers

Revenue from each major customer which accounted for 10% or more of the Group's revenue during the years ended 31 December 2022 and 2021 is set out below:

	2022	2021
	RMB'000	*RMB'000*
Customer A	**469,009**	282,040
Customer B	**N/A***	211,397
Customer C	**163,636**	268,079
Customer D	**N/A***	132,274

* The corresponding revenue of the customer is not disclosed as the revenue individually did not account for 10% or more of the Group's revenue during the year.

An analysis of revenue is as follows:

	2022	2021
	RMB'000	*RMB'000*
Revenue from contracts with customers	**951,469**	1,201,375
Revenue from other sources		
Net licencing fee received from investments in drama series under co-financing arrangements	**–**	47,589
	951,469	1,248,964

4. REVENUE, OTHER INCOME AND GAINS

Revenue from contracts with customers

(i) Disaggregated revenue information

	2022	2021
	RMB'000	*RMB'000*
Types of goods or services		
Licencing of broadcasting rights of original drama series	**888,674**	1,051,435
Content marketing	**57,263**	109,766
Others*	**5,532**	40,174
Total revenue from contracts with customers	**951,469**	1,201,375

* Others mainly consist of production of made-to-order drama series, licencing of drama elements and artiste management service.

Geographical markets

The Group's revenue was mainly generated from customers located in Mainland China during the year.

	2022	2021
	RMB'000	*RMB'000*
Timing of revenue recognition		
Goods transferred at a point in time	**925,008**	1,148,009
Services transferred over time	**13,257**	4,717
Services transferred at a point in time	**13,204**	48,649
Total revenue from contracts with customers	**951,469**	1,201,375

The following table shows the amounts of revenue recognised in the current reporting period that was included in the contract liabilities at the beginning of the reporting period and recognised from performance obligations satisfied in previous periods:

	2022	2021
	RMB'000	*RMB'000*
Licencing of the broadcasting rights of original drama series	**184,302**	152,661
Content marketing	**6,211**	17,707
	190,513	170,368

(ii) Performance obligations

Information about the Group's performance obligations is summarised below:

Licencing of the broadcasting rights of original drama series

The performance obligation is satisfied at the point in time when the broadcasting rights are authorised and the customer can begin exhibiting or selling the drama series. Generally, upfront payment is received from customers for purchasing the broadcasting rights of relevant drama series when the contract is signed, and the remaining contract amount is generally due within three months to twelve months.

Content marketing

The performance obligation is satisfied at the point in time when the content marketing services are complete and accepted by the customers in accordance with the terms of the contract or over time in which the services are rendered to or consumed by the customer simultaneously. The payment is generally due within three months to twelve months.

Others

The performance obligation of licencing of drama elements is satisfied at the point in time when the right to use the relevant intangible property in the drama series is transferred to the licencee and the contract amount is determinable. The payment is generally due within three months to nine months.

The performance obligation of made-to-order drama series production is satisfied at the point in time when the drama series are complete and accepted by the customers in accordance with the terms of the contract. Payment is generally due within three months to twelve months.

The performance obligation of revenue received from the artiste management service income is satisfied over the time of the service period and payment is generally due within three months to nine months.

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December are as follows:

	2022	2021
	RMB'000	*RMB'000*
Amounts expected to be recognised as revenue:		
Within one year	**3,789,203**	1,077,510
Over one year	**1,373,025**	1,268,704
	5,162,228	2,346,214

The amounts disclosed above do not include variable consideration which is constrained. The amounts of transaction prices allocated to the remaining performance obligations which are expected to be recognised as revenue after one year relate to licencing of the broadcasting rights of original drama series and content marketing, of which the performance obligations are to be satisfied within four years.

An analysis of other income and gains is as follows:

	2022	2021
	RMB'000	*RMB'000*
Government grants – related to income (note)	**29,985**	42,287
Additional deduction for input value added tax	**5,980**	25,686
Interest income on		
– cash and bank balances	**9,732**	2,711
– time deposits	**15,976**	13,310
Interest income arising from revenue contracts	**1,811**	1,707
Investment income from financial assets at fair value through profit or loss	**7,641**	24,023
Fair value gains:		
Financial assets at fair value through profit or loss	**–**	2,913
Foreign exchange gains, net	**68,070**	–
Others	**1,103**	560
	140,298	113,197

Note:

The government grants mainly represent incentives awarded by the local governments to support the Group's operation. There were no unfulfilled conditions or contingencies attached to these government grants.

5. (LOSS)/PROFIT BEFORE TAX

The Group's (loss)/profit before tax is arrived at after charging/(crediting):

	Note	2022 RMB'000	2021 RMB'000
Cost of inventories sold *(note a)*		**553,262**	677,302
Listing expenses		**57,879**	21,416
Depreciation of property, plant and equipment		**3,029**	1,415
Depreciation of right-of-use assets *(note b)*		**21,899**	16,259
Amortisation of other intangible assets *(note c)*		**1,697**	636
Government grants		**(29,985)**	(42,287)
Additional deduction for input value added tax		**(5,980)**	(25,686)
Bank interest income		**(25,708)**	(16,021)
Interest income arising from revenue contracts		**(1,811)**	(1,707)
Lease payments not included in the measurement of lease liabilities		**3,104**	578
Auditor's remuneration		**4,260**	507
Employee benefit expense (excluding directors' and chief executive's remuneration):			
Wages and salaries		**99,077**	60,016
Pension scheme contributions *(note d)*		**6,271**	4,296
Staff welfare expenses		**10,621**	7,311
Equity-settled share award expenses		**26,191**	7,389
Termination benefits		**2,563**	–
		144,723	79,012
Loss on disposal of items of property, plant and equipment		**52**	3
Foreign exchange (gains)/losses, net		**(68,070)**	14,036
Loss on disposal of items of other intangible assets		**–**	486
Impairment of trade receivables, net	*10*	**8,688**	10,980
Write-down of inventories to net realisable value *(note e)*		**26,664**	12,632
Impairment of investment in an associate *(note f)*		**15,377**	–
Fair value losses/(gains), net:			
Financial assets at fair value through profit or loss		**6,263**	(2,913)
Financial liabilities under co-investment arrangements		**609**	39,261
Convertible redeemable preferred shares		**789,063**	225,852

Notes:

(a) *The cost of inventories sold includes RMB274,000 relating to equity-settled share award expenses during the year (2021: Nil).*

(b) *The depreciation of right-of-use assets is included in "Administrative expenses" and "Cost of sales" in the consolidated statement of profit or loss and other comprehensive income and "Inventories" in the consolidated statement of financial position.*

(c) *The amortisation of other intangible assets is included in "Administrative expenses" and "Cost of sales" in the consolidated statements of profit or loss and other comprehensive income.*

(d) *There are no forfeited contributions that may be used by the Group as the employer to reduce the existing level of contributions.*

(e) *Write-down of inventories to net realisable value is included in "Cost of sales" in the consolidated statement of profit or loss and other comprehensive income.*

(f) *The impairment of investment in an associate is included in "Other expenses" in the consolidated statement of profit or loss and other comprehensive income.*

6. INCOME TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Company and its subsidiaries are not subject to any income tax in the Cayman Islands and the British Virgin Islands.

The statutory tax rate for the subsidiary in Hong Kong is 16.5%. No Hong Kong profits tax on this subsidiary has been provided as there was no assessable profit arising in Hong Kong during the year.

The provision for PRC corporate income tax is based on the statutory rate of 25% of the assessable profits of certain PRC subsidiaries of the Group as determined in accordance with the PRC Corporate Income Tax Law which was approved and became effective on 1 January 2008.

As stipulated in Cai Shui [2011] No. 112, enterprises newly established in Xinjiang Kashgar/Horgos special economic areas during the periods from 2010 to 2020 can enjoy Corporate Income Tax ("**CIT**") exemption for five years starting from the year under which the first revenue is generated. Horgos Linmon Film and Television Media Co., Ltd. and Horgos Linmon Black Tea Film and Television Media Co., Ltd. enjoyed the benefit under the Notice of the Ministry of Finance and the State Administration of Taxation on Income Tax Incentives for Newly-established Enterprises in Poverty Areas of Xinjiang (《新疆困難地區重點鼓勵發展產業企業所得稅優惠目錄》). According to the Preferential Filing Record of CIT (《企業所得稅優惠事項備案表》), Horgos Linmon has obtained the approval from the State Administration of Taxation for local bureau's CIT exemption from 1 January 2021 to 31 December 2025. Horgos Linmon Black Tea has registered with the State Administration of Taxation for local bureau's CIT exemption from 1 January 2022 to 31 December 2026.

Shanghai Yuri Juzeng Culture Media Co., Ltd., Shanghai Ninghe Culture and Media Co., Ltd., Hainan Linmon Kaixin Film and Television Media Co., Ltd., Hangzhou Wuren Guanji Culture and Media Co., Ltd., Shanghai Ningchuan Culture and Media Co., Ltd., Shanghai Linmon Kaixin Film and Television Media Co., Ltd., Shanghai Linmon Yuexin Film and Television Media Co., Ltd., Shanghai Ningxin Culture Investment Management Co., Ltd., Shanghai Ningshi Enterprise Management Co., Ltd., Shanghai Ningjie Culture Media Co., Ltd., Beijing Haoyou Benling Culture Media Co., Ltd., Beijing Ningle Film and Television Media Co., Ltd., Hangzhou Ningchuan Jiji Internet Co., Ltd., Hangzhou Ningchuan Qugou Internet Co., Ltd. and Shenzhen Ninghao Culture Media Co., Ltd. are qualified as small and micro enterprises and are subject to preferential income tax rate with the first RMB1,000,000 of assessable profits are taxed at 2.5% and the assessable profits between RMB1,000,000 and RMB3,000,000 are taxed at 10% during the year.

(a) The major components of the income tax expense of the Group during the year are analysed as follows:

	2022 ***RMB'000***	2021 *RMB'000*
Current – Mainland China		
Charge for the year	**36,019**	111,129
Deferred tax	**6,086**	(48,253)
Total tax charge for the year	**42,105**	62,876

(b) A reconciliation of the tax expense applicable to (loss)/profit before tax at the statutory rate in Mainland China to the tax expense at the effective tax rate is as follows:

	2022	2021
	RMB'000	*RMB'000*
(Loss)/profit before tax	**(689,929)**	123,789
Tax at the statutory tax rate of 25% in Mainland China	**(172,482)**	30,947
Effect of tax rate differences in other jurisdictions	**197,825**	29,320
Preferential tax rates enacted by local authority	**(114)**	125
Expenses not deductible for tax	**4,863**	5,061
Temporary differences and tax losses not recognised	**10,319**	668
Temporary differences and tax losses utilised from prior periods	**(47)**	(2,695)
Profits and losses attributable to associates	**441**	(550)
Effect of withholding tax at 10% on the interest expense of the Group's PRC subsidiaries to be paid	**1,330**	–
Tax charge at the Group's effective tax rate	**42,105**	62,876

There is no share of tax attributable to associates which is included in "Share of profits and losses of associates" in the consolidated statement of profit or loss and other comprehensive income.

7. DIVIDENDS

The board of directors has resolved not to recommend payment of a final dividend for the year (2021: Nil).

8. (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic (loss)/earnings per share amounts is based on the (loss)/profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 247,795,362 (2021: 99,097,954) in issue during the year.

The calculation of the diluted (loss)/earnings per share amounts is based on the (loss)/profit for the year attributable to ordinary equity holders of the parent, adjusted to reflect fair value changes of convertible redeemable preferred shares. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic (loss)/earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

The calculations of basic and diluted (loss)/earnings per share are based on:

	2022	2021
	RMB'000	*RMB'000*
(Loss)/earnings		
(Loss)/profit attributable to ordinary equity holders of the parent, used in the basic (loss)/earnings per share calculation	**(732,034)**	60,913
Adjustment:		
Fair value changes of convertible redeemable preferred shares	**789,063**	225,852
Profit attributable to ordinary equity holders of the parent before fair value changes of convertible redeemable preferred shares	**57,029**	286,765

	Number of shares	
	2022	2021
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic (loss)/earnings per share calculation	**247,795,362**	99,097,954
Effect of dilution – weighted average number of ordinary shares:		
Share options	**6,206,968**	1,573,816
Convertible redeemable preferred shares	**–**	57,319,914
	254,002,330*	157,991,684*

* No adjustment has been made to the basic loss per share amount presented for the year ended 31 December 2022 in respect of a dilution as the impact of the outstanding share options had an anti-dilutive effect on the basic loss per share amount presented. For the year ended 31 December 2021, the convertible redeemable preferred shares had an anti-dilutive effect on the basic earnings per share and were ignored in the calculation of diluted earnings per share. Therefore, the diluted (loss)/earnings per share amounts are based on the (loss)/profit for the year of RMB(732,034,000) (2021: RMB60,913,000) and the weighted average number of ordinary shares of 247,795,362 (2021: 100,671,770) in issue during the year.

9. INVENTORIES

	2022	2021
	RMB'000	*RMB'000*
Raw materials	**120,700**	118,664
Work in progress	**555,941**	330,379
Finished goods	**7,290**	105,170
	683,931	554,213

10. TRADE AND NOTES RECEIVABLES

	2022	2021
	RMB'000	*RMB'000*
Trade receivables	**377,404**	395,050
Notes receivable	**24,310**	28,000
	401,714	423,050
Impairment	**(46,156)**	(37,468)
	355,558	385,582

The Group's trading terms with its customers are mainly on credit. The credit period is generally 30 to 365 days, depending on the specific payment terms in each contract. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

An ageing analysis of the trade receivables as at the end of the reporting period, based on the transaction dates and net of loss allowance, is as follows:

	2022	2021
	RMB'000	*RMB'000*
Within 3 months	**13,792**	284,370
3 to 6 months	**218,802**	–
6 to 12 months	**35,086**	37,496
1 to 2 years	**48,749**	5,325
2 to 3 years	**5,047**	30,391
Over 3 years	**9,772**	–
	331,248	357,582

The movements in the loss allowance for impairment of trade receivables are as follows:

	2022	2021
	RMB'000	*RMB'000*
At beginning of year	**37,468**	26,488
Impairment losses, net *(note 5)*	**8,688**	10,980
At end of year	**46,156**	37,468

An impairment analysis is performed at the end of each reporting period using a provision matrix to measure expected credit losses. The provision rates are based on ageing and the days past due for groupings of various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the end of each reporting period about past events, current conditions and forecasts of future economic conditions. Trade receivables for which the counterparties failed to make the demanded repayments are defaulted receivables. The Group has provided impairment for the defaulted receivables based on the cash flows that the Group expects to receive.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

As at 31 December 2022

	Gross carrying amount ***RMB'000***	**Expected credit loss rate**	**Expected credit loss** ***RMB'000***
Defaulted receivables	**50,703**	**80.73%**	**40,931**
Other trade receivables aged:			
Current	**14,268**	**0.29%**	**41**
Past due:			
Within 1 year	**289,537**	**1.14%**	**3,314**
Between 1 and 2 years	**22,896**	**8.17%**	**1,870**
	377,404	**12.23%**	**46,156**

As at 31 December 2021

	Gross carrying amount *RMB'000*	Expected credit loss rate	Expected credit loss *RMB'000*
Defaulted receivables	66,703	54.44%	36,312
Other trade receivables aged:			
Current	285,195	0.29%	825
Past due:			
Within 1 year	37,656	0.42%	160
Between 1 and 2 years	5,496	3.11%	171
	395,050	9.50%	37,468

Included in the Group's trade receivables were amounts due from the Group's related parties of RMB8,024,000 as at 31 December 2022 (2021: RMB60,756,000), which were repayable on credit terms similar to those offered to the major customers of the Group.

The Group's notes receivable were all aged within one year and were neither past due nor impaired.

As at 31 December 2022, notes receivable of RMB24,310,000 (2021: RMB28,000,000), whose fair values approximate to their carrying values, were classified as financial assets through other comprehensive income under HKFRS 9. The fair value changes of these notes receivable at fair value through other comprehensive income were insignificant.

At 31 December 2022, certain notes receivable accepted by banks in Mainland China (the "**Discounted Notes**") were discounted to the banks in Mainland China with carrying amounts in aggregate of RMB137,235,000 (2021: RMB49,431,000). In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Discounted Notes have a right of recourse against the Group if the PRC banks default (the "**Continuing Involvement**"). In the opinion of the directors, the Group has transferred substantially all risks and rewards relating to the Discounted Notes accepted by large and reputable banks with an amount of RMB137,235,000 (2021: RMB49,431,000). The maximum exposure to loss from the Group's Continuing Involvement in the Discounted Notes and the undiscounted cash flows to repurchase these Discounted Notes are equal to their carrying amounts. In the opinion of the directors, the fair values of the Group's Continuing Involvement in the Discounted Notes are not significant. During the year ended 31 December 2022, the Group recognised the interest expenses on the Discounted Notes receivable amounting to RMB2,394,000 (2021: RMB953,000).

11. TRADE PAYABLES

	2022 ***RMB'000***	2021 *RMB'000*
Trade payables	**40,357**	76,246

An ageing analysis of the trade payables as at the end of each reporting period, based on the invoice date, is as follows:

	2022 ***RMB'000***	2021 *RMB'000*
Within 3 months	**38,880**	74,156
3 to 6 months	**691**	586
6 to 12 months	**174**	1,504
1 to 2 years	**612**	–
	40,357	76,246

Included in the trade payables were trade payables of RMB3,276,000 as at 31 December 2022 (2021: RMB1,919,000), due to the Group's related parties which were repayable within one year, which represented credit terms similar to those offered by the related parties to their major customers.

The trade payables are non-interest-bearing and are normally settled on terms of 90 to 365 days.

12. OTHER PAYABLES AND ACCRUALS

	Notes	**2022** **RMB'000**	2021 *RMB'000*
Contract liabilities	*(a)*	**695,140**	654,600
Financial liabilities under co-investment arrangements	*(b)*	**19,478**	88,904
Other payables	*(c)*	**52,561**	18,952
Provision	*(d)*	**–**	8,575
Other tax payables		**2,719**	37,864
Deferred revenue		**1,917**	9,447
Payroll and welfare payable		**28,503**	11,096
		800,318	829,438
Analysed into:			
Current		**471,551**	466,669
Non-current		**328,767**	362,769

Notes:

(a) Details of contract liabilities are as follows:

	2022 **RMB'000**	2021 *RMB'000*
Licencing of the broadcasting rights of original drama series	**662,011**	634,868
Others	**33,129**	19,732
Total contract liabilities	**695,140**	654,600

Contract liabilities include advances received from the licencing of broadcasting rights of original drama series and others.

Included in contract liabilities as at 31 December 2022 was amounts of RMB10,408,000 (2021: RMB11,657,000) related to content marketing services to be provided to an investee company held by the Group under investments at fair value through profit or loss.

Included in contract liabilities were advances received from the Group's related parties of RMB513,736,000 as at 31 December 2022 (2021: RMB294,906,000).

The increase in contract liabilities as of 31 December 2022 was primarily because the Group received prepayments from customers for purchasing several broadcasting rights of original drama series in 2022.

(b) Financial liabilities under co-investment arrangements are for variable return and measured at fair value.

Included in financial liabilities under co-investment arrangements were co-investments received from the Group's related parties of RMB7,367,000 (2021: RMB7,367,000).

(c) Other payables are non-interest-bearing and repayable on demand.

(d) The movements for the provision are as follows:

	2022	2021
	RMB'000	*RMB'000*
At the beginning of the year	**8,575**	7,880
Additional provision	**–**	695
Amount utilised during the year	**(7,616)**	–
Reversal of unutilised amounts	**(959)**	–
At the end of the year	**–**	8,575

The provision is mainly attributable to a lawsuit in 2020 in which a subsidiary of the Group bears joint liabilities to the plaintiff. In May 2022, the court made final verdict on the amount of claim as approximately RMB7,616,000. The claim was fully paid by the Group during the year.

By order of the Board
Linmon Media Limited
Su Xiao
Chairman

Beijing, PRC
31 March 2023

As at the date of this announcement, the executive Directors are Mr. Su Xiao, Ms. Chen Fei, Ms. Xu Xiao'ou and Mr. Zhou Yuan; the non-executive Directors are Mr. Sun Zhonghuai and Mr. Zhang Rong; and the independent non-executive Directors of the are Ms. Long Yu, Mr. Jiang Changjian and Ms. Tang Songlian.