

GLOBAL OFFERING

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# 檸萌影視傳媒有限公司 Linmon Media Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 9857



## 檸萌影业

Joint Sponsors, Joint Representatives, Joint Global Coordinators,  
Joint Bookrunners and Joint Lead Managers

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**Morgan Stanley**  **CICC 中金公司**

Joint Global Coordinator, Joint Bookrunner and Joint Lead Manager

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# IMPORTANT

IMPORTANT: If you are in any doubt about any of the contents of this prospectus, you should seek independent professional advice.



柠萌影业

**Linmon Media Limited**

**檸萌影視傳媒有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

## GLOBAL OFFERING

**Total Number of Offer Shares under the Global Offering** : 15,139,300 Shares (subject to the Over-allotment Option)  
**Number of Hong Kong Offer Shares** : 1,514,000 Shares (subject to reallocation)  
**Number of International Offer Shares** : 13,625,300 Shares (subject to reallocation and the Over-allotment Option)  
**Maximum Offer Price** : HK\$33.30 per Offer Share, plus brokerage of 1%, SFC transaction levy of 0.0027%, a Stock Exchange trading fee of 0.005% and FRC transaction levy of 0.00015% (payable in full on application in Hong Kong dollars and subject to refund)  
**Nominal value** : US\$0.000025 per Share  
**Stock code** : 9857

*Joint Sponsors, Joint Representatives, Joint Global Coordinators,  
Joint Bookrunners and Joint Lead Managers*

**Morgan Stanley**  **CICC 中金公司**

*Joint Global Coordinator, Joint Bookrunner and Joint Lead Manager*



*Joint Bookrunner and Joint Lead Manager*



*Joint Lead Manager*



Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus. A copy of this prospectus, having attached thereto the documents specified in "Documents Delivered to the Registrar of Companies and Available on Display" in Appendix V to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance. The Securities and Futures Commission of Hong Kong and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus or any other documents referred to above.

The Offer Price is expected to be determined by agreement between us and the Joint Representatives (for themselves and on behalf of the Underwriters) on or about Wednesday, August 3, 2022 and, in any event, not later than Tuesday, August 9, 2022. The Offer Price will not be more than HK\$33.30 per Offer Share and is expected to be not less than HK\$27.75 per Offer Share, unless otherwise announced. Applicants for Hong Kong Offer Shares are required to pay, on application, the maximum Offer Price of HK\$33.30 per Offer Share for each Hong Kong Offer Share together with brokerage of 1%, SFC transaction levy of 0.0027%, Stock Exchange trading fee of 0.005% and FRC transaction levy of 0.00015%, subject to refund if the Offer Price as finally determined is less than HK\$33.30 per Offer Share. If, for any reason, the Offer Price is not agreed between us and the Joint Representatives (for themselves and on behalf of the Underwriters) on or before Tuesday, August 9, 2022, the Global Offering (including the Hong Kong Public Offering) will not proceed and will lapse.

The Joint Representatives (for themselves and on behalf of the Underwriters) may, where considered appropriate and with the consent of our Company, reduce the number of Offer Shares and/or the indicative Offer Price range stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, we will, as soon as practicable following the decision to make such reduction and in any event not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering, cause there to be published on the websites of the Hong Kong Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and on the website of our Company at [www.linmon.cn](http://www.linmon.cn). See "Structure of the Global Offering" and "How to Apply for the Hong Kong Offer Shares" for more details.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities law in the United States and may not be offered, sold, pledged or transferred within the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act. The Offer Shares are being offered and sold only outside the United States in offshore transactions in reliance on Regulation S.

Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this prospectus, including the risk factors set out in "Risk Factors." The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement are subject to termination by the Joint Representatives (for themselves and on behalf of the Underwriters) if certain grounds arise prior to 8:00 a.m. on the Listing Date. Such grounds are set out in "Underwriting." It is important that you refer to that section for further details.

### ATTENTION

We have adopted a fully electronic application process for the Hong Kong Public Offering. We will not provide printed copies of this prospectus or printed copies of any application forms to the public in relation to the Hong Kong Public Offering.

This prospectus is available at the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and our website at [www.linmon.cn](http://www.linmon.cn). If you require a printed copy of this prospectus, you may download and print from the website addresses above.

July 29, 2022

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## IMPORTANT

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### IMPORTANT NOTICE TO INVESTORS: FULLY ELECTRONIC APPLICATION PROCESS

We have adopted a fully electronic application process for the Hong Kong Public Offering. We will not provide printed copies of this prospectus or printed copies of any application forms to the public in relation to the Hong Kong Public Offering.

This prospectus is available at the website of the Hong Kong Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) under the “*HKEXnews > New Listings > New Listing Information*” section, and our website at [www.linmon.cn](http://www.linmon.cn). If you require a printed copy of this prospectus, you may download and print from the website addresses above.

To apply for the Hong Kong Offer Shares, you may:

- (1) apply online via the **HK eIPO White Form** service in the **IPO App** (which can be downloaded by searching “**IPO App**” in App Store or Google Play or downloaded at [www.hkeipo.hk/IPOApp](http://www.hkeipo.hk/IPOApp) or [www.tricorglobal.com/IPOApp](http://www.tricorglobal.com/IPOApp)) or at [www.hkeipo.hk](http://www.hkeipo.hk); or;
- (2) apply through the **CCASS EIPO** service to electronically cause HKSCC Nominees to apply on your behalf, including by:
  - i. instructing your **broker** or **custodian** who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf; or
  - ii. (if you are an existing **CCASS Investor Participant**) giving **electronic application instructions** through the CCASS Internet System (<https://ip.ccass.com>) or through the CCASS Phone System by calling +852 2979 7888 (using the procedures in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time). HKSCC can also input **electronic application instructions** for CCASS Investor Participants through HKSCC’s Customer Service Centre at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong by completing an input request.

We will not provide any physical channels to accept any application for the Hong Kong Offer Shares by the public. The contents of the electronic version of this prospectus are identical to the printed prospectus as registered with the Registrar of Companies in Hong Kong pursuant to Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

If you are an **intermediary, broker or agent**, please remind your customers, clients or principals, as applicable, that this prospectus is available online at the website addresses above.

## IMPORTANT

Please refer to the section headed “How to Apply for Hong Kong Offer Shares” for further details of the procedures through which you can apply for the Hong Kong Offer Shares electronically.

Your application through the **HK eIPO White Form** service or the **CCASS EIPO** service must be for a minimum of 100 Hong Kong Offer Shares and in one of the numbers set out in the table. You are required to pay the amount next to the number you select.

No. of Hong Kong Offer Shares applied for	Amount payable on application HK\$	No. of Hong Kong Offer Shares applied for	Amount payable on application HK\$	No. of Hong Kong Offer Shares applied for	Amount payable on application HK\$	No. of Hong Kong Offer Shares applied for	Amount payable on application HK\$
100	3,363.56	2,500	84,089.03	30,000	1,009,068.42	600,000	20,181,368.43
200	6,727.12	3,000	100,906.85	40,000	1,345,424.56	700,000	23,544,929.84
300	10,090.68	3,500	117,724.65	50,000	1,681,780.71	757,000 <sup>(1)</sup>	25,462,159.84
400	13,454.25	4,000	134,542.46	60,000	2,018,136.85		
500	16,817.80	4,500	151,360.26	70,000	2,354,492.99		
600	20,181.37	5,000	168,178.08	80,000	2,690,849.13		
700	23,544.93	6,000	201,813.68	90,000	3,027,205.27		
800	26,908.49	7,000	235,449.30	100,000	3,363,561.41		
900	30,272.05	8,000	269,084.91	200,000	6,727,122.81		
1,000	33,635.62	9,000	302,720.53	300,000	10,090,684.22		
1,500	50,453.42	10,000	336,356.14	400,000	13,454,245.62		
2,000	67,271.23	20,000	672,712.28	500,000	16,817,807.03		

(1) Maximum number of Hong Kong Offer Shares you may apply for.

No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

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## EXPECTED TIMETABLE<sup>(1)</sup>

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*If there is any change in the following expected timetable of the Hong Kong Public Offering, we will issue an announcement in Hong Kong to be published on the Company's website at [www.linmon.cn](http://www.linmon.cn) and the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk).*

Hong Kong Public Offering commences .....9:00 a.m. on  
Friday, July 29, 2022

Latest time to complete electronic applications under  
the **HK eIPO White Form** service through one  
of the below ways<sup>(2)</sup>

(1) the **IPO App**, which can be downloaded by searching  
“**IPO App**” in App Store or Google Play or downloaded  
at [www.hkeipo.hk/IPOApp](http://www.hkeipo.hk/IPOApp) or [www.tricorglobal.com/IPOApp](http://www.tricorglobal.com/IPOApp)

(2) the designated website at [www.hkeipo.hk](http://www.hkeipo.hk) .....11:30 a.m. on  
Wednesday, August 3, 2022

Application lists open<sup>(3)</sup> .....11:45 a.m. on  
Wednesday, August 3, 2022

Latest time to (a) lodge completing payment of  
**HK eIPO White Form** applications by effecting internet banking  
transfers(s) or PPS payment transfer(s) and (b) giving  
**electronic application instructions** to HKSCC<sup>(4)</sup> .....12:00 noon on  
Wednesday, August 3, 2022

If you are instructing your **broker** or **custodian** who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf, you are advised to contact your **broker** or **custodian** for the latest time for giving such instructions which may be different from the latest time as stated above.

Application lists close<sup>(3)</sup> .....12:00 noon on  
Wednesday, August 3, 2022

Expected Price Determination Date<sup>(5)</sup> ..... Wednesday, August 3, 2022

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## EXPECTED TIMETABLE<sup>(1)</sup>

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Announcement of the Offer Price, the level of indications of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares under the Hong Kong Public Offering to be published on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and the Company's website at [www.linmon.cn](http://www.linmon.cn)<sup>(6)</sup> on or before<sup>(10)</sup> .....Tuesday, August 9, 2022

The results of allocations in the Hong Kong Public Offering (with successful applicants' identification document numbers, where appropriate) to be available through a variety of channels, including:

- in the announcement to be posted on our website and the website of the Stock Exchange at [www.linmon.cn](http://www.linmon.cn) and [www.hkexnews.hk](http://www.hkexnews.hk) respectively<sup>(10)</sup> .....Tuesday, August 9, 2022
  
- from "IPO Results" function in the **IPO App** or the designated results of allocations website at [www.tricor.com.hk/ipo/result](http://www.tricor.com.hk/ipo/result) or [www.hkeipo.hk/IPOResult](http://www.hkeipo.hk/IPOResult) with a "search by ID" function from<sup>(10)</sup> .....8:00 a.m. on, Tuesday, August 9, 2022 to 12:00 midnight on Monday, August 15, 2022
  
- from the allocation results telephone enquiry line by calling +852 3691 8488 between 9:00 a.m. and 6:00 p.m. from .....Tuesday, August 9, 2022, to Friday, August 12, 2022

Share certificates in respect of wholly or partially successful applications to be dispatched/collected or deposited into CCASS on or before<sup>(7) (10)</sup> .....Tuesday, August 9, 2022

**HK eIPO White Form** e-Auto Refund payment instructions/refund checks in respect of wholly or partially successful applications if the final Offer Price is less than the maximum Offer Price per Offer Share initially paid on application (if applicable) or wholly or partially unsuccessful applications to be dispatched/collected on or before<sup>(8)(9)(10)</sup> .....Tuesday, August 9, 2022

Dealings in the Shares on the Stock Exchange expected to commence at<sup>(10)</sup> .....9:00 a.m. on Wednesday, August 10, 2022

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## EXPECTED TIMETABLE<sup>(1)</sup>

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The application for the Hong Kong Offer Shares will commence on Friday, July 29, 2022 through Wednesday, August 3, 2022. The application monies (including brokerage, SFC transaction levy, Stock Exchange trading fee and FRC transaction levy) will be held by the receiving bank on behalf of the Company and the refund monies, if any, will be returned to the applicant(s) without interest on Tuesday, August 9, 2022. Investors should be aware that the dealings in Shares on the Stock Exchange are expected to commence on Wednesday, August 10, 2022.

*Notes:*

- (1) Unless otherwise stated, all times and dates refer to Hong Kong local times and dates. Details of the structure of the Global Offering, including conditions of the Hong Kong Public Offering, are set forth in the section headed “Structure of the Global Offering” in this prospectus.
- (2) You will not be permitted to submit your application under the **HK eIPO White Form** service through the **IPO App** or the designated website at [www.hkeipo.hk](http://www.hkeipo.hk) after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the **IPO App** or the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.
- (3) If there is/are a “black” rainstorm warning or a tropical cyclone warning signal number 8 or above and/or Extreme Conditions in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Wednesday, August 3, 2022, the application lists will not open and will close on that day. For further details, please see the section headed “How to Apply for Hong Kong Offer Shares – 11. Effect of Bad Weather and/or Extreme Conditions on the Opening and Closing of the Application Lists” in this prospectus.
- (4) Applicants who apply for Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC via CCASS should refer to the section headed “How to Apply for Hong Kong Offer Shares – 7. Applying through the **CCASS EIPO** service” in this prospectus.
- (5) The Price Determination Date is expected to be on or about Wednesday, August 3, 2022, and in any event, not later than Tuesday, August 9, 2022. If, for any reason, the Offer Price is not agreed between the Joint Representatives (for themselves and on behalf of the Underwriters) and us on or before Tuesday, August 9, 2022, the Global Offering will not proceed and will lapse.
- (6) None of the websites or any of the information contained on the websites forms part of this prospectus.
- (7) Share certificates will only become valid at 8:00 a.m. on the Listing Date provided that the Global Offering has become unconditional and the right of termination described in the section headed “Underwriting – Underwriting Arrangements and Expenses – Hong Kong Public Offering – Grounds for Termination” in this prospectus has not been exercised. Investors who trade Shares on the basis of publicly available allocation details prior to the receipt of Share certificates or prior to the Share certificates becoming valid evidence of title do so entirely at their own risk.
- (8) e-Auto Refund payment instructions/refund cheques will be issued in respect of wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering and in respect of wholly or partially successful applications in the event that the final Offer Price is less than the price payable per Offer Share on application. Part of the applicant’s identification document number, or, if the application is made by joint applicants, part of the identification document number of the first-named applicant, provided by the applicant(s) may be printed on the refund check, if any. Such data would also be transferred to a third party for refund purposes. Banks may require verification of an applicant’s identification document number before encashment of the refund check. Inaccurate completion of an applicant’s identification document number may invalidate or delay encashment of the refund check.
- (9) Applicants who have applied on the **HK eIPO White Form** service for 500,000 or more Hong Kong Offer Shares may collect any refund checks (where applicable) and/or Share certificates in person from our Hong Kong Share Registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong from 9:00 a.m. to 1:00 p.m. on Tuesday, August 9, 2022 or such other date as notified by us as the date of dispatch/collection of Share certificates/e-Auto Refund payment instructions/refund checks. Applicants being individuals who are eligible for personal collection may not authorize any other person to collect on their behalf. If you are a corporate applicant which is eligible for personal collection, your authorized representative must bear a letter of authorization from your corporation stamped with your corporation’s chop. Both individuals and authorized representatives must produce evidence of identity acceptable to our Hong Kong Share Registrar at the time of collection.

Applicants who have applied for Hong Kong Offer Shares through the **CCASS EIPO** service should refer to the section headed “How to Apply for Hong Kong Offer Shares – 15. Despatch/Collection of Share Certificates and Refund Monies – Personal Collection – (ii) if you apply through the **CCASS EIPO** service” in this prospectus for details.

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## EXPECTED TIMETABLE<sup>(1)</sup>

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Applicants who have applied through the **HK eIPO White Form** service and paid their applications monies through single bank accounts may have refund monies (if any) dispatched to the bank account in the form of e-Auto Refund payment instructions. Applicants who have applied through the **HK eIPO White Form** service and paid their application monies through multiple bank accounts may have refund monies (if any) dispatched to the address as specified in their application instructions in the form of refund checks in favour of the applicant (or, in the case of joint applications, the first-named applicant) by ordinary post at their own risk.

Share certificates and/or refund checks for applicants who have applied for less than 500,000 Hong Kong Offer Shares and any uncollected Share certificates and/or refund checks will be dispatched by ordinary post, at the applicants' risk, to the addresses specified in the relevant applications.

Further information is set out in the sections headed "How to Apply for Hong Kong Offer Shares – 14. Refund of Application Monies" and "How to Apply for Hong Kong Offer Shares – 15. Despatch/Collection of Share Certificates and Refund Monies".

- (10) In case a typhoon warning signal no. 8 or above, a black rainstorm warning signal and/or Extreme Conditions is/are in force in any days between Friday, July 29, 2022 to Wednesday, August 10, 2022, then the day of (i) announcement of results of allocations in the Hong Kong Public Offering; (ii) despatch of Share certificates and refund checks/**HK eIPO White Form** e-Auto Refund payment instructions; and (iii) dealings in the Shares on the Stock Exchange may be postponed and an announcement may be made in such event.

The above expected timetable is a summary only. For further details of the structure of the Global Offering, including its conditions, and the procedures for applications for Hong Kong Offer Shares, please see the sections headed "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares" in this prospectus, respectively.

If the Global Offering does not become unconditional or is terminated in accordance with its terms, the Global Offering will not proceed. In such case, the Company will make an announcement as soon as practicable thereafter.



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### IMPORTANT NOTICE TO INVESTORS

*We have issued this prospectus solely in connection with the Hong Kong Public Offering and the Hong Kong Offer Shares, and it does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Hong Kong Offer Shares offered by this prospectus pursuant to the Hong Kong Public Offering. This prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any other jurisdiction or in any other circumstances. We have taken no action to permit a public offering of the Offer Shares in any jurisdiction other than Hong Kong, and we have taken no action to permit the distribution of this prospectus in any jurisdiction other than Hong Kong. The distribution of this prospectus and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.*

*You should only rely on the information contained in this prospectus and the **GREEN** Application Form to make your investment decision. The Hong Kong Public Offering is made solely on the basis of the information contained and the representations made in this Prospectus. We have not authorized anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorized by us, the Joint Sponsors, the Joint Representatives, the Joint Global Coordinators, the Joint Bookrunners and the Joint Lead Managers, the Underwriters, any of our or their respective directors or any other person or party involved in the Global Offering.*

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## SUMMARY

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*This summary aims to give you an overview of the information contained in this listing 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 listing document. You should read the whole listing document including the appendices hereto, which constitute an integral part of this listing document.*

### OVERVIEW

According to Frost & Sullivan, we ranked the fourth among all Chinese drama series companies<sup>(1)</sup> 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<sup>(2)</sup> 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.

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*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.

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## SUMMARY

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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 <sup>(1)</sup>	Since May 2016
“A Love for Separation” (小別離)	Original drama series	N/A <sup>(1)</sup>	Since August 2016
“Fighter of the Destiny” (擇天記)	Original drama series	N/A <sup>(1)</sup>	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 <sup>(2)</sup>	Since January 2022
“Under the Skin” (獵罪圖鑑)	Original drama series	N/A <sup>(2)</sup>	Since March 2022

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## SUMMARY

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*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<sup>(3)</sup> 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.

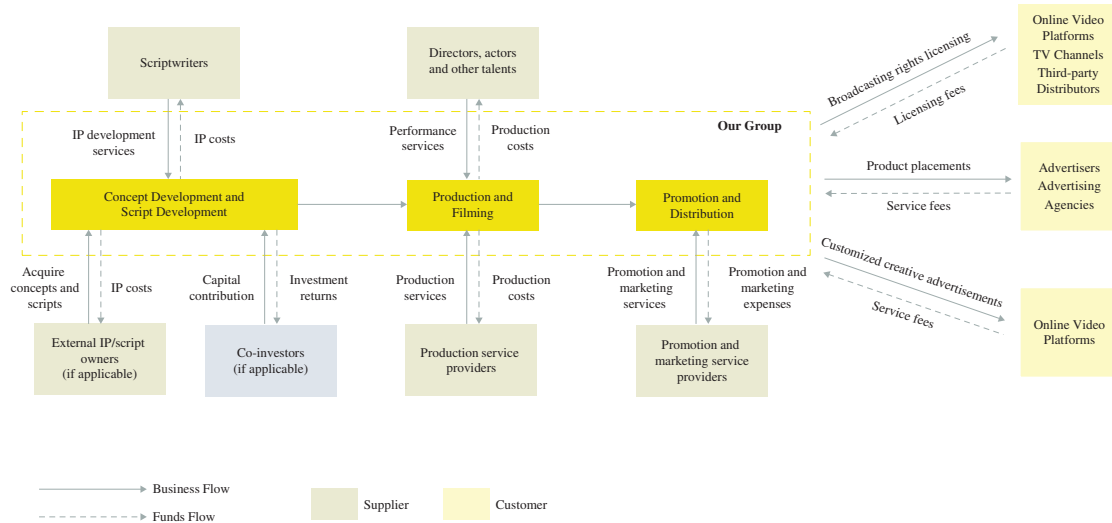
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(3) According to Frost & Sullivan, high viewership drama series refers to drama series that are in the list of the top 20 TV drama series (measured by viewership) or top 20 web series (measured by view count) for the relevant year. High viewership 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.

# SUMMARY

## OUR BUSINESS MODEL

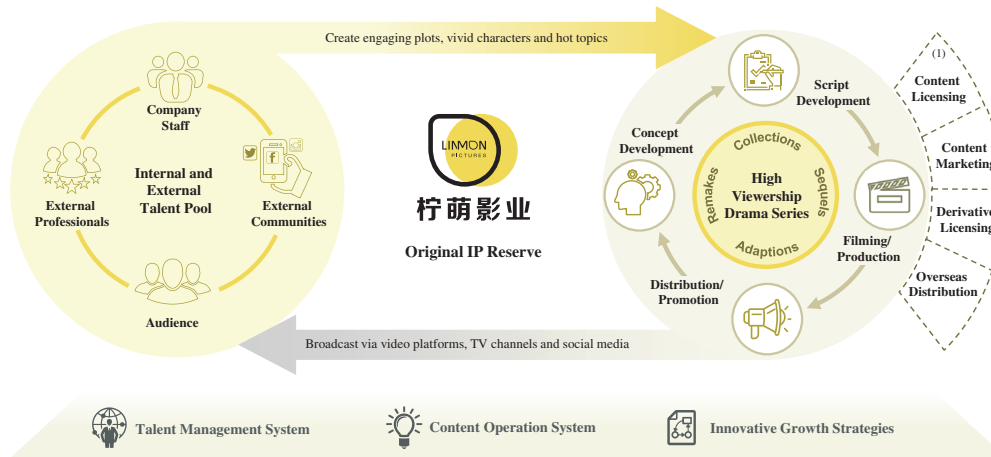
The chart below illustrates the business and funds flow of our original drama series and content marketing businesses:



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.

## SUMMARY

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

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## SUMMARY

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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.”



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## SUMMARY

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### 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 Global Offering. 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.

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## SUMMARY

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### 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

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## SUMMARY

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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.

## SUMMARY

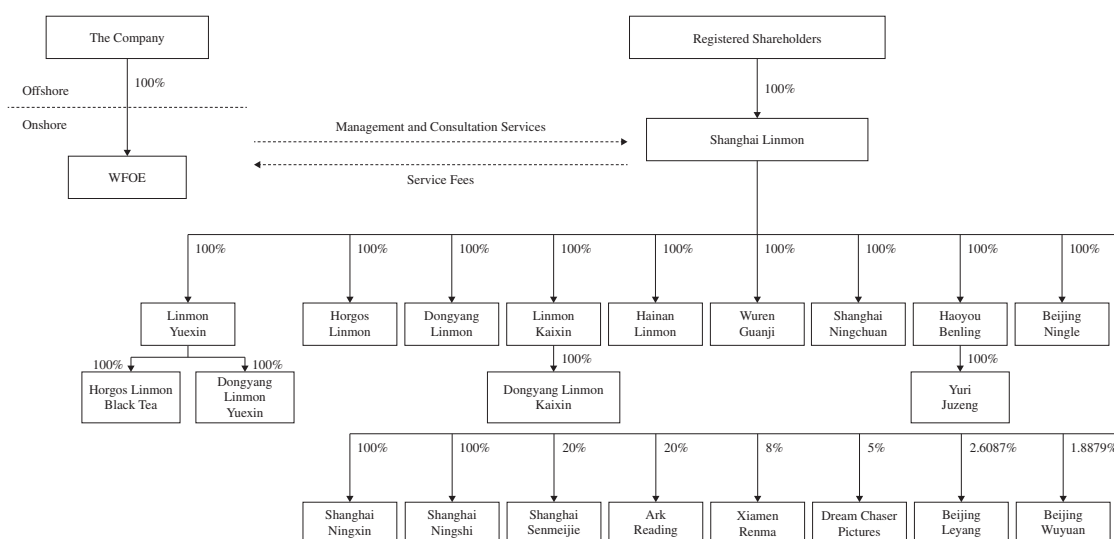
The pricing for our content marketing services is also determined by negotiations between the parties on a cost-plus basis, taking into consideration of the duration of the content, display method, our target profit margin with reference to the overall market conditions and trends, prevailing market 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.”

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## SUMMARY

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### 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 Global Offering, 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 44.33% 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 or it 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 Listing with Tencent and its associates, which will constitute our non-exempt continuing connected transactions under Chapter 14A of the Listing Rules. Tencent Mobility, a subsidiary of Tencent, is a current Shareholder and a Pre-IPO Investor of our Company, holding approximately 18.95% of the issued share capital of our Company immediately after the Global Offering, 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.”

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## SUMMARY

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### PRE-IPO 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-IPO Investors through several rounds of Pre-IPO Investments since 2014. For details of our Pre-IPO Investments, see “History, Reorganization and Corporate Development – Pre-IPO 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 <i>RMB'000</i>	2020 <i>RMB'000</i>	2021 <i>RMB'000</i>	2021 <i>RMB'000</i>	2022 <i>RMB'000</i>
				<i>(Unaudited)</i>	
<b>Revenue</b>	1,794,164	1,426,159	1,248,964	48,083	470,648
Cost of sales	<u>(1,393,316)</u>	<u>(880,403)</u>	<u>(689,934)</u>	<u>(6,037)</u>	<u>(287,469)</u>
Gross profit	400,848	545,756	559,030	42,046	183,179
Other income and gains <sup>(1)</sup>	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	<u>(93,924)</u>	<u>(239,176)</u>	<u>(225,852)</u>	<u>(49,665)</u>	<u>(70,539)</u>

## SUMMARY

	Year ended December 31,			Three months ended March 31,	
	2019	2020	2021	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Profit/(loss) before tax</b>	107,697	94,039	123,789	(17,553)	25,970
Income tax expense	<u>(27,299)</u>	<u>(31,494)</u>	<u>(62,876)</u>	<u>5,625</u>	<u>(28,093)</u>
<b>Profit/(loss) for the year/period</b>	<u>80,398</u>	<u>62,545</u>	<u>60,913</u>	<u>(11,928)</u>	<u>(2,123)</u>
Attributable to:					
Owners of the parent	82,951	50,130	60,913	(11,928)	(2,123)
Non-controlling interests	<u>(2,553)</u>	<u>12,415</u>	<u>–</u>	<u>–</u>	<u>–</u>
	<u>80,398</u>	<u>62,545</u>	<u>60,913</u>	<u>(11,928)</u>	<u>(2,123)</u>

*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, listing 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

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## SUMMARY

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designated the convertible redeemable preferred shares upon initial recognition as financial liabilities at fair value through profit or loss. Upon Listing, 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 listing expense arising from activities relating to the Listing.

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:

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

*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) Listing expenses are mainly relate to the Global Offering 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 Global Offering.
- (4) A non-HKFRS measure.



## SUMMARY

### 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	%
	<i>(Unaudited)</i>									
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%
<b>Total</b>	<b>1,794,164</b>	<b>100.0%</b>	<b>1,426,159</b>	<b>100.0%</b>	<b>1,248,964</b>	<b>100.0%</b>	<b>48,083</b>	<b>100.0%</b>	<b>470,648</b>	<b>100.0%</b>

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
	<i>(Unaudited)</i>									
	<i>(RMB in thousands)</i>									
“To Be a Better Man” (好先生) <sup>(1)</sup>	–	–	–	–	–	–	–	–	–	–
“A Love for Separation” (小別離) <sup>(2)</sup>	792	–	1,353	–	178	–	174	–	–	–
“Fighter of the Destiny” (擇天記) <sup>(3)</sup>	–	–	–	–	–	–	–	–	–	–
“Only Side by Side with You” (南方有喬木) <sup>(4)</sup>	1,651	–	–	–	–	–	–	–	–	–
“Legend of Fuyao” (扶搖) <sup>(5)</sup>	–	–	–	–	–	–	–	–	–	–
“Novoland: Eagle Flag” (九州縹緲錄)	1,005,857	4,717	–	–	–	–	–	–	–	–

## SUMMARY

	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) <sup>(6)</sup>	-	-	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) <sup>(7)</sup>	-	-	-	-	219,293	13,499	-	-	3,382	-
“Xiaomin’s House” (小敏家) <sup>(8)</sup>	-	-	-	-	396,225	42,380	-	-	29,487	7,899 <sup>(9)</sup>
“Beyond” (超越)	-	-	-	-	-	-	-	-	299,664	5,387
“Under the Skin” (獵罪圖鑑)	-	-	-	-	-	-	-	-	123,657	833
<b>Total</b>	<b>1,632,658</b>	<b>58,832</b>	<b>1,207,423</b>	<b>65,961</b>	<b>1,051,435</b>	<b>109,766</b>	<b>9,608</b>	<b>-</b>	<b>456,190</b>	<b>14,119</b>

*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.

## SUMMARY

- (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) “Xiaomin’s House” (小敏家) was under first-run broadcasting in 2021. Revenue from “Xiaomin’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	%
Online video										
platforms <sup>(1)</sup>	1,257,358	77.0%	896,767	74.3%	722,459	68.7%	9,434	98.2%	334,804	73.4%
TV channels <sup>(2)</sup>	333,362	20.4%	276,026	22.9%	269,380	25.6%	134	1.4%	95,655	21.0%
Others <sup>(3)</sup>	41,938	2.6%	34,630	2.8%	59,596	5.7%	40	0.4%	25,731	5.6%
<b>Total</b>	<b>1,632,658</b>	<b>100.0%</b>	<b>1,207,423</b>	<b>100.0%</b>	<b>1,051,435</b>	<b>100.0%</b>	<b>9,608</b>	<b>100.0%</b>	<b>456,190</b>	<b>100.0%</b>

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.

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## SUMMARY

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### *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

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## SUMMARY

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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.

## SUMMARY

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		Gross		Gross		Gross		Gross		
	Gross	Profit	Gross	Profit	Gross	Profit	Gross	Profit	Gross	Profit	
Profit Margin		Profit Margin		Profit Margin		Profit Margin		Profit Margin			
RMB'000		%		RMB'000		%		RMB'000		%	
	<i>(Unaudited)</i>										
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%	
<b>Total</b>	<b>400,848</b>	<b>22.3%</b>	<b>545,756</b>	<b>38.3%</b>	<b>559,030</b>	<b>44.8%</b>	<b>42,046</b>	<b>87.4%</b>	<b>183,179</b>	<b>38.9%</b>	

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.

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## SUMMARY

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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 Global Offering; 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.

## SUMMARY

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 listing expenses of RMB7.8 million incurred in relation to the Global Offering.

### 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
	2019	2020	2021	March 31,
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>2022</i>
				<i>RMB'000</i>
<b>Current assets</b>				
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
<b>Total current assets</b>	<b>2,389,512</b>	<b>1,563,227</b>	<b>2,293,861</b>	<b>2,397,081</b>



## SUMMARY

	As of December 31,			As of
	2019	2020	2021	March 31,
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<b>2022</b> <i>RMB'000</i>
<b>Non-current assets</b>				
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	–	–
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
<b>Total non-current assets</b>	<b>613,062</b>	<b>978,750</b>	<b>669,286</b>	<b>670,652</b>
<b>Current liabilities</b>				
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
<b>Total current liabilities</b>	<b>1,146,559</b>	<b>3,473,701</b>	<b>3,911,097</b>	<b>3,902,234</b>
<b>Non-current liabilities</b>				
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
<b>Total non-current liabilities</b>	<b>2,762,045</b>	<b>9,855</b>	<b>374,530</b>	<b>481,865</b>
<b>Net current assets/ (liabilities)</b>	<b>1,242,953</b>	<b>(1,910,474)</b>	<b>(1,617,236)</b>	<b>(1,505,153)</b>
<b>Non-controlling interests</b>	100	–	–	–
<b>Total deficits</b>	<b>(906,030)</b>	<b>(941,579)</b>	<b>(1,322,480)</b>	<b>(1,316,366)</b>

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## SUMMARY

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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 Listing Date, 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 Listing. As such, we will return to net asset position when all of the convertible redeemable preferred shares are converted to ordinary shares upon Listing. 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 proceeds from the Global Offering. 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

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## SUMMARY

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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
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>				
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

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## SUMMARY

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### 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
	2019	2020	2021	March 31, 2022
<b>Profitability ratios</b>				
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 <sup>(1)</sup>	8.4%	17.0%	22.4%	17.1%
Return on equity <sup>(2)</sup>	N/A <sup>(3)</sup>	N/A <sup>(3)</sup>	N/A <sup>(3)</sup>	N/A <sup>(3)(4)</sup>
Return on assets <sup>(5)</sup>	2.6%	2.3%	2.2%	N/A <sup>(4)</sup>
<b>Liquidity ratios</b>				
Current ratio <sup>(6)</sup>	2.1	0.5	0.6	0.6
Quick ratio <sup>(7)</sup>	1.4	0.4	0.4	0.5
<b>Capital adequacy ratios</b>				
Gearing ratio <sup>(8)</sup>	N/A <sup>(3)</sup>	N/A <sup>(3)</sup>	N/A <sup>(3)</sup>	N/A <sup>(3)</sup>

*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.

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## SUMMARY

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### GLOBAL OFFERING STATISTICS

All statistics in the following table are based on the assumptions that (i) the Global Offering has been completed and 15,139,300 Offer Shares are issued pursuant to the Global Offering; and (ii) the Over-allotment Option is not exercised and options granted under the Pre-IPO Share Option Scheme are not exercised.

	<b>Based on an Offer Price of HK\$27.75 per Share</b>	<b>Based on an Offer Price of HK\$33.30 per Share</b>
Market capitalization of our Shares	HK\$10,002.7 million	HK\$12,003.3 million
Unaudited pro forma adjusted consolidated net tangible assets per Share <sup>(1)(2)</sup>	HK\$7.56	HK\$7.78

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*Notes:*

- (1) The unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the parent per Share are calculated based on 360,458,829 Shares in issue (including the completion of the conversion of the Preferred Shares into Ordinary Shares) assuming that the Global Offering has been completed on March 31, 2022, without taking into account any Shares which may be issued upon exercise of the Over-allotment Option or any option which may be granted under the Pre-IPO 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 prospectus.
- (2) The unaudited pro forma 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 pro forma adjusted net tangible asset value per Share, see “Unaudited Pro Forma 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

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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 Global Offering and before the Over-allotment Option is exercised; and (c) such percentage of Shares to be held by the public upon any exercise of the Over-allotment Option, 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 prospectus.

### **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.

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### **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.

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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
	2019	2020	2021	March 31, 2022
Number of the drama series projects under script development and pre-production at the beginning of the period <sup>(1)</sup>	19	21	25	27



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## SUMMARY

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

*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.

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- (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 prospectus, 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 prospectus 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

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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 listing 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 offering and listing. Our PRC Legal Advisers advised that the overseas securities offering and listing 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 offering and listing 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 inquiries, we and our PRC Legal Adviser are not aware of the existence of any circumstances that would prohibit us from conducting overseas securities offering and listing 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 Global Offering 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".

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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 listing 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 Listing 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 listing 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 Listing, 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

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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.

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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.

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### *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”

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## SUMMARY

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### 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.

### LISTING EXPENSES

Our listing expenses mainly include professional fees, underwriting commissions and other fees incurred in connection with the Global Offering. The estimated total listing expenses (based on the mid-point of our indicative price range for the Global Offering and assuming that the Over-allotment Option is not exercised), including underwriting commission for the Global Offering, are approximately RMB77.9 million (including (i) underwriting commission of approximately RMB17.9 million, and (ii) non-underwriting related expenses of approximately RMB60.0 million, which consist of fees and expenses of legal advisors and Reporting Accountant of approximately RMB35.4 million and other fees and expenses of approximately RMB24.6 million), representing approximately 20.2% of the gross proceeds from the Global Offering, of which (i) approximately RMB14.8 million is directly attributable to the issue of our Offer Shares to the public and will be deducted from equity upon the Listing; (ii) approximately nil, nil, RMB21.4 million and RMB7.8 million 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 RMB33.9 million 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.



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## SUMMARY

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### USE OF PROCEEDS

We estimate that we will receive net proceeds of approximately HK\$371.4 million from the Global Offering, assuming that the Over-allotment Option is not exercised, after deducting the underwriting commissions and other estimated offering expenses payable by us and assuming the initial public Offer Price of HK\$30.52 per Share, being the mid-point of the indicative Offer Price range set forth on the cover page of this prospectus. We intend to apply the net proceeds for the following purposes:

- approximately 10%, or approximately HK\$37.1 million 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\$185.8 million 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\$55.7 million 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\$55.7 million 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\$37.1 million will be used for general corporate purposes.

For further details, please refer to the section headed “Future Plans and Use of Proceed – Use of Proceeds” in this prospectus.

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## DEFINITIONS

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*In this prospectus, unless the context otherwise requires, the following expressions shall have the following meanings.*

“A&O Investment”	A&O Investment Limited, a limited liability company incorporated under the laws of the BVI which is wholly owned by MEOO Limited and a current Shareholder, holding approximately 9.16% of the issued share capital of our Company immediately after the Global Offering presuming the Assumptions
“affiliate”	with respect to any specified person, any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
“Articles” or “Articles of Association”	the amended and restated articles of association of our Company, conditionally adopted on July 21, 2022 with effect from the Listing Date, a summary of which is set out in Appendix III to this prospectus
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Assumptions”	assuming the Over-allotment Option is not exercised and options granted under the Pre-IPO Share Option Scheme are not exercised
“Beijing Manfu”	Beijing Magic Flower Culture Limited (北京曼孚文化傳播有限公司), a limited liability company established under the law of the PRC and one of the Pre-IPO Investors, holding approximately 0.37% of the issued share capital of our Company immediately after the Global Offering presuming the Assumptions
“Beijing Ningle”	Beijing Ningle Film and Television Media Co., Ltd. (北京檸樂影視傳媒有限公司), a limited liability company established under the law of the PRC and one of the Consolidated Affiliated Entities
“Board” or “Board of Directors”	the board of directors of our Company
“business day”	any day (other than a Saturday, Sunday or public holiday in Hong Kong) on which banks in Hong Kong are generally open for normal banking business

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## DEFINITIONS

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“BVI”	the British Virgin Islands
“Cayman Companies Act”	the Companies Act, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, as amended, supplemented or otherwise modified from time to time
“CCASS”	The Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or a general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant
“CCASS EIPO”	the application for the Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant’s stock account through causing HKSCC Nominees to apply on your behalf, including by (i) instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give electronic application instructions via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf, or (ii) if you are an existing CCASS Investor Participant, giving electronic application instructions through the CCASS Internet System ( <a href="https://ip.ccass.com">https://ip.ccass.com</a> ) or through the CCASS Phone System (using the procedures in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time). HKSCC can also input electronic application instructions for CCASS Investor Participants through HKSCC’s Customer Service Centre by completing an input request
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“CCASS Participant”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant

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## DEFINITIONS

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“CCPPD”	the Publicity Department of the Central Committee of the Communist Party of China (中國共產黨中央委員會宣傳部)
“CFLAC”	China Federation of Literary and Art Circles (中國文學藝術界聯合會)
“China” or the “PRC”	the People’s Republic of China, which for the purpose of this prospectus and for geographical reference only, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Co-founder(s)”	Mr. Su Xiao, Ms. Chen Fei, Ms. Xu Xiao’ou and Mr. Zhou Yuan
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Company”, “our Company” or “the Company”	Linmon Media Limited (檸萌影視傳媒有限公司), an exempted company incorporated in the Cayman Islands with limited liability on June 10, 2021
“Compliance Adviser”	Somerley Capital Limited
“Concert Party Agreement”	the concert party agreement dated August 17, 2020 entered into between Mr. Su, Ms. Chen, Ms. Xu and Mr. Zhou
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“connected transaction(s)”	has the meaning ascribed to it under the Listing Rules
“Consolidated Affiliated Entities”	the entities we control through the Contractual Arrangements, namely Shanghai Linmon and its subsidiaries, further details of which are set out in “Contractual Arrangements”

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## DEFINITIONS

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“Contractual Arrangements”	the series of contractual arrangements entered into between Shanghai Ninghe and Shanghai Linmon, and among Shanghai Ninghe, Shanghai Linmon and the Registered Shareholders, details of which are described in “Contractual Arrangements” in this prospectus
“Controlling Shareholders”	has the meaning ascribed to it under the Listing Rules and unless the context otherwise requires, refers to Mr. Su Xiao, Ms. Chen Fei, Ms. Xu Xiao’ou, Mr. Zhou Yuan, Lemontree Evergreen, Lemontree Harvest, Free Flight, Faye Free, MEOO Limited, A&O Investment, Z&N Investment and Linmon Run
“CRTP”	China Radio Film & Television Publication (中國廣播影視雜誌社)
“CSRC”	the China Securities Regulatory Commission (中國證券監督管理委員會)
“CTAA”	China TV Artists Association (中國電視藝術家協會)
“Director(s)”	the director(s) of our Company
“Dongyang Linmon”	Zhejiang Dongyang Linmon Film and Television Media Co., Ltd. (浙江東陽檸萌影視傳媒有限公司), a limited liability company established under the law of the PRC and one of the Consolidated Affiliated Entities
“Dongyang Linmon Kaixin”	Zhejiang Dongyang Linmon Kaixin Film and Television Media Co., Ltd. (浙江東陽檸萌開新影視傳媒有限公司), a limited liability company established under the law of the PRC and one of the Consolidated Affiliated Entities
“Dongyang Linmon Yuexin”	Zhejiang Dongyang Linmon Yuexin Film and Television Media Co., Ltd. (浙江東陽檸萌悅心影視傳媒有限公司), a limited liability company established under the law of the PRC and one of the Consolidated Affiliated Entities
“Extreme Conditions”	extreme conditions caused by a super typhoon as announced by the government of Hong Kong

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## DEFINITIONS

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“Faye Free”	Faye Free Flight Limited, a limited liability company incorporated under the laws of the BVI which is wholly owned by Free Flight and a current Shareholder, holding approximately 9.16% of the issued share capital of our Company immediately after the Global Offering presuming the Assumptions
“Free Flight”	Free Flight Limited, a limited liability company incorporated under the laws of the BVI which is wholly owned by Ms. Chen Fei
“FRC”	the Financial Reporting Council of Hong Kong
“Frost & Sullivan”	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., an independent market research consultant, which is an Independent Third Party
“Global Offering”	the Hong Kong Public Offering and the International Offering
“Gongqingcheng Erchen”	Gongqingcheng Erchen Investment Management Partnership (Limited Partnership) (共青城爾辰投資管理合夥企業(有限合夥)), a limited partnership established under the law of the PRC and one of the Pre-IPO Investors, holding approximately 1.81% of the issued share capital of our Company immediately after the Global Offering presuming the Assumptions
“Great luminosity”	Great luminosity Limited, a private company limited by shares incorporated under the laws of BVI and one of the Pre-IPO Investors, holding approximately 15.47% of the issued share capital of our Company immediately after the Global Offering presuming the Assumptions
“ <b>GREEN</b> Application Form(s)”	the application form(s) to be completed by the <b>HK eIPO White Form</b> Service Provider designated by our Company
“Group,” “our Group,” “the Group,” “we,” “us” or “our”	the Company, its subsidiaries and the Consolidated Affiliated Entities or, where the context so requires, in respect of the period prior to our Company becoming the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of our Company at the relevant time

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## DEFINITIONS

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“Hainan Linmon”	Hainan Linmon Kaixin Film and Television Media Co., Ltd. (海南檸萌開新影視傳媒有限公司), a limited liability company established under the law of the PRC and one of the Consolidated Affiliated Entities
“Haoyou Benling”	Beijing Haoyou Benling Culture Media Co., Ltd. (北京好有本領文化傳媒有限公司), a limited liability company established under the law of the PRC and one of the Consolidated Affiliated Entities
“HK\$” or “Hong Kong dollars” or “HK dollars” or “cents”	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
“ <b>HK eIPO White Form</b> ”	the application for Hong Kong Offer Shares to be issued in the applicant’s own name, submitted online through the <b>IPO App</b> or the designated website at <a href="http://www.hkeipo.hk">www.hkeipo.hk</a>
“ <b>HK eIPO White Form Service Provider</b> ”	the <b>HK eIPO White Form</b> service provider designated by our Company as specified in the <b>IPO App</b> or on the designated website at <a href="http://www.hkeipo.hk">www.hkeipo.hk</a>
“HKFRS”	Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards, amendments and the related interpretations issued by the Hong Kong Institute of Certified Public Accountants
“HKSCC”	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
“HKSCC Nominee”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Hong Kong Offer Shares”	the 1,514,000 Offer Shares initially offered by us for subscription pursuant to the Hong Kong Public Offering (subject to reallocation as described in the section headed “Structure of the Global Offering” in this prospectus)
“Hong Kong Public Offering”	the offer for subscription of the Hong Kong Offer Shares to the public in Hong Kong

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## DEFINITIONS

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“Hong Kong Share Registrar”	Tricor Investor Services Limited
“Hong Kong Stock Exchange” or “Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Hong Kong Underwriters”	the underwriters of the Hong Kong Public Offering listed in the Hong Kong Underwriting Agreement
“Hong Kong Underwriting Agreement”	the underwriting agreement dated July 28, 2022 relating to the Hong Kong Public Offering and entered into by, among others, our Company, the Controlling Shareholders, the Joint Representatives, the Joint Global Coordinators and the Hong Kong Underwriters, as further described in the section headed “Underwriting” in this prospectus
“Horgos Linmon”	Horgos Linmon Film and Television Media Co., Ltd. (霍爾果斯檸萌影視傳媒有限公司), a limited liability company established under the law of the PRC and one of the Consolidated Affiliated Entities
“Horgos Linmon Black Tea”	Horgos Linmon Black Tea Film and Television Media Co., Ltd. (霍爾果斯檸萌紅茶影視傳媒有限公司), a limited liability company established under the law of the PRC and one of the Consolidated Affiliated Entities
“Independent Third Party(ies)”	an individual(s) or a company(ies) who or which is/are not connected person(s) (within the meaning of the Listing Rules) of the Company
“International Offer Shares”	the 13,625,300 Offer Shares, initially offered by us for subscription under the International Offering together with, where relevant, any additional Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option (subject to reallocation and adjustments as described in the section headed “Structure of the Global Offering” in this prospectus)



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## DEFINITIONS

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“International Offering”	the conditional placing of the International Offer Shares at the Offer Price by the International Underwriters outside the United States in offshore transactions in reliance on with Regulation S, in each case on and subject to the terms and conditions of the International Underwriting Agreement, as further described in the section headed “Structure of the Global Offering” in this prospectus
“International Underwriters”	the underwriters of the International Offering listed in the International Underwriting Agreement
“International Underwriting Agreement”	the international underwriting agreement relating to the International Offering expected to be entered into by, among others, our Company, the Controlling Shareholders, the Joint Representatives, the Joint Global Coordinators and the International Underwriters, on or about the Price Determination Date
“ <b>IPO App</b> ”	the mobile application for the <b>HK eIPO White Form</b> service which can be downloaded by searching “ <b>IPO App</b> ” in App Store or Google Play or downloaded at <a href="http://www.hkeipo.hk/IPOApp">www.hkeipo.hk/IPOApp</a> or <a href="http://www.tricorglobal.com/IPOApp">www.tricorglobal.com/IPOApp</a>
“Joint Bookrunners”	Morgan Stanley Asia Limited, China International Capital Corporation Hong Kong Securities Limited, CMB International Capital Limited and Futu Securities International (Hong Kong) Limited
“Joint Global Coordinators”	Morgan Stanley Asia Limited, China International Capital Corporation Hong Kong Securities Limited and CMB International Capital Limited
“Joint Lead Managers”	Morgan Stanley Asia Limited, China International Capital Corporation Hong Kong Securities Limited, CMB International Capital Limited, Futu Securities International (Hong Kong) Limited and Livermore Holdings Limited
“Joint Sponsors” or “Joint Representatives”	Morgan Stanley Asia Limited and China International Capital Corporation Hong Kong Securities Limited

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## DEFINITIONS

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“Jushi Botao”	Beijing Jushi Botao Culture and Media Co., Ltd. (北京聚視博濤文化傳媒有限公司), a limited liability company established under the law of the PRC and one of the Pre-IPO Investors, holding approximately 1.09% of the issued share capital of our Company immediately after the Global Offering presuming the Assumptions
“Latest Practicable Date”	July 19, 2022, being the latest practicable date for ascertaining certain information in this prospectus before its publication
“Lemontree Evergreen”	Lemontree Evergreen Holding Limited, a limited liability company incorporated under the laws of the BVI which is wholly owned by Mr. Su Xiao
“Lemontree Friendship”	Lemontree Friendship Limited, a limited liability company incorporated under the laws of BVI and a current Shareholder, holding approximately 3.53% of the issued share capital of our Company immediately after the Global Offering presuming the Assumptions
“Lemontree Harvest”	Lemontree Harvest Investment Limited, a limited liability company incorporated under the laws of the BVI which is wholly owned by Lemontree Evergreen and a current Shareholder, holding approximately 19.73% of the issued share capital of our Company immediately after the Global Offering presuming the Assumptions
“Linmon AQ”	Linmon AQ Investment Limited, a private company limited by shares incorporated under the laws of BVI and one of the Pre-IPO Investors, holding approximately 2.00% of the issued share capital of our Company immediately after the Global Offering presuming the Assumptions
“Linmon Dessin”	Linmon Dessin Limited, a private company limited by shares incorporated under the laws of BVI and one of the Pre-IPO Investors, holding approximately 0.19% of the issued share capital of our Company immediately after the Global Offering presuming the Assumptions

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## DEFINITIONS

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“Linmon Kaixin”	Shanghai Linmon Kaixin Film and Television Media Co., Ltd. (上海檸萌開新影視傳媒有限公司), a limited liability company established under the law of the PRC and one of the Consolidated Affiliated Entities
“Linmon Run”	Linmon Run Limited, a limited liability company incorporated under the laws of the BVI which is wholly owned by Z&N Investment and a current Shareholder, holding approximately 6.27% of the issued share capital of our Company immediately after the Global Offering presuming the Assumptions
“Linmon Yuexin”	Shanghai Linmon Yuexin Film and Television Media Co., Ltd. (上海檸萌悅心影視傳媒有限公司), a limited liability company established under the law of the PRC and one of the Consolidated Affiliated Entities
“Listing”	the listing of the Shares on the Main Board
“Listing Committee”	the Listing Committee of the Stock Exchange
“Listing Date”	the date, expected to be on or about Wednesday, August 10, 2022 on which dealings in the Shares first commence on the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
“M&A Rules”	Regulations on Merger with and Acquisition of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》) jointly issued by the MOFCOM, the SASAC, the SAT, the CSRC, the SAIC and the SAFE on August 8, 2006, effective as of September 8, 2006 and amended on June 22, 2009
“Main Board”	the stock market (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the GEM of the Stock Exchange
“Mango Ningze”	Mango Ningze Ltd., a company limited by shares incorporated under the laws of BVI and one of the Pre-IPO Investors, holding approximately 1.81% of the issued share capital of our Company immediately after the Global Offering presuming the Assumptions

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## DEFINITIONS

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“MCT”	the Ministry of Culture and Tourism (中華人民共和國文化和旅遊部)
“Memorandum” or “Memorandum of Association”	the amended and restated memorandum of association of our Company, conditionally adopted on July 21, 2022, with effect from the Listing Date, a summary of which is set out in Appendix III to this prospectus
“MEOO Limited”	MEOO Limited, a limited liability company incorporated under the laws of the BVI which is wholly owned by Ms. Xu Xiao’ou
“MOF”	the Ministry of Finance of the People’s Republic of China (中華人民共和國財政部)
“MOFCOM”	Ministry of Commerce of the PRC (中華人民共和國商務部)
“Mr. Su”	Mr. Su Xiao (蘇曉), our Co-founder, executive Director, chairman of the Board and president
“Mr. Zhou”	Mr. Zhou Yuan (周元), our Co-founder, executive Director and vice president
“Ms. Chen”	Ms. Chen Fei (陳菲), our Co-founder, executive Director and chief executive officer
“Ms. Xu”	Ms. Xu Xiao’ou (徐曉鷗), our Co-founder, executive Director and vice president
“NDRC”	the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)
“NFA”	National Film Administration of the PRC (國家電影局)
“NRTA”	National Radio and Television Administration of the PRC (中華人民共和國國家廣播電視總局), the successor of SAPPRFT
“Offer Price”	the final offer price per Offer Share (exclusive of brokerage of 1.0%, SFC transaction levy of 0.0027%, Hong Kong Stock Exchange trading fee of 0.005% and FRC transaction levy of 0.00015%)

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## DEFINITIONS

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“Offer Shares”	the Hong Kong Offer Shares and the International Offer Shares, being the Shares of the Company, together, where relevant, with any additional Shares to be issued by the Company pursuant to the exercise of the Over-allotment Option
“Over-allotment Option”	the option expected to be granted by us to the International Underwriters, exercisable by the Joint Representatives on behalf of the International Underwriters, pursuant to which we may be required to allot and issue up to an aggregate of 2,270,800 additional Shares, representing approximately 15.0% of the Offer Shares initially available under the Global Offering at the Offer Price to cover over-allocations in the International Offering, if any, as further described in the section headed “Structure of the Global Offering” in the prospectus
“PRC Legal Advisor”	CM Law Firm, the PRC legal advisor to our Company
“Preferred Shares”	Series A Preferred Shares, Series B Preferred Shares and Series C Preferred Shares
“Pre-IPO Investments”	the investments made by the Pre-IPO Investors, the principal terms of which are summarized in “History, Reorganization and Corporate Development – Pre-IPO Investments” in this prospectus
“Pre-IPO Investors”	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
“Pre-IPO Share Option Scheme”	the share option scheme adopted by our Company on September 24, 2021, as amended or otherwise modified from time to time, and detailed in “Appendix IV – Statutory and General Information – D. Pre-IPO Share Option Scheme”
“Price Determination Date”	the date on which the Offer Price is to be determined
“Principal Share Registrar and Transfer Office”	Osiris International Cayman Limited

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## DEFINITIONS

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“Qianyi Mutian”	Ningbo Meishan Bonded Zone Qianyi Mutian Equity Investment Partnership (Limited Partnership) (寧波梅山保稅港區千毅沐天股權投資合夥企業(有限合夥)), a limited partnership established under the law of the PRC and one of the Pre-IPO Investors, holding approximately 0.19% of the issued share capital of our Company immediately after the Global Offering presuming the Assumptions
“Registered Shareholders”	the registered shareholders of Shanghai Linmon, namely Mr. Su Xiao, Ms. Chen Fei, Ms Xu Xiao’ou, Mr. Zhou Yuan, Tencent Investment, Shanghai Guanhong, Shanghai Guanhan, Shanghai Guoshi and Shanghai Guoyun
“Regulation S”	Regulation S under the U.S. Securities Act
“Reorganization”	the reorganization arrangements undergone by our Group for the purpose of the Listing as set out in “History, Reorganization and Corporate Development”
“RMB” or “Renminbi”	the lawful currency of the PRC
“SAFE”	the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
“SAMR”, or formerly known as “SAIC”	the State Administration for Market Regulation of the PRC (中華人民共和國國家市場監督管理總局), and formerly known as State Administration of Industry and Commerce of the PRC (中華人民共和國工商行政管理局)
“SAPPRFT”	the State Administration of Press, Publications, Radio, Film and Television of the PRC (中華人民共和國國家新聞出版廣電總局)
“SASAC”	the State Assets Supervision and Administration Commission (國務院國有資產監督管理委員會)
“SAT”	the State Taxation Administration of the PRC (中華人民共和國國家稅務總局)
“Series A Preferred Shares”	the series A preferred shares in the share capital of our Company

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## DEFINITIONS

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“Series B Preferred Shares”	the series B preferred shares in the share capital of our Company
“Series C Preferred Shares”	the series C preferred shares in the share capital of our Company
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Shanghai Guanhan”	Shanghai Guanhan Enterprise Management Consulting Partnership (Limited Partnership) (上海觀哈企業管理諮詢合夥企業(有限合夥)), a limited partnership established under the law of the PRC and one of the Registered Shareholders of Shanghai Linmon
“Shanghai Guanhong”	Shanghai Guanhong Enterprise Management Consulting Center (Limited Partnership) (上海觀弘企業管理諮詢中心(有限合夥)), previously known as Shanghai Guanyue Enterprise Management Consulting Center (Limited Partnership) (上海觀越投資管理中心(有限合夥)), a limited partnership established under the law of the PRC and one of the Registered Shareholders of Shanghai Linmon
“Shanghai Guoshi”	Shanghai Guoshi Investment Management Center (Limited Partnership) (上海果實投資管理中心(有限合夥)), a limited partnership established under the law of the PRC and one of the Registered Shareholders of Shanghai Linmon
“Shanghai Guoyun”	Shanghai Guoyun Enterprise Management Consulting Partnership (Limited Partnership) (上海果蘊企業管理諮詢合夥企業(有限合夥)), a limited partnership established under the law of the PRC and one of the Registered Shareholders of Shanghai Linmon
“Shanghai Linmon”	Shanghai Linmon Picture Media Co., Ltd. (上海檸萌影視傳媒股份有限公司), a joint stock company established under the laws of the PRC on July 25, 2014 and one of the Consolidated Affiliated Entities

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## DEFINITIONS

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“Shanghai Ningchuan”	Shanghai Ningchuan Culture and Media Co., Ltd. (上海寧川文化傳媒有限公司), a limited liability company established under the law of the PRC and one of the Consolidated Affiliated Entities
“Shanghai Ningjie”	Shanghai Ningjie Culture Media Co., Ltd. (上海寧捷文化傳媒有限公司), a limited liability company established under the law of the PRC and a wholly-owned subsidiary of Shanghai Ninghe
“Shanghai Ningshi”	Shanghai Ningshi Enterprise Management Co., Ltd. (上海寧視企業管理有限公司), a limited liability company established under the law of the PRC and one of the Consolidated Affiliated Entities
“Shanghai Ningxin”	Shanghai Ningxin Culture Investment Management Co., Ltd. (上海寧新文化投資管理有限公司), a limited liability company established under the law of the PRC and one of the Consolidated Affiliated Entities
“Shanghai Wuwei”	Shanghai Wuwei Enterprise Management Consulting Partnership (Limited Partnership) (上海舞威企業管理諮詢合夥企業(有限合夥)), a limited partnership established under the law of the PRC
“Shanghai Yuyi”	Shanghai Yuyi Enterprise Management Partnership (Limited Partnership) (上海譽頤企業管理合夥企業(有限合夥)), a limited partnership established under the law of the PRC and one of the Pre-IPO Investors, holding approximately 3.75% of the issued share capital of our Company immediately after the Global Offering presuming the Assumptions
“Share(s)”	ordinary shares in the share capital of our Company with a par value of US\$0.000025
“Shareholder(s)”	holder(s) of our Shares
“Stabilizing Manager”	Morgan Stanley Asia Limited
“State Council”	the PRC State Council (中華人民共和國國務院)



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## DEFINITIONS

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“Stock Borrowing Agreement”	the agreement expected to be entered into on or around the Price Determination Date between Lemontree Harvest Investment Limited and Morgan Stanley & Co. International plc and/or its affiliates, pursuant to which the Stabilizing Manager may, on its own or through its affiliates, request Lemontree Harvest Investment Limited to make available to the Stabilizing Manager up to 2,270,800 Shares to cover, inter alia, over-allocations in the International Offering
“STVF”	Shanghai Television Festival (上海電視節)
“subsidiary(ies)”	has the meaning ascribed to it under the Companies Ordinance, including any Consolidated Affiliated Entity of the Company
“substantial shareholder”	has the meaning ascribed to it in the Listing Rules
“Takeovers Code”	the Code on Takeovers and Mergers issued by the SFC, as amended, supplemented or otherwise modified from time to time
“Tencent”	Tencent Holdings Limited, a limited liability company organized and existing under the laws of the Cayman Islands and the shares of which are listed on the Main Board (stock code: 700)
“Tencent Group”	Tencent and its subsidiaries
“Tencent Investment”	Shenzhen Tencent Industry Investment Fund Co., Ltd. (深圳市騰訊產業投資基金有限公司), a limited liability company established under the law of the PRC, one of the Registered Shareholders of Shanghai Linmon and a subsidiary of Tencent
“Tencent Mobility”	Tencent Mobility Limited, a private company limited by shares incorporated in Hong Kong and one of the Pre-IPO Investors, holding approximately 18.95% of the issued share capital of our Company immediately after the Global Offering presuming the Assumptions, and a subsidiary of Tencent
“Tencent Video”	Tencent Video is an online video platform owned and operated by a subsidiary of Tencent

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## DEFINITIONS

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“Track Record Period”	the years ended December 31, 2019, 2020 and 2021 and the three months ended March 31, 2022
“Underwriters”	the Hong Kong Underwriters and the International Underwriters
“Underwriting Agreements”	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
“U.S. Securities Act”	United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder
“United States”, “U.S.” or “US”	the United States of America, its territories and possessions, any State of the United States, and the District of Columbia
“US\$”, “USD” or “U.S. dollars”	United States dollars, the lawful currency for the time being of the United States
“VAT”	value-added tax
“WFOE” or “Shanghai Ninghe”	Shanghai Ninghe Culture and Media Co., Ltd. (上海寧合文化傳媒有限公司), a limited liability company incorporated under the laws of the PRC on July 27, 2021 and our indirect wholly-owned subsidiary
“Wuren Guanji”	Hangzhou Wuren Guanji Culture and Media Co., Ltd. (杭州無人關機文化傳媒有限公司), a limited liability company established under the law of the PRC and one of the Consolidated Affiliated Entities
“Xu SPVs”	Collectively, MEOO Limited and A&O Investment
“Yuri Juzeng”	Shanghai Yuri Juzeng Culture Media Co., Ltd. (上海與日俱增文化傳媒有限公司), a limited liability company established under the law of the PRC and one of the Consolidated Affiliated Entities
“Z&N Investment”	Z&N Investment Limited, a limited liability company incorporated under the laws of the BVI which is wholly owned by Mr. Zhou Yuan

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## DEFINITIONS

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“Zhongqing Xinxin”	Zhongqing Xinxin Jiahua (Shanghai) Venture Capital Partnership (Limited Partnership) (中青芯鑫佳鏘(上海)創業投資合夥企業(有限合夥)), a limited partnership established under the law of the PRC and one of the Pre-IPO Investors, holding approximately 1.25% of the issued share capital of our Company immediately after the Global Offering presuming the Assumptions
“Zhuhai Yuman”	Zhuhai Yuman Enterprise Management Partnership (Limited Partnership) (珠海裕滿企業管理合夥企業(有限合夥)), a limited partnership established under the law of the PRC and one of the Pre-IPO Investors, holding approximately 1.06% of the issued share capital of our Company immediately after the Global Offering presuming the Assumptions
“%”	per cent.

*Unless otherwise expressly stated or the context otherwise requires, all data in this prospectus is as of the date of this prospectus.*

*The English names of the PRC entities, PRC laws or regulations, and the PRC governmental authorities referred to in this prospectus are translations from their Chinese names and are for identification purposes. If there is any inconsistency, the Chinese names shall prevail.*

*Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.*

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## GLOSSARY OF TECHNICAL TERMS

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*This glossary contains explanations of certain technical terms used in this prospectus. As such, these terms and their meanings may not correspond to standard industry meanings or usage of these terms.*

“Annual viewership rate”	refers to the average viewership rate of each episode of drama series broadcasted on TV channels during its first-run broadcasting and re-run broadcasting in a specific year
“broadcasting right”	refers to (i) the right of broadcasting (廣播權), in terms of drama series broadcast via TV channels; and (ii) the right to network dissemination of information (信息網絡傳播權), in terms of drama series and films broadcast via online video platforms, for the purpose of this prospectus
“CAGR”	compound annual growth rate
“co-financing”	refers to the arrangement where the relevant investor(s) invest as non-executive producers in drama series with more than one investors
“co-investment”	refers to the arrangement where the relevant investor(s) invest as lead investors and executive producers in drama series of more than one investors
“customized creative advertisements”	refers to the type of innovative advertisements with content and display methods that are flexibly and smoothly incorporated into the video-based content they appear
“drama series”	refers to the content produced for broadcast via satellite and terrestrial TV channels or online video platforms, which is usually released in episodes that follow a narrative, consisting of TV series and web series
“drama series companies”	companies primarily engaged in the business of drama series production
“Effective views”	refer to the number of times that an episode of drama series broadcasted on online video platforms has been watched by a particular audience continuously for more than five minutes

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## GLOSSARY OF TECHNICAL TERMS

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“executive producer(s)”	drama series producers that take lead in the creation of TV series and web series, usually responsible for initiating, managing and overseeing the production of drama series
“first-run broadcast” or “first-run”	the first-round broadcast of a drama series on the TV channel or online video platform
“high viewership drama series”	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)
“high viewership drama series rate”	the number of high viewership drama series as a percentage of the total drama series broadcast by each company in a year
“IP(s)”	refers to intellectual properties such as existing films, drama series or other literary or artistic works, concepts, stories and expressions that can be used or considered, entirely or partially, to create and/or produce new drama series or films
“IP adaptation rights”	the right of adaptation, that is, the right to modify a work for the purpose of creating a new work of original creation
“IP derivative”	refers to the derivative monetization based on the original IP, including but not limited to drama series IP-related products, marketing services, game adaptation rights and audiobook rights
“IP reserve”	a reserve of IPs for future production of drama series or films
“IPTV”	internet protocol television is the delivery of television content over internet protocol networks
“master tape”	the final copy or tape of a program that is delivered to the media platform for broadcast
“original drama series”	drama series developed and produced based on original IP

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## GLOSSARY OF TECHNICAL TERMS

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“original IP”	IP developed in-house or procured from third parties and adapted/developed in-house
“OTT”	a means of providing television and film content over the internet at the request and to suit the requirements of the individual consumer
“premium content”	premium content refers to high-quality/top-ranked drama series possessing one or more of the following characteristics: experienced casts, skilled production crew, significant investment on production, sizable broadcasting right licensing fee and superior viewership/view count performance
“product placement”	a modern marketing strategy for brands to reach their target audiences to promote their products or services by embedding the goods or services in another form of media, such as a television program or film
“re-run broadcast” or “re-run”	the rebroadcast of a drama series that has previously been broadcast on the TV channel or online video platform, including second-run broadcast and all subsequent broadcasts on any channel
“TV”	television
“TV series”	a series of scripted episodes that needs to obtain a distribution license from the NRTA, which are broadcast on TV channels and/or new media channels such as online video platforms
“Viewership rate”	an index measured by the number of audiences of a particular drama series broadcasted on TV channels as a percentage of the total audience during a specific period, indicating the coverage rate of a drama series broadcasted on TV channels during the period
“Web series”	drama series which is broadcast solely on online video platforms and is required to be filed and reviewed by the NRTA

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## FORWARD-LOOKING STATEMENTS

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*We have included in this Prospectus forward-looking statements. Statements that are not historical facts, including statements about our intentions, beliefs, expectations or predictions for the future, are forward-looking statements.*

This prospectus contains, and the documents incorporated by reference herein may contain certain statements that are, or may be deemed to be, “forward-looking statements.” These forward-looking statements may be identified by the use of forward-looking terminology, including the terms “believe(s),” “aim(s),” “estimate(s),” “plan(s),” “project(s),” “anticipate(s),” “expect(s),” “intend(s),” “may,” “seek(s),” “can,” “could,” “ought to,” “potential,” “will” or “should” or similar expressions, or, in each case, their negative or other variations, or comparable terminology, or by discussions of strategy, plans, objectives, goals, future events or intentions. In particular, references to “estimate(s)” only refer to situations where best estimates have been adopted by the management. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this prospectus and include, but are not limited to, statements regarding our intentions, beliefs or current expectations concerning, among other things, our business, results of operations, financial position, liquidity, prospects, growth, strategies and the industries and markets in which we operate or may operate in the future.

By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances. Forward-looking statements are not guarantees of future performance or the actual results of our operations, financial position and liquidity. The development of the markets and the industries in which we operate may differ materially from the description or implication suggested by the forward-looking statements contained in this prospectus. In addition, even if our results of operations, financial position and liquidity as well as the development of the markets and the industries in which we operate are consistent with the forward-looking statements contained in this prospectus, those results or developments may not be indicative of results or developments in subsequent periods. A number of risks, uncertainties and other factors could cause results and developments to differ materially from those expressed or implied by the forward-looking statements including, without limitation:

- our operations and business prospects;
- our ability to maintain relationship with, and the actions and developments affecting, our major customers and suppliers;
- future developments, trends and conditions in the industries and markets in which we operate;
- general economic, political and business conditions in the markets in which we operate;

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## FORWARD-LOOKING STATEMENTS

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- changes to the regulatory environment in the industries and markets in which we operate;
- the ability of third parties to perform in accordance with contractual terms and specifications;
- our ability to retain senior management and key personnel, and recruit qualified staff;
- our business strategies and plans to achieve these strategies, including our expansion plans;
- the actions of and developments affecting our competitors;
- our ability to reduce costs and offer competitive prices;
- our ability to defend our intellectual rights and protect confidentiality;
- change or volatility in interest rates, foreign exchange rates, equity prices, trading volumes, commodity prices and overall market trends;
- capital market developments; and
- our dividend policy.

Forward-looking statements may and often do differ materially from actual results. Any forward-looking statements in this prospectus reflect our management's current view with respect to future events and are subject to risks relating to future events and other risks, uncertainties and assumptions. Investors should specifically consider the factors identified in this prospectus, which could cause actual results to differ, before making any investment decision. Subject to the requirements of the Listing Rules and except as may be required by applicable laws, we undertake no obligation to revise any forward-looking statements that appear in this prospectus to reflect any change in our expectations, or any events or circumstances, that may occur or arise after the date of this prospectus. All forward-looking statements in this prospectus are qualified by reference to this cautionary statement.



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## RISK FACTORS

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*An investment in our Shares involves various risks. You should carefully consider all the information in this prospectus and in particular the risks and uncertainties described below before making an investment in our Shares.*

*The following is a description of what we consider to be our material risks. The occurrence of any of the following events could materially and adversely affect our business performance, financial condition, results of operations or prospects. If any of these events occurs, the trading price of our Shares could decline and you may lose all or part of your investment. You should seek professional advice from your relevant advisers regarding your prospective investment in the context of your particular circumstances. These factors are contingencies that may or may not occur, and we are not in a position to express a view on the likelihood of any such contingency occurring.*

### **RISKS RELATING TO OUR BUSINESS AND INDUSTRY**

**Our success depends, in a significant part, on the general prosperity and development of China’s overall video-based content market and drama series 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.**

Our business operations are subject to the overall prosperity of China’s video-based content market, in particular the drama series market, which may fluctuate significantly from time to time. According to Frost & Sullivan, China’s video-based content market grew from RMB215.8 billion in 2017 to RMB451.4 billion in 2021, representing a CAGR of 20.3%. Empowered by increasing demand, the total market size of video-based content is expected to reach RMB862.4 billion by 2026, representing a CAGR of 13.8% from 2021 to 2026. In China’s video-based content market, drama series are one of the most important types of content. According to Frost & Sullivan, the market size of the drama series market in the PRC grew from RMB37.3 billion in 2017 to RMB41.9 billion in 2021, representing a CAGR of 2.9%. Such growth may not continue in future periods, and is subject to various factors beyond our control, including the general economic conditions, people’s leisure time, spending power and demand for entertainment services, and changes and uncertainties of relevant laws, rules and regulations, none of which can be predicted with certainty. See “Industry Overview” for details. Any fluctuation or downturn in the overall development of the video-based content and drama series market in the PRC may reduce demand for our drama series and thus materially and adversely affect our business, financial condition and results of operations.

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## RISK FACTORS

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**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.**

Our drama series projects are generally non-recurring in nature. In general, our engagements with customers, including online video platforms and TV channels, are on a project-by-project basis. A customer that accounts for a significant portion of our income for a particular period is not obliged to purchase the license of the broadcasting rights of our drama series again in the future for new projects. Factors including the pricing of our drama series, expected popularity of our drama series and overall market condition will affect our customers' purchasing decisions. Therefore, there is no guarantee that a customer will continue to purchase our drama series. In addition, we may generate one-off income from time to time, such as revenue from IP derivatives. As such, our revenue and profitability could fluctuate significantly from period to period. We cannot guarantee that our production will not be affected by events which are beyond our control, or that we will be able to continue to develop new drama series, continue our business relationship with our existing customers or have one-off income from time to time. Our results of operations and financial condition would be adversely affected if we are unable to develop new drama series successfully, secure new customers, or maintain reasonable or favorable key commercial terms in the new contracts, which may lead to a decrease in the number and price of our drama series in a particular year or period, and in turn, a decrease in revenue.

**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.**

Our results of operations are largely affected by the financial performance of a limited number of drama series we make. We typically produced two to four drama series each year during the Track Record Period. However, we arrange the production and distribution schedule based on our business judgement and industry experience and the broadcasting schedule is subject to adjustment of our customers and the broadcasting platforms. Therefore, our financial performance may vary depending on the number of drama series we produced and distributed during a particular period of time. The financial performance of a single drama series could have material impact on our operations. If one or more drama series incurred significant cost-overrun, our financial performance could be adversely affected. In addition, historically, our investment in and revenue generated from each of our drama series varied significantly. For example, profit margin for our drama series projects may vary depending on its genre and the general industry environment when we broadcast such drama series. Generally, considering the high contribution of revenue historically by costume drama series as compared to modern drama series, we may accept a relatively lower profit margin when we license the broadcasting rights of costume drama series to an online video platform or a TV channel. Consequently, the contribution of certain drama series to our total revenue and their profit margin could affect our results of operations in the future.

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## RISK FACTORS

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**The production and distribution of drama series are extensively regulated in the PRC. Our failure to comply with evolving laws, regulations and policies could materially and adversely affect our business, financial condition and results of operations.**

Pursuant to the relevant PRC laws and regulations, drama series can only be produced and distributed by entities that hold both a Radio and Television Programs Production and Operation Permit (《廣播電視節目製作經營許可證》) and a Television Drama Production Permit (《電視劇製作許可證》). If we fail to obtain, maintain or renew licenses or permits required for our business, we could be subject to liabilities, penalties and operational disruption and our business could be materially and adversely affected.

In addition, our drama series need to be submitted for content examination prior to distribution to online video platforms and/or TV channels. For example, we, or other co-investors as specified in the relevant agreement, need to submit the Application for Content Examination (內容審查申請) to the NRTA, which will issue a Television Drama Distribution License (《國產電視劇發行許可證》) after passing its examination. The distribution license is a prerequisite requirement for the distribution and broadcast of drama series in the PRC. However, there is no assurance that the NRTA will issue such license to us. According to the Administrative Regulations on Content of Television Series (《電視劇內容管理規定》), which was promulgated by NRTA on May 14, 2010 and came into effect on July 1, 2010, and was last revised on October 31, 2018, drama series in the PRC are prohibited from certain content, such as promoting superstition, obscenity, gambling or violence, defamation as well as damaging social morality or cultural traditions. See “Regulatory Overview – Regulations in Relation to Production and Operation of Television Programs” for details. Such regulations may be amended or supplemented from time to time. In order to obtain such license, we may have to incur additional costs and expenses to revise the content of our drama series based on competent authorities’ requests, and the distribution or broadcasting schedules of such drama series may be affected, which may in turn affect our results of operations and liquidity. In addition, if any of our drama series fails to obtain such license, we may have to discard it, even if already completed, resulting in a total investment loss. As confirmed by our Directors and PRC Legal Advisor, we had obtained all the relevant licences necessary for our business operations required under PRC laws and regulations during the Track Record Period. However, we cannot guarantee that we can continue to obtain all the required licenses going forward due to factors beyond our control. Any of the aforesaid circumstances may materially and adversely affect our business, financial condition and results of operations. Furthermore, even if a drama series has already been granted the Television Drama Distribution License, the NRTA may still, due to public interest concerns, require editing of or terminate the distribution or broadcast of such drama series. If any of these events occurs, our business, financial condition and results of operations would be materially and adversely affected.

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## RISK FACTORS

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Moreover, there is no assurance that the competent authorities will not impose additional or more stringent laws or regulations on the investment, development, production, distribution and broadcast of drama series in the future. For example:

- *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》)*

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 to impose restrictions on the maximum compensation that actors can individually and collectively receive as a certain percentage of the total investment of a drama series. In particular, the NRTA requires that, among other things, the total actor's remuneration (片酬) of a drama series shall not exceed 40% of the total production costs, and the principal actor's remuneration shall not exceed 70% of the total actor's remuneration. If the aforesaid allocation is violated with no justification or if there is any concealment or payments, the NRTA shall adopt punitive measures according to the regulation such as suspension and cancellation of the broadcast of the series or the production qualifications of the production entities. As confirmed by our Directors and advised by our PRC 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. However, such notice may limit our capability of selecting suitable actors, and in turn may affect the appeal and popularity of our drama series.

As advised by our PRC Legal Advisor, the phrase "actor's remuneration" used in 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》) (the "2020 NRTA Notice") issued by the NRTA should be interpreted to include only remuneration paid to actors for acting services, but not the fees paid to actors for non-acting services.

In addition, since the Notice for Further Strengthening the Administration on Radio or Television Programs and Online Audio-visual Entertainment Programs did not specify definitions for "actor's remuneration" and "principal actors", in the event the relevant authorities do not interpret "actor's remuneration" and "principal actors" in the same way as we do, and if the relevant authorities deem the non-acting services fees as part of actor's remuneration and determine that we are in violation of the afore-said requirements in respect of actor's remuneration, the NRTA may suspend or cancel the broadcasting of the relevant TV drama series and suspend or cancel our TV drama series production license and, as a result, the Company's business, results of operations and financial conditions could be materially and adversely affected.

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## RISK FACTORS

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As advised by our PRC Legal Advisor, given that the 2018 NRTA Notice and the 2020 NRTA Notice explicitly restrict the remuneration of actors 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 "Regulatory Overview – Regulations in Relation to Production and Operation of Television Programs – Content Examination and Distribution Licensing System" for details. Any such additional or more stringent laws or regulations may lead to an increase in our compliance costs, which could result in a material and adverse effect on our results of operations.

- *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》)

The NRTA issued 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》) on February 6, 2020 to impose restrictions on the maximum number and length of episodes of each drama series. 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 reduction in the number 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.

In addition, the laws, regulations, policies and guidance in the drama series production industry have been evolving.

For example:

- *the Sample Text of Engagement Contract of Actors (for Trial Implementation)* (《演員聘用合同示範文本(試行)》)

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## RISK FACTORS

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On May 7, 2022, the China Federation of Radio and Television Associations and the China Netcasting Services Association jointly published the Sample Text of Engagement Contract of Actors (for Trial Implementation) (《演員聘用合同示範文本(試行)》) (the “**Engagement Contract**”). The Engagement Contract is a sample engagement contract for actors (or any agency or studio authorized by such actors) who participate drama series and web series to enter into with the producer/contractor of drama series and web series. See “Regulatory Overview – Regulations in Relation to Production and Operation of Television Programs – Content Examination and Distribution Licensing System” for details. As the Engagement Contract is formulated by the China Federation of Radio and Television Associations and the China Netcasting Services Association, as advised by our PRC Legal Advisers, the nature of such action was a self-regulatory measure by the industry and is not legally mandatory.

- *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》)

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, artistes 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 law. See “Regulatory Overview – Regulations in Relation to Production and Operation of Television Programs – Content Examination and Distribution Licensing System” for details. However, our policies and procedures may not be sufficient, and our business operations may be adversely affected if we fail to comply with the evolving regulatory updates.

In addition, the radio and television administration department issues guidance on the content of TV drama series from time to time. For example:

- *the notice on Properly Handling the Exhibition and Broadcasting of TV dramas in relation to celebrating the 70th anniversary of the founding of China* (《關於做好慶祝新中國成立70周年電視劇展播工作的通知》)

On July 29, 2019, the NRTA issued the notice on Properly Handling the Exhibition and Broadcasting of TV dramas in relation to celebrating the 70th anniversary of the founding of China (《關於做好慶祝新中國成立70周年電視劇展播工作的通知》), requiring that costume drama series and idol programs with strong entertainment shall not be broadcast during the “100 days’ exhibition and broadcasting” activity of key TV drama series since August 2019.

- *the Specification of Teleplay Mastering* (《電視劇母版製作規範》)

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## RISK FACTORS

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The NRTA issued the Specification of Teleplay Mastering (《電視劇母版製作規範》) on December 31, 2021 which has become effective since April 1, 2022 (the “**Specification**”). The Specification quantifies and standardizes the technical aspects of the duration, signature, images, sound, subtitles, packaging format and production quality of teleplay mastering, and provides recommendations on the subjective evaluation methods for the sound and picture quality of teleplay mastering, ensures that TV production institutions, copyright holders and content broadcasting platforms shall adopt uniform parameters and packaging formats during the production and exchange of teleplay mastering, reduces conversion processing, improves production efficiency and guides the improvement of the standardization of drama series. See “Regulatory Overview – Regulations in Relation to Production and Operation of Television Programs – Content Examination and Distribution Licensing System” for details. Our production and distribution of drama series is required to follow such evolving opinions from time to time. If we fail to comply with the evolving laws, regulations and policies, our business, financial condition and results of operations could be materially and adversely affected.

In addition, the drama series production industry has faced an increasing level of review and scrutiny by the authorities in recent years. For example, in 2019, the Filming and Television Committee of the State Taxation Administration (“國家稅務總局影視專項工作組”), issued the tax counseling notice requiring TV series production institutions to standardize tax compliance. Under the guidance of the Filming and Television Committee of the State Taxation Administration, we conducted a tax compliance self-check on our business for the period from 2016 to 2018. See “Business – Legal Proceedings and Compliance – Past Tax Compliance Self-checks – 2019 Tax Compliance Self-check” for details. We concluded that we may need to make up certain tax payments for the period from 2016 to 2018. In 2019, we paid up all the outstanding tax payments of approximately RMB77.0 million without being subject to any legal or administrative penalties from the relevant government authorities. We cannot assure you that the tax authority will interpret our tax position in the same way as we do and if we are deemed not to be in compliance with the applicable laws and regulations, we may need to pay additional tax or be subject to administrative penalties or payments, which may materially and adversely affect our business, financial condition, reputation and results of operations.

### **We are subject to risks associated with drama series being taken down from the broadcasting channels.**

Our original drama series may be taken down from the broadcasting channels for a variety of reasons which may be beyond our control. During the Track Record Period, in accordance with the agreements we entered in with our original drama series customers with respect to our original drama series, we are required to refund part or all of the licensing fees if our original drama series are taken down from the broadcasting channels during the licensing period. Pursuant to the paragraph 57 of HKFRS 15, in assessing whether it is highly probable that a significant reversal in the amount of cumulative revenue will occur, a number of factors indicating the likelihood and the magnitude of revenue reversal should be considered, including, for example, (1) the amount of consideration susceptible to factors outside the entity’s influence and (2) the entity’s experience with similar types of contracts. For (1), the

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## RISK FACTORS

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maximum exposure amount of variable consideration in relation to price adjustments arising from risk of the drama series being taken down from broadcasting channels was RMB3,266 million, RMB4,506 million, RMB5,591 million and RMB6,016 million as of December 31, 2019, 2020 and 2021 and March 31, 2022, respectively. See “Financial Information – Critical Accounting Policies and Estimates – Revenue Recognition – (a) Licensing of broadcasting rights of original drama series” for details. We did not refund any of the consideration for our original drama series, nor did we make any revenue reversal during the Track Record Period. We cannot assure you that our original drama series will not be taken down from the broadcasting channels in the future. In the event that our original drama series are required to be taken down from the broadcasting channels, we may be required to refund part of or all of the licensing fees to our original drama series customers. Any significant reversal of revenue recognized by us may have an adverse effect on our results of operation and financial condition.

**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.**

The commercial success of our drama series depends upon acceptance by the audience, which cannot be accurately predicted. There are no objective standards to predict the success and popularity of a particular drama series, which depend on many factors, including the critical acclaim they receive, the reputation and popularity of the directors and actors involved, the appeal of the scripts, the genre and specific subject matter, the quality of content and the preference of audiences. The commercial success of a drama series also depends upon the public’s or a distribution channel’s acceptance of its content, general economic conditions and other tangible and intangible factors, all of which can change and cannot be controlled or predicted with certainty.

To achieve the success of a drama series, we need to develop and produce content that appeals to a broad audience, to respond effectively to changes in audience preferences and to efficiently adapt to the latest market trends. In addition, in the event of repeated failures of our drama series, our brand and reputation would be harmed and we may not be able to maintain our well-established relationships with top online video platforms and major TV channels, which may adversely and materially affect our distribution capability. The failure to achieve any of the foregoing could have a material adverse effect on our business, financial condition, results of operations, liquidity and prospects.

In light of the increasing prevalence of short-form videos and other user-produced creative content and potential changes in consumer preferences, we are creating more short-form video and utilizing short-form platforms to match the latest viewership preferences of audiences. However, our experience in producing short-form video is limited. The commercial success of our short-form video is largely determined by our ability to develop and produce short-form video that appeals to a broad audience, to respond effectively to changes in audience preferences and to efficiently adapt to the latest market trends. The failure to achieve any of the foregoing could have a material adverse effect on our business, financial condition, results of operations, liquidity and prospects. In addition, we may fail to compete with other emerging players due to changes in consumer preferences and our business, financial condition, results of operations, liquidity and prospects may be adversely affected.



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## RISK FACTORS

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**We rely on a limited number of top online video platforms and major TV channels for the distribution and broadcast of our drama series, with which we have limited bargaining power, and the loss of any one of them would materially and adversely affect our business, financial conditions, results of operations and prospects.**

During the Track Record Period, we derived a significant portion of our revenue from a limited number of customers, most of our top five customers are top online video platforms and major TV channels. According to Frost & Sullivan, these distribution channels collectively have the largest audience base and have the greatest demand and the most sufficient procurement budget for drama series in the PRC. Therefore, we have limited bargaining power in negotiating key terms, including payment schedules, price per episode and the broadcasting time slot, with these distribution channels. For example, top online video platforms have internally adopted strict procurement policies imposing a maximum price for each episode of a drama series. The licensing period of our broadcasting rights licensing agreements typically ranges from five to ten years. Customers are authorized to broadcast our drama series during the licensing period. Broadcasting schedules are duly negotiated between our customers and us and are typically set forth in the respective licensing agreements. During the Track Record Period, all our original drama series were broadcast in the schedule set out in the respective licensing arrangements. See “Business – Our Business – Original Drama Series – Business Model – Salient Terms of the Broadcasting Rights Licensing Agreements with Our Customers” for details. However, distribution channels may unilaterally delay or change their broadcasting schedules of our drama series, affecting the secondary sales and popularity of our drama series, which may have an adverse impact on our profitability, business, results of operations and liquidity. In 2019, 2020 and 2021 and three months ended March 31, 2022, our revenue derived from our top five customers accounted for approximately 93.2%, 88.1%, 77.6% and 85.9% of our total revenue for the same periods, respectively. In 2019, the broadcasting schedule of Novoland: Eagle Flag episodes (九州縹緲錄) was adjusted as a result of an adjustment of the number of episodes as requested by the TV channel. Although the actual broadcasting schedule was still within the stipulated broadcasting schedule as set out in the respective licensing agreements, however, our revenue from such the licensing of such drama series decreased due to the adjustment of the number of episodes.

We cannot assure you that we will be able to continue to maintain good business relationships with these top online video platforms and major TV channels or that we will not lose any of them. As our contracts with these top online video platforms and major TV channels are generally on a project-by-project basis, there can be no assurance that these top online video platforms and major TV channels will continue to cooperate with us or maintain their current procurement budget level for our future projects. If we fail to identify sufficient and suitable alternative distribution channels on commercially acceptable terms, or at all, we may not be able to sustain our revenue and realize economic returns from our drama series, thus materially and adversely affecting our profitability, business, results of operations and prospects.

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## RISK FACTORS

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**Tencent Group was our largest customer in 2020, and our second, third and fifth largest customer in the three months ended March 31, 2022 and in 2021 and 2019. If we fail to maintain our business relationship with Tencent Group, our business, financial condition and results of operations could be materially and adversely affected.**

During the Track Record Period, we licensed the broadcasting rights of our original drama series to and produced made-to-order drama series for Tencent Video, the online video platform of Tencent's subsidiary. Tencent Group was our largest customer for 2020, and was the second, third and fifth largest customer in the three months ended March 31, 2022 and in 2021 and 2019, respectively. Our revenue derived from Tencent Group amounted to RMB79.9 million, RMB466.7 million, RMB211.4 million and RMB74.2 million in 2019, 2020 and 2021 and three months ended March 31, 2022, respectively, accounting for approximately 4.5%, 32.7%, 16.9% and 15.8% of our total revenue in the same periods, respectively. According to Frost & Sullivan, Tencent Video is a leading online video platform in terms of revenue generated from membership services, online advertising services and content distribution services in the PRC. Due to Tencent Video's leading market position and popularity among audiences, it is in great need of, and procures a large quantity of, drama series. During the Track Record Period, we licensed the broadcasting right of one original drama series to Tencent Video in 2020, 2021 and the three months ended March 31, 2022, respectively, accounting for approximately 33.3%, 33.3% and 50.0% of the number of total original drama series that we licensed out for the same periods, respectively. In addition, we produced one made-to-order drama series for Tencent Video in each of 2019 and 2021, accounting for 100% of the total made-to-order drama series we produced for the same periods. See "Business – Our Customers" for details of our relationship with Tencent Group. As Tencent Video and our Group both engaged in the production of drama series, there may be potential competition between Tencent Video and us. As a significant portion of our revenue was derived from Tencent Group during the Track Record Period, any decrease in the number of projects with this major customer would adversely affect our business operations and financial results. We believe we have competitive edge over our competitors because we are a drama series production company possessing abundant IP reserves and comprehensive production and distribution capabilities. See "Business – Our Competitive Strengths" for details. In addition, we have built up a mutually beneficial and complementary relationship with Tencent Group. See "Business – Customer Concentration and Relationship with Tencent Group" for details. Going forward, we expect Tencent Group to continue to be one of our major customers. To the extent we fail to maintain our business relationship with Tencent Group on comparable contract terms or at all, we may have to source new online video platforms to sell the broadcasting rights of our original drama series and our production services, which could materially and adversely affect our business, financial condition and results of operations.

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## RISK FACTORS

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### **We are subject to risks of piracy and intellectual property infringement.**

Acts of piracy and copyright infringement are prevalent in many parts of the world including the PRC, which is primarily due to (i) technological advances allowing conversion of drama series into digital formats; (ii) the availability of digital copies of drama series; and (iii) the difficulty in enforcing intellectual property rights in the PRC. This trend facilitates the creation, transmission and sharing of high-quality unauthorized copies of drama series. For example, during the Track Record Period, some account owners on certain short video platforms copied and shared selected contents from our drama series to post on short video platforms. In addition, in the event of any leakage of our drama series before the broadcasting period, the performance of our drama series may be adversely affected. The proliferation of unauthorized copies of our products may result in the loss of audience and have a negative impact on the TV viewership ratings and online video views, and in some cases, reduce our licensing revenue, which may materially and adversely affect our business and results of operations. In order to minimize the risks of piracy and infringement, we may have to invest significant financial and human resources to implement security and anti-piracy measures. Litigation may be necessary to enforce our intellectual property rights. However, given that the Chinese courts have discretion in interpreting and implementing regulations and contractual agreements, it is difficult to predict the outcome of litigation. In addition, we may have to incur additional costs for such costs and our management attention may be diverted and there is no guarantee that we would be able to halt any unauthorised use of our intellectual property in China through litigation.

In addition, due to our business nature, we are particularly vulnerable to disputes relating to the infringement of intellectual property rights. There is no assurance that we will not face intellectual property claims relating to the creative content of our drama series or disputes over entitlements to intellectual property rights in the future. Also, we may face with accusations of infringement of others' intellectual property rights, including, for example copyrights and rights of portrait. Any such claims or disputes may result in prolonged legal proceedings, which may divert our management's attention from our business and cause us to incur substantial costs. If any claim or action is asserted against us, we may seek to settle such claim by obtaining a license from the plaintiff covering the disputed intellectual property rights. There is no assurance, however, that under such circumstances, such license, or any other form of settlement, would be available on reasonable terms or at all. In case of such event, we may be liable for damages, which may materially and adversely affect our results of operations and financial condition.

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## RISK FACTORS

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**We rely on the contribution of industry professionals participating in the development, production and promotion of our drama series. Our failure to retain the services of such professionals, unsatisfactory services provided by them or even any negative news about them in the future may materially and adversely affect our business and results of operations.**

We rely on the contribution of industry professionals participating in the development, production and promotion of our drama series, including scriptwriters, producers, directors and actors, filming and production crew, and promotion agencies. Our operation with those industry professionals are on a project-by-project basis. There can be no assurance that they will continue to work with us on acceptable terms or at all, or that the costs associated with attracting alternative talents and/or third-party service providers will be reasonable. The drama series industry in the PRC also lacks sufficient numbers of quality talents, for which drama series producers compete intensively. We cannot assure you that we will be able to acquire suitable quality talents for each of our drama series. If we fail to acquire and retain highly qualified industry professionals on favorable terms or if talents with whom we work lose their current popularity, our revenue and profitability could be adversely affected. Any failure by our third-party services providers to perform their obligations under the relevant agreements, comply with the applicable laws and regulations and industry standards, or satisfy our specific requirements and expectations may have an adverse and material impact on our business, financial condition and results of operations.

In addition, any lawsuits, personal misbehaviors, rumors, scandals or negative news related to scriptwriters, directors and major cast members of our drama series could negatively affect the distribution of corresponding drama series and may even result in termination of the licensing agreements and content marketing services agreements, which will materially and adversely affect our business, financial condition and results of operations. We cannot assure you that the scriptwriters, directors and major cast members of our pipeline drama series projects will not be involved in similar incidents due to factors beyond our control. Pursuant to our agreements with scriptwriters, directors and major cast members, we are typically entitled to seek reimbursement of the amount we paid to them in the event that any such lawsuits, personal misbehaviors, rumors, scandals or negative news related to them affected our distribution of the corresponding drama series or our licensing agreements. However, any such claim may result in prolonged negotiations or legal proceedings, which may divert our management's attention from our business and cause us to incur substantial costs. We cannot assure you we will be able to retrieve the full amount of the reimbursement or compensation for the losses suffered due to the failure of distribution of relevant episodes or failure to obtain relevant licenses or suspension of broadcast during the relevant drama series' licensing period we are entitled to or at all, which may adversely and materially affect our business, financial condition and results of operations. In addition, the cost of re-filming with alternative cast members or using artificial intelligence to replace the cast members may be expensive and the process may be time-consuming, which may adversely affect our distribution plans and materially and adversely affect our profitability and financial condition.

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## RISK FACTORS

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**The production and distribution of drama series is a lengthy and capital-intensive process, and our capacity to generate cash or obtain financing on favorable terms may be insufficient to meet our anticipated cash requirements.**

The production and distribution of drama series require substantial capital and may require significant time between the commencement of production and the initial broadcasting. A significant amount of time may elapse between our operating expenditure and the cash inflow after distribution of such drama series. We had two drama series project that were to be broadcast and two drama series projects that were under filming/post-production and yet to be broadcast as of the Latest Practicable Date. In addition, we typically seek to pre-sell our original drama series to our customers prior to or shortly after the commencement of filming during the Track Record Period, which contributed to our operating cash inflow position. However, we cannot assure you that we will be able to continue to pre-sell all of our original drama series or at all going forward and as a result, our cash flow position and financial condition may be adversely affected. During the Track Record Period, we utilized capital contributions from Shareholders, cash generated from our operations, bank and other borrowings to finance our drama series projects. We recorded net cash operating inflows during the Track Record Period and had no bank borrowings as of March 31, 2022. However, there is no assurance that we will have sufficient cash flow or financial resources to fund our pipeline drama series projects in the future and we may incur additional bank borrowings. Any disagreement with, or discontinuation in the cooperation with, our co-investors may result in the delay, suspension or termination of the production of our drama series, which in turn may have a material and adverse impact on our business, reputation, results of operations and financial conditions.

To the extent that we might engage debt financing in the future, the incurrence of indebtedness would result in increased finance costs and could result in operating and financing covenants that may, among other things, restrict our operational flexibility or our ability to pay dividends, which could also be burdensome to our operations. If we fail to service the debt obligations or are unable to comply with such debt covenants, we could be in default under the relevant debt obligations and our liquidity and financial conditions may be adversely affected.

In addition, our ability to raise additional capital may depend on our business performance, market conditions and the overall economic environment. We are unable to assure you that we will be able to obtain bank borrowings and other external financing or resources on commercially acceptable terms or in a timely manner or at all in the future. If we are unable to obtain necessary financing or if we fail to obtain such financing on favorable terms or in a timely manner due to factors beyond our control, our business, results of operations and growth prospects may be materially and adversely affected.

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## RISK FACTORS

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### **Our ability to control our cost of sales and operating expenses would affect our financial condition.**

In 2019, 2020 and 2021 and the three months ended March 31, 2022, our aggregate amount of cost of sales amounted to RMB1,393.3 million, RMB880.4 million, RMB689.9 million and RMB287.5 million, respectively, representing approximately 77.7%, 61.7%, 55.2% and 61.1% of our total revenue, respectively. Cost of sales for the licensing of the broadcasting rights of our original drama series is the single largest component of our cost of sales, representing 97.1%, 79.3%, 91.6% and 97.8% of our cost of sales during the Track Record Period. The NRTA has issued a policy to impose restrictions on the maximum compensation that actors can individually and collectively receive as a certain percentage of the total investment of a drama series, however, the costs of producing quality drama series may still increase in the future, which may make it more difficult for a drama series we will invest in to generate profit. Remuneration of quality scriptwriters, directors and actors and other key production crew has been increasing. Other production costs have also been increasing due to higher expenditures on filming studios and advanced filming equipment and technologies. If such increases in production costs cannot be offset by a corresponding increase in licensing revenue or production revenue, our profitability may be adversely affected, which in turn, may materially and adversely affect our results of operations. Moreover, during the Track Record Period, 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. The cost of such content marketing business may still increase in the future. We cannot assure you that we will maintain such profitability and margin level in the future.

In addition, our results of operations are affected by our operating expenses, which mainly consist of our selling and distribution expenses and administrative expenses. In 2019, 2020 and 2021 and the three months ended March 31, 2022, our aggregate amount of selling and distribution expenses and administrative expenses were RMB213.8 million, RMB225.1 million, RMB265.4 million and RMB96.3 million, respectively, representing approximately 11.9%, 15.8%, 21.3% and 20.4% of our total revenue, respectively. Our operating expenses may increase with the expansion of our business or due to other factors, but we typically charge fixed fees for the licensing of broadcasting rights of our original drama series. If we fail to control our cost of sales and operating expenses, our profitability and financial condition may be adversely affected.

### **We recorded net loss in the three months ended March 31, 2021 and 2022.**

In the three months ended March 31, 2021 and 2022, we recorded net losses of RMB11.9 million and RMB2.1 million, respectively. We may incur losses in the future for various reasons, many of which may be beyond our control. Furthermore, after the Listing, we may incur additional compliance, accounting, and other expenses that we did not incur as a private company. If our revenue does not grow at a greater rate than our expenses, we may not be able to achieve profitability. Additionally, we may encounter unforeseen expenses, operating delays, or other unknown factors that may result in losses in the future. If our cost of sales and expenses continuously exceed our revenue, our business may be materially and adversely affected and we may not be able to achieve or maintain profitability.

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## RISK FACTORS

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**The production and distribution of a drama series are subject to uncertainties. There is no guarantee that the production or distribution of our drama series can be kept within budget and on schedule.**

We derive revenue mainly from the licensing of the broadcasting rights of our drama series. We typically pre-sell our original drama series before filming and receive prepayments, which are initially recorded as contract liabilities and are recognized as revenue when the relevant broadcasting rights are rendered or transferred to our customers. We recorded contract liabilities of RMB406.6 million, RMB170.4 million, RMB654.6 million and RMB820.1 million as of December 31, 2019, 2020 and 2021 and March 31, 2022, respectively. The delivery of our drama series to our customers may be disrupted by unforeseeable events, such as the outbreak of contagious diseases, occurrence of force majeure events, regulatory changes and/or natural disasters or by unforeseen circumstances during production, such as accidents, equipment damage or malfunction, damages to cassettes (or digital files thereof), unavailability of filming locations, delay in obtaining the requisite permits or licenses, natural disasters and unavailability of producers, directors or actors due to injuries or health issues, other engagements or a ban from the video-based content market as a result of their personal behavior. The distribution of our drama series may also be delayed due to the changes in the production schedules or the failure to obtain the relevant distribution licenses, leading to the delay in the initial broadcasting of our drama series. In such events, we may be unable to fulfil our obligation in respect of the contract liabilities and may need to refund a portion or all of our contract liabilities not yet recognized as revenue to our customers, which could result in an adverse impact on our cash position and expose us to liquidity risk. In the event we are unable to successfully deliver our drama series to our customers in the future, we may be subject to claims to refund a portion or all of our contract liabilities, which could materially and adversely affect our business, results of operations and financial condition. Any delay or adjustment in production or distribution schedules may increase the production or distribution costs. If we are unable to pass such increased cost onto our customers, our expected investment return would be reduced. In addition, a delay in production or distribution schedule may cause a breach of the agreements with our customers and enable them to terminate the agreements, which would materially and adversely affect our business, financial condition and results of operations.

In addition, the drama series production process is complex and the production cost may exceed our expected budget. In circumstances where the production cost of a drama series significantly exceeds its budget, we and other co-investors may be required to contribute additional financial resources. Failure to obtain additional financial resources for a drama series project may result in substantial delay in production progress. Furthermore, when we are providing production services, we may need to bear the overrun costs pursuant to the relevant agreements, unless otherwise provided in the relevant agreements. Any of the above circumstances may materially and adversely affect our business, financial condition and results of operations.

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## RISK FACTORS

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**If we are unable to compete effectively in the drama series industry, our business, financial condition and results of operations may be materially and adversely affected.**

We operate in a fragmented, rapidly evolving and highly competitive market. We compete with existing drama series producers and/or distributors for audiences, distribution channels and their procurement budgets, as well as talents. We may also face competition from new market entrants in the future. For example, distribution platforms may independently through their in-house production teams or engage third party production services providers to produce their own drama series and therefore we may face competition arising from the vertical integration of distribution platforms (i.e. TV channels and online media platforms).

Some of our competitors may have broader audience reach, greater brand recognition, stronger relationships with leading distribution channels, longer operating histories, or greater financial, technological or marketing resources. As a result, they may have better resources, such as quality directors, cast and production crew, or be able to respond more quickly and effectively to new or changing opportunities, audience preferences, market trends, regulatory requirements or technologies than us. We cannot assure you that we will be able to compete successfully against current or future competitors. Such competition may pose challenges to our business operations, and materially and adversely affect our market share, financial condition, results of operation and profitability.

**We have a limited operating history.**

We started our business in 2014 and have a limited length of operating history. Our total revenue were RMB1,794.2 million, RMB1,426.2 million, RMB1,249.0 million and RMB470.6 million in 2019, 2020 and 2021 and the three months ended March 31, 2022, respectively. Although we have experienced significant business growth since our inception, we cannot assure you that our revenue will continue to increase at previous rates or at all. Our short operating history makes it difficult to assess our future prospects or forecast our future results.

The risks and challenges we might face involve our abilities to, among other things:

- complete and/or release our on-going drama series projects on schedule or at all;
- develop innovative ideas and concepts as well as quality scripts to produce new drama series projects;
- enhance and maintain the value of our brand;
- develop or implement additional strategic initiatives to further enhance our monetization capabilities;
- develop and maintain relationships with our suppliers, customers and business partners, in particular major TV channels and top online video platforms;



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## RISK FACTORS

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- successfully compete with other market players;
- continue to attract, retain and motivate talented and skilled employees; and
- defend ourselves against litigation, regulatory interference and intellectual property claims.

In addition, the execution of our business strategies and future plans is also expected to require management attention and efforts and incur additional expenditures. There is no assurance that we will be able to successfully implement our business strategies or future plans, and any failure to do so may have an adverse effect on our business and results of operations. In particular, we plan to use (i) approximately 10% of the net proceeds from the Global Offering to expand our IP pool; (ii) approximately 50% of the net proceeds from the Global Offering to further produce our original drama series; (iii) approximately 15% of the net proceeds from the Global Offering to facilitate our initiatives in emerging business opportunities; and (iv) approximately 15% of the net proceeds from the Global Offering will be allocated to pursue strategic investment and acquisition opportunities. See “Future Plans and Use of Proceeds” for details. Our insights and expertise in existing businesses may not be as useful as we expect in implementing such plans. We cannot assure you that these efforts will be successful. Even if our business strategies or future plans are implemented, there is no assurance that they will successfully increase our market share or enhance our market position.

**Any change in or discontinuation of preferential tax treatment or governmental grants that currently are available to us may have adverse impact on our results of operations.**

Our PRC subsidiaries and our Consolidated Affiliated Entities are subject to the statutory EIT rate of 25%. Horgos Linmon and Horgos Linmon Black Tea, however, are entitled to EIT exemption for five years starting from the year in which they first generated revenue. According to the Preferential Filing Record of EIT (《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 the entitlement of EIT exemption from July 26, 2016 to December 31, 2020, and an EIT exemption by local tax bureau for the next five years starting from January 1, 2021, Horgos Linmon Black Tea has registered with the State Administration of Taxation for entitlement of EIT exemption from October 16, 2017 to December 31, 2021 and local bureau’s EIT exemption for the next five years from January 1, 2022. See “Financial Information – Description of Key Statement of Profit or Loss Items – Income Tax Expense” for details.

In 2019, 2020 and 2021 and the three months ended March 31, 2022, local governments have also granted us various financial subsidies and we recorded government grants in other income of RMB28.8 million, RMB13.4 million, RMB42.3 million and RMB5.3 million, respectively, in our consolidated statements of profit or loss. See “Financial Information – preferential tax treatment and government grants” for details. These financial subsidies have been given on a one-off basis and at the discretion of the local government authorities.

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## RISK FACTORS

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There can be no assurances that we will continue to enjoy these preferential tax treatment or government grants at the historical levels, or at all. Any change, suspension or discontinuation of these preferential tax treatment and government grants to us could adversely affect our financial condition, results of operations and cash flows.

**Information on our pipeline projects may not prove to be accurate or indicative of our future results of operations.**

As of the Latest Practicable Date, we had two drama series project that were to be broadcast, two drama series projects that were under filming/post-production and 29 drama series projects which were under script development/pre-production. For all four drama series projects that were to be broadcast or under filming/post-production and had yet to be broadcast, we have applied for the Application for Public Record (備案公示申請) and registered with the NRTA. However, the actual outcome of our pipeline projects might be different from what we planned due to a number of factors. For example,

- we may not be able to pre-sell or enter into definitive agreements to distribute projects that have completed production;
- our signed definitive distribution agreements may not be fully performed in accordance with their terms, or may be amended, modified, altered, terminated, or canceled;
- the genre, content or length of the pipeline projects may be subject to change during the production, post-production and regulatory review stages;
- at the stage of application for registration/filing, we may not complete the registration/filing due to factors beyond our control, such as scandals of suppliers and negative publication;
- Four, six, four and nil drama series projects of us did not come into fruition in 2019, 2020, 2021 and the three months ended March 31, 2022 and there are possibilities that our future drama series projects may not come into fruition;
- the expected broadcasting time may be subject to change as a result of a delay in the production or distribution process or the broadcasting schedule of our customers; and
- the pipeline projects may not be successful or gain popularity among audiences and distribution platforms.

As a result, investors are cautioned not to rely on our project pipeline information presented in this prospectus as an accurate indicator of our future earnings.

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## RISK FACTORS

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**Our business depends significantly on our production capabilities and brand perception, and our brand image may be materially and adversely impacted by negative publicity.**

We believe that maintaining and enhancing our Linmon (檸檬) brand is critical to our relationships with our business partners and customers. To the extent our drama series are perceived as of low quality or otherwise not appealing, our brand perception may be adversely impacted.

We are directly involved in pre-production, filming and post-production activities of the drama series production process for our original drama series. We also rely on the cast and filming and production crew to maintain their quality of performance and services. As there are no objective standards to assess the quality of a particular drama series, when we are producing our drama series, there is no assurance that the quality of the content we produce will meet the requirements and expectations of the distribution channels and audiences. Any failure to do so may have a negative impact on our reputation and our ability to maintain relationships with them, which in turn may have a material and adverse effect on our business and results of operations.

Furthermore, negative publicity, whether or not justified, involving us, our management, main cast members of our drama series, our business partners or our industry may harm our brand. In particular, given the nature of the video-based content market, we are more exposed and susceptible to negative publicity. Damage to our reputation and our brand may reduce demand for our content, cause suspension or termination of the broadcasting of our drama series, and have a material and adverse effect on our business, results of operations and financial condition. Moreover, any effort to rebuild our reputation and restore the value of our brand may be costly and time consuming, and such efforts may not ultimately be successful.

**The COVID-19 pandemic could have a material adverse effect on our business, financial condition and results of operations.**

Since the end of December 2019, the outbreak of a novel strain of coronavirus named COVID-19 has materially and adversely affected the global economy. In response, the Chinese government has taken a number of actions, including among other things, compulsory quarantine arrangements, travel restrictions, remote work arrangements and public activities restrictions. The COVID-19 pandemic also resulted in temporary closure of many corporate offices, retail stores, manufacturing facilities and factories across China. We adopted strict disease prevention measures to reduce the risk of our employees and production crew onsite including sterilizing, ventilating the workplaces, and monitoring the body temperature of staff. The disease prevention measures incurred additional costs and adversely affected the production process of our drama series.

In addition, as a result of COVID-19, we adjusted the distribution plan of our film “Monster Run” (怪物先生). Instead of licensing the theatrical distribution rights to cinemas, we licensed the broadcasting rights to online video platforms as a reaction to the temporary closure of cinemas and generated revenue of RMB135.0 million in 2020.

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## RISK FACTORS

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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. From March 14, 2022 to June 6, 2022, we arranged our employees in Shanghai to work from home due to the Shanghai Outbreak. As a result of the Shanghai Outbreak, we adjusted the production plan of two of our original drama series. Specifically, we adjusted the shooting location of one original drama series from Shanghai to Shenzhen and postponed the filming process of the other original drama series from April 2022 to June 2022. In addition, in April 2022, more than 300 COVID-19 confirmed cases were recorded in Beijing and we arranged our staff in Beijing to work from home from May 5, 2022 to May 30, 2022 as ordered by the government. To the best knowledge of our Directors, we had no projects affected by the Beijing Outbreak as of the Latest Practicable Date. See “Business – Impacts of the COVID-19 pandemic” for details. However, if the Shanghai Outbreak and the Beijing Outbreak were to prolong or worsen or any other regions in China were to experience new rounds of COVID-19 outbreaks, our business operations and financial performance may be materially and adversely affected as a result. In addition, the global spread of the COVID-19 pandemic in a significant number of countries around the world has resulted in, and may intensify, global economic distress, and the duration and extent of the impact of the COVID-19 outbreak cannot be reasonably estimated at this time. The extent to which it may affect our results of operations, financial condition and cash flow will depend on the future developments of the outbreaks, which is highly uncertain and cannot be predicted. Such uncertainty poses operational challenges to our services offerings. Our operations and ongoing projects could also be delayed significantly and disrupted if the pandemic were to prolong or worsen in China. In addition, our results of operations could be adversely affected to the extent that the outbreak harms the PRC economy in general.

**The continuous and collaborative efforts of our senior management and key employees are crucial to our success, and our business may be harmed if we lose their services.**

Our success depends on the continuous and collaborative efforts of our senior management team and other key employees, including those from production and distribution departments. We rely on their familiarity with our business operations and their experience, expertise and influence in the video-based content market in the PRC. In particular, our green-light committee formed by four of our founding partners play an important role in our business operation, including (i) the review and determination of the scripts and scriptwriters; (ii) formulation of initial project proposal; (iii) formulation of marketing strategy and preliminary production schedule and budget; (iv) review of detailed production schedule and budget, as well as the casting and recruitment of production crew members; and (v) review of final production schedule and budget. See “Business – Our Business – Original Drama Series – Operation Flow” for details. Competition for competent candidates in the industry is intense and the pool of competent candidates is limited. If we lose the services of one or more of our senior management or key personnel, we may not be able to find suitable or qualified replacements easily or at all and may incur additional expenses to recruit and train new personnel. Consequently, our business could be severely disrupted, the implementation of our business strategies could be delayed, and our financial condition and results of operations

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## RISK FACTORS

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could be materially and adversely affected. In addition, if any member of our senior management or key employees joins a competitor or forms a competing business, we may lose crucial technological know-how, business secrets, customers and other valuable resources and our business and results of operations may be adversely affected. Each of our senior management and key personnel has entered into a confidentiality and non-compete agreement with us. We cannot assure you, however, the extent to which any of these agreements will be enforceable under the applicable laws.

**Confidentiality agreements with employees and others may not adequately prevent disclosure of trade secrets and other proprietary information.**

We have devoted substantial resources to the development and accumulation of our IPs and treat them as trade secrets. In order to protect our IPs, we rely significantly on confidentiality provisions in the agreements with our employees and third parties. These agreements may not effectively prevent disclosure of confidential information and may not provide an adequate remedy in the event of unauthorized disclosure of confidential information. In addition, others may independently discover trade secrets and proprietary information, frustrating our ability to assert any trade secret rights against such parties. Costly and time-consuming litigation could be necessary to enforce and determine the scope of our proprietary rights, and failure to obtain or maintain trade secret protection may materially and adversely affect our competitive position.

**We have incurred net liabilities and net current liabilities in the past, which we may continue to experience in the future.**

We have incurred net liabilities and net current liabilities in the past. 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. We had net current liabilities of RMB1,910.5 million, RMB1,617.2 million and RMB1,505.2 million as of December 31, 2020 and 2021 and March 31, 2022. 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. Net liabilities position can expose us to the risk of shortfalls in liquidity. This in turn would require us to undertake additional equity financing, which could result in dilution of your equity interests. Any difficulty or failure to meet our liquidity needs as and when needed can have a material adverse effect on our prospects.

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**The fair value measurement of our convertible redeemable preferred shares is subject to uncertainties and risks, and changes in fair value may affect our financial performance.**

Our convertible redeemable preferred shares were issued in relation to our multiple rounds of Pre-IPO Investment. We recorded changes in fair value of convertible redeemable preferred shares of a loss of RMB93.9 million, RMB239.2 million, RMB225.9 million and RMB70.5 million in 2019, 2020 and 2021 and the three months ended March 31, 2022, respectively. We applied the discounted cash flow method and back-solve method to determine the underlying equity value of us and adopted the option-pricing method and equity allocation model to determine the fair value of the convertible redeemable preferred shares. We also use key assumptions such as the timing of the liquidation, redemption or the liquidation event as well as the probability of the various scenarios, in valuing our financial assets at fair value through profit or loss. The fair value change of financial assets at fair value through profit or loss may significantly affect our financial position and results of operations. Accordingly, such determination requires us to make significant estimates, which may be subject to material changes, and therefore inherently involves a certain degree of uncertainty. Factors beyond our control can significantly influence and cause adverse changes to the estimates we use and thereby affect the fair value of such redeemable preferred shares and therefore may cause our estimates to vary from actual results, which could adversely affect our results of operation and financial condition.

**Our financial assets at fair value through profit or loss are subject to changes and the valuation of such assets is subject to uncertainties due to the use of unobservable inputs, which may adversely affect our financial performance.**

Our financial assets at fair value through profit or loss amounted to RMB602.8 million, RMB679.9 million, RMB383.8 million and RMB274.4 million in 2019, 2020 and 2021 and the three months ended March 31, 2022, respectively. Our financial assets at fair value mainly included our investments in unlisted securities, our investment in a private equity fund, investments in some convertible redeemable preferred shares or ordinary shares with preferential rights issued by private investee companies, and the wealth management products we purchased during the Track Record Period, which may be subject to changes for the relevant period due to the additional disposal of such assets and gains. We also value the financial assets at fair value through profit or loss based on unobservable inputs. The valuation may involve a significant degree of judgement and assumptions which are inherently uncertain, and may result in material adjustment, which in turn may materially and adversely affect our results of operations. If there is any decrease of fair value on financial assets due to the change of the valuation of such financial assets, our net profit will be adversely affected. In addition, factors beyond our control can significantly influence and cause adverse changes to the estimates and thereby affect the fair value. These factors include, but are not limited to, general economic conditions, changes in market interest rates and stability of the capital markets.

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## RISK FACTORS

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**Fair value changes on financial liabilities of co-investment arrangements are subject to uncertainties and may affect our financial condition and results of operations.**

During the Track Record Period, our fair value changes on financial liabilities of co-investment arrangements were RMB7.3 million, RMB13.7 million, RMB39.3 million and nil in 2019, 2020 and 2021 and the three months ended March 31, 2022, respectively. We co-invest in drama series through co-investment arrangements with other industry players. Our fair value changes on financial liabilities of co-investment arrangements represent the fair value losses in relation to the amounts received from third-party co-investors of our drama series. Under the co-investment arrangements where we act as an executive producer and are obliged to share the licensing revenue with such co-investors based on their respective investment amount, the amounts received from such co-investors are recognized as financial liabilities.

Financial liabilities under co-investment arrangements are for variable return and measured at fair value. The valuation of fair value changes in financial liabilities involves various parameters and unobservable inputs, as well as management estimates and assumptions which are subject to uncertainties. Details of our valuation techniques and sensitivity analysis of fair value to the unobservable inputs are set forth in note 36 to the Accountant's Report set out in Appendix I to this prospectus. Changes in such estimates and assumptions may lead to fluctuations in fair values of our financial liabilities. If we incur any fair value losses, our financial condition and results of operations may be adversely affected.

**The performance of our investments in associates and the share of profits and losses of associates may affect our financial condition or result of operations.**

Our share of profits and losses of associates mainly related to our investment 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). Our share of profit and losses of associates principally represented the change in our share of net assets value of our associates and the goodwill on acquisition. We recorded share of losses of RMB3.1 million, RMB0.9 million and RMB0.7 million, respectively, in 2019, 2020 and the three months ended March 31, 2022, and share of profits of RMB2.2 million in 2021. If the performance of the associates deteriorate, the fair value of our share of results of associates, may decrease, which may adversely affect our financial condition and result of operations.

In addition, our investments in associates are subject to liquidity risk. Our investment in associates not as liquid as other investment products, as there is no cash flow until proceeds from the disposal of investments and other income (for example, interests and dividends) are received. The illiquidity nature of our investment in such associates may significantly limit our ability to respond to adverse changes in the performance of such associates, which may also materially and adversely affect our financial condition and result or operations.

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## RISK FACTORS

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**Our share-based payments represent the arrangement that we receive services from eligible suppliers and employees, which may cause shareholding dilution to our existing Shareholders and negatively impact our financial performance.**

We operate a share award plan for the purpose of providing incentives and rewards to eligible participants who contribute to the success of our operations. Our share-based payments mainly represent the arrangement that we receive services from certain eligible suppliers and employees as consideration for our equity instruments. Our share-based payments expense, after taking into account of the tax effect, amounted to RMB0.1 million, RMB1.1 million, RMB5.5 million and RMB6.1 million in 2019, 2020 and 2021 and the three months ended March 31, 2022, respectively. To further incentivize suppliers and employees to contribute to our operations, we may grant additional share-based compensations in the future. Issuance of additional Shares with respect to such share-based payments may dilute the shareholding percentage of our existing Shareholders. Our expenses associated with share-based compensation may also increase substantially, which may have an adverse effect on our financial performance.

**We may be exposed to risks associated with our prepayments, other receivables and other assets.**

Our prepayments, other receivables and other assets consist of (i) prepayments to production-related service providers and actors for drama series production; (ii) deductible input value-added tax; (iii) deposits and other receivables which represent deposits for leased properties, and the payments we made in advance on behalf of an online video platform for the production of made-to-order drama series; (iv) receivables under co-financing arrangement which represent share of revenue from co-investors in relation to a drama series; (v) deferred listing expense; (vi) interest receivable; and (vii) prepaid expense. As of December 31, 2019, 2020 and 2021 and March 31, 2022, the balance of our current and non-current prepayments, other receivables and other assets was RMB258.8 million, RMB257.2 million, RMB317.7 million and RMB285.4 million, respectively. However, there is no guarantee that the relevant service providers, actors and other parties will perform their obligations in a timely manner. If the relevant service providers, actors and other parties fail to perform their obligations in full or at all, we may be exposed to default on and impairment loss risks in relation to prepayments, other receivables and other assets, which may in turn materially and adversely affect our business and financial position.

**We are exposed to credit risk arising from our trade receivables. Failure to collect our trade receivables in a timely manner or at all could have a material and adverse impact on our business, financial condition, liquidity and prospects.**

Our cash flow and profitability are subject to the timely settlement of payments by our customers for the drama series we licensed out and the production services we provided to them. Our customers primarily include online video platforms, TV channels and third-party distributors. During the Track Record Period, we generally granted a credit period to our customers ranging from 30 days to two years, depending on the specific payment terms in each



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## RISK FACTORS

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contract. In practice, however, the collection period for certain customers, particularly TV channels, may be longer than the credit period stipulated in our agreements. We performed an impairment analysis at the end of each of the period within the Track Record Period and made provisions of RMB26.0 million, RMB26.5 million, RMB37.5 million and RMB38.0 million, respectively, for impairment of trade receivables as of December 31, 2019, 2020 and 2021 and March 31, 2022, respectively. As a result, we recorded impairment losses on trade receivables of RMB3.8 million, RMB0.5 million, RMB11.0 million and RMB0.5 million in 2019, 2020 and 2021 and the three months ended March 31, 2022, respectively. In 2019, 2020 and 2021 and the three months ended March 31, 2022, the turnover days of our trade receivables was 50 days, 89 days, 89 days and 83 days, respectively. See “Financial Information – Discussion of Certain Balance Sheet Items – Trade and Notes Receivables” for details.

We cannot assure you that we will be able to collect all or any of our trade receivables or collect the amount for any unbilled work on time, or at all, after meeting the agreed program payment milestones. Our customers may face unexpected circumstances, including, but not limited to, financial difficulties caused by fiscal constraints or changes in fiscal policy of the government or delays of the broadcast of our drama series due to changes in government policies. Our customers, particularly TV channels, may delay or even default in their payment obligation. As a result, we may not be able to receive such customers’ payment of uncollected debts in full, or at all, and we may need to make provisions for trade and notes receivables or drama series copyrights. The occurrence of such event would materially and adversely affect our financial condition and results of operations.

**Our content marketing services may be subject to intellectual property infringement claims, administrative sanctions and lawsuits, which may be time consuming and costly to defend.**

Our content marketing business is closely tied with our drama series production business. Since we produce and deliver marketing content, the content of our content marketing services might infringe upon or otherwise violate trademarks, patents, copyrights, know-how or other intellectual property rights held by third parties. We may from time to time in the future be subject to legal proceedings and claims relating to the intellectual property rights of others. In addition, there may be third-party trademarks, patents, copyrights, know-how or other intellectual property rights that are infringed by our content marketing products or services without our awareness. Holders of such intellectual property rights may seek to enforce such intellectual property rights against us in various jurisdictions. If any third party infringement claims are brought against us, we may be forced to divert management’s time and other resources from our business and operations to defend against these claims, regardless of their merits.

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## RISK FACTORS

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In addition, we may be subject to administrative sanctions or lawsuits from time to time in the course of our content marketing business. Our content marketing business is required to comply with the provisions of the Advertising Law of the PRC (《中華人民共和國廣告法》) and the Interim Measures for Administration of Internet Advertising (《互聯網廣告管理暫行辦法》) and is subject to the supervision of market supervision and management authorities. During the Track Record Period, the signing entities of our content marketing service agreements mainly include Shanghai Linmon, Horgos Linmon, Horgos Linmon Black Tea and Wuren Guanji, all of which have obtained certificates of compliance issued by the relevant competent market supervision and administration authorities certifying that such entities have not been subject to any administrative penalties from the market supervision and administration departments and have been in good standing. As confirmed by our Directors, we had not been subject to any review, enquiry or investigation by any PRC regulatory authorities in relation to our content marketing services during the Track Record Period and up to the Latest Practicable Date. Therefore, as advised by our PRC Legal Advisor, our content marketing business had been in compliance with the provisions of the Advertising Law of the People's Republic of China and the Interim Measures for the Administration of Internet Advertising, and has not been subject to any administrative penalties in relation to content marketing business during the Track Record Period and up to the Latest Practicable Date. However, we may receive formal and/or informal inquiries from government authorities and regulators regarding our compliance with laws and regulations, many of which are evolving and subject to interpretation. Claims arising out of actual or alleged violations of law could be asserted against us by advertisers, media publishers, competitors, or by governmental entities in civil or criminal investigations and proceedings or by other entities. These claims could be asserted under a variety of laws and regulations in different jurisdictions, including but not limited to advertising laws, Internet information services laws, intellectual property laws, unfair competition laws, data protection and privacy laws. We may also be subject to administrative sanctions or lawsuits due to actions by our cooperative actors, social media platforms or advertisers. There is no guarantee that we will be successful in defending ourselves in administrative and legal actions or in asserting our rights under various laws. Even if we are successful in our attempt to defend ourselves in administrative and legal actions or to assert our rights under various laws, enforcing our rights against various parties involved may be expensive, time-consuming and ultimately futile. These actions could expose us to negative publicity and to substantial monetary damages and legal defense costs, injunctive relief and criminal and civil fines and penalties, including but not limited to suspension or revocation of licenses to conduct our content marketing business.

**We are exposed to inventory risks if we are not able to produce and deliver our drama series as planned.**

Our inventories comprise raw materials (i.e. the cost of scripts and IP rights for production of our drama series which are yet to be broadcast), work in progress (i.e. drama series of which we are in the process of production) and finished goods. As of December 31, 2019, 2020 and 2021 and March 31, 2022, our inventories amounted to RMB825.3 million, RMB336.9 million, RMB554.2 million and RMB353.1 million, respectively, representing approximately 34.5%, 21.6%, 24.2% and 14.7% of our total current assets, respectively. We

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carried out an inventory review on a project-by-project basis at the end of each Track Record Period and made provision for obsolete projects. Net realizable value of inventories is the estimated selling price in the ordinary business, less estimated costs of completion and selling expenses. These estimates are based on the current market condition and our historical experience of producing and distributing drama series of a similar nature. Our management reassessed the estimation at the end of each period within the Track Record Period. As of December 31, 2019, 2020 and 2021 and March 31, 2022, we made provisions for impairment of inventories of RMB124.8 million, RMB180.5 million, RMB176.7 million and RMB177.7 million, respectively, which we believe were adequate as of the end of each period during the Track Record Period.

Our distribution and promotion department set up distribution plans for each of our drama series. However, the distribution of a drama series is subject to uncertainties, including the evolving market trends, the broadcasting schedule of online video platforms or TV channels, as well as regulatory or industry policies, which are beyond our control and may affect our subsequent settlement of the ending balance of inventories of each period. As of May 31, 2022, none of our inventories as of March 31, 2022 were subsequently utilized or sold. The remaining inventories as of March 31, 2022 that had not been utilized as of May 31, 2022 are mainly expected to be utilized or sold in due course in accordance with the distribution plan of our drama series. See “Financial Information – Discussion of Certain Balance Sheet Items – Inventories” for details. In the event that we are not able to distribute our drama series according to our distribution plan, the relevant inventories may become obsolete and be impaired. As a result, our financial condition and results of operations could be materially and adversely affected.

**Any disagreements or discontinuations of co-investment arrangements for drama series production could disrupt our operations or put our assets at risk.**

We act as the sole/lead investor and executive producer of our original drama series and also invest in other drama series as a non-executive producer. While such arrangements may provide various advantages, situations may arise when we do not agree with the business goals or objectives of our co-investors or co-producers, or other factors may arise that make the continuation of the relationships unwise or untenable, especially when we act as minority investors with limited control. Any such disagreements or discontinuation of our relationships with the co-investors or co-producers could disrupt our operations, or put assets dedicated to the co-investment arrangements at risk. If we are unable to resolve issues with co-investors or co-producers, we may need to terminate the relevant arrangements. The unwinding of an existing arrangement could prove to be difficult or time-consuming, and the loss of revenue related to the termination or unwinding of such arrangement could adversely affect our results of operations. We cannot assure you that we will be able to maintain good relationships with our co-investors or co-producers.

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## RISK FACTORS

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**Strategic investments or mergers and acquisitions may have a material and adverse effect on our business, financial condition and results of operations.**

As part of our business growth strategy, we have invested in, and may in the future invest in, merge with or acquire businesses that we believe can enhance our production or distribution capabilities and competitive position. Our ability to implement such strategy will depend on our ability to identify suitable targets, our ability to reach agreements with them on commercially reasonable terms and the availability of financing to complete any such investment, merger or acquisition, as well as our ability to obtain any required shareholder or government approvals. Our strategic investments or mergers and acquisitions may subject us to uncertainties and risks, including:

- high acquisition and financing costs;
- potential ongoing financial obligations and unforeseen or hidden liabilities;
- potential loss of key business relationships and the reputation of the targets;
- failure to achieve our intended objectives, benefits or revenue-enhancing opportunities;
- costs associated with, and difficulties in, integrating acquired businesses and assets into our own;
- potentially significant impairment charges of goodwill and intangible assets arising from acquisitions;
- amortization expenses of other intangible assets;
- potential claims or litigation regarding our Board's exercise of its duty of care and other duties required under applicable laws and regulations in connection with any of our significant acquisitions or investments approved by the Board; and
- diversion of our resources and management attention from our existing business.

In addition, the assets or businesses we invest in, merge with or acquire may not generate results as we expect. There is no assurance that we will be able to effectively integrate the acquired business with our existing business, which would divert management and other resources. Furthermore, the acquired business may not achieve our expectations due to circumstances beyond our control, such as loss of key personnel. Our failure to address any of the above uncertainties and risks may have a material and adverse effect on our liquidity, financial condition and results of operations.

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## RISK FACTORS

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**If we fail to effectively manage our growth, our operating performance may deteriorate.**

We intend to continue to grow our business through organic expansion and acquisitions or strategic alliances. Our expansion has placed, and will continue to place, substantial demands on our managerial, financial, operational and other resources. Our planned expansion will also require us to maintain the consistency of the quality of our drama series to ensure that our market reputation and leadership do not suffer as a result of any deviations, whether actual or perceived. Our future results of operations depend to a large extent on our ability to manage this expansion and growth successfully. In particular, continued growth may subject us to the following additional challenges:

- challenges in the recruitment, training and retaining of highly skilled personnel and external counsels, including scriptwriters, directors and actors, filming and production studios, distribution and promotion services providers and quality control specialists for our growing operations;
- challenges in successfully improving and upgrading the quality and appeal of our drama series to accommodate the evolving demands and preferences of audiences;
- challenges in maintaining effective operational, financial and management controls; and
- challenges in responding to evolving industry standards and governmental regulations that impact our growing business, particularly in the areas of actor management and content examination.

There can be no assurances that our current procedures, resources and controls will be adequate to support our contemplated growth. If we fail to manage our growth effectively, our business, results of operations and prospects may be materially and adversely affected.

**We had not obtained lease registration for certain properties.**

During the Track Record Period, we leased certain properties without obtaining of the relevant lease registration, primarily due to the difficulty of procuring our lessors' cooperation to register such leases. See "Business – Properties" for details. As advised by our PRC Legal Advisor, a lessor and lessee are required to obtain lease registration within 30 days after the lease execution. In the event that the lessor and lessee fail to obtain the lease registration within the 30-day period, the relevant housing authorities may require the lessor and lessee to obtain the relevant lease registration within a prescribed period and may impose fine if the lessor and lessee fail to register within the prescribed period. Our PRC Legal Advisor has advised us that the lack of lease registration of the lease contracts will not affect the validity of the lease agreements under PRC laws, and has also advised us that a maximum penalty of RMB10,000 may be imposed for non-registration of each lease. However, we cannot assure you that our lessors will cooperate with us to register such leases due to factors beyond our control or our use of the relevant properties will not be further challenged in the future. Any of these may have an adverse effect on our business, financial condition, results of operation and prospects.

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## RISK FACTORS

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**Legal disputes or proceedings may expose us to significant liabilities, divert our management's attention and materially and adversely impact our reputation.**

During the ordinary course of our business operations, we may be involved in legal disputes or proceedings relating to, among other things, contractual disputes. Such legal disputes or proceedings may expose us to adverse publicity, subject us to substantial liabilities and may have a material and adverse effect on our reputation, business and financial condition.

If we become involved in material or protracted legal proceedings or other legal disputes in the future, we may need to incur substantial legal expenses and our management may need to devote significant time and attention to handle such proceedings and disputes, diverting their attention from our business operations. In addition, the outcome of such proceedings or disputes may be uncertain and could result in settlement or outcomes which may materially and adversely affect our financial condition and results of operations.

**Any acts of bribery, corrupt practices or other improper conducts of our employees, co-investors, major customers and suppliers may materially and adversely affect our business, reputation, results of operations and financial condition.**

In recent years, the State Council and various PRC government authorities have stepped up their efforts to combat bribery, corrupt practices and other improper conduct in the PRC. We cannot assure you that our employees will not be engaged in acts of bribery, corruption or other improper conducts. There is also no assurance that our internal control and risk management systems will prevent or detect any improper or illegal acts of our employees. The failure of our employees to comply with the PRC anti-corruption and other related laws and regulations may subject us to substantial financial losses and may have a negative impact on our reputation. In addition, if any of our co-investors are subject to investigations, claims or legal proceedings as a result of such improper or illegal acts, they may be subject to fines and penalties and thus may not be able to contribute their portion of investment funds to our projects on schedule or at all, thereby delaying the project progress. Our major customers or suppliers may fail to comply with the PRC anti-corruption and other related laws and regulations and may be subject to investigations, claims or legal proceedings, which may in turn adversely affect on our reputation. Any of the abovementioned circumstances may materially and adversely affect our business, reputation, results of operations and financial condition.

In addition, in recent years, the PRC tax authorities have become increasingly stringent in regulating the tax compliance of upstream and downstream entities in the drama series production industry. In the agreements we sign with our suppliers or customers, it is generally agreed that the parties thereto shall respectively bear the tax obligations according to the relevant laws, but we cannot guarantee whether our suppliers or customers can strictly comply with the tax laws. If our suppliers or customers fail to comply with PRC tax laws and other related laws and regulations, it may lead to negative news, investigation, administrative penalties or legal disputes or proceedings, which may affect their cooperation with us, and thus may adversely affect our reputation.

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## RISK FACTORS

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**Our limited insurance coverage could expose us to significant costs and business disruption.**

Insurance companies in the PRC generally do not offer as extensive an array of insurance products as insurance companies do in countries with more developed economies. To the best of our Directors' knowledge, no insurance products that have been specifically designed for protecting the risks related to the Contractual Arrangements have been made available on the market. In line with general industry practice in the PRC, we do not maintain business interruption insurance or key man life insurance. See "Business – Insurance" for details. Any disruption in our business operations, litigation or natural disasters may result in our incurring substantial costs and the diversion of our resources, and we have no insurance to cover such losses. As a result, our business, financial condition and results of operations could be materially and adversely affected.

**The occurrence of any *force majeure* events, natural disasters, acts of war or outbreaks of contagious diseases in the PRC may have a material and adverse effect on our business and results of operations.**

Any occurrence of *force majeure* events, natural disasters such as earthquakes, tornadoes, floods and droughts, acts of war, or outbreaks of contagious diseases or epidemics such as avian influenza, swine influenza, severe acute respiratory syndrome (SARS), Middle East respiratory syndrome coronavirus (MERS-CoV), or coronavirus disease 2019 (COVID-19), may disrupt the production of our drama series and normal social activities, and thus may have a material and adverse effect on the production, distribution and broadcasting schedules of our drama series. In particular, the outbreak of COVID-19 has endangered the health of many people residing in the PRC and significantly disrupted travel and local economy. Any of the afore-mentioned circumstances may materially and adversely affect our business and results of operations.

**Our Controlling Shareholders have substantial control over our Company and their interests may not be aligned with the interests of the other Shareholders.**

Prior to and immediately following the completion of the Global Offering, our Controlling Shareholders will retain substantial control over our Company. Subject to our Articles of Association and the Cayman Companies Act, the Controlling Shareholders will be able to exercise significant control and exert significant influence over our business or otherwise on matters of significance to us and other Shareholders by voting at the general meetings of the Shareholders and at Board meetings. The interests of our Controlling Shareholders may differ from the interests of other Shareholders and they are free (other than on any matters that they are required to abstain from voting) to exercise their shareholder votes according to their interests. To the extent that the interests of the Controlling Shareholders conflict with the interests of other Shareholders, the interests of other Shareholders can be disadvantaged and harmed.

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## RISK FACTORS

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**Certain information and statistics contained in this prospectus with respect to the economies and the drama series market have not been independently verified and may not be reliable.**

In this prospectus, certain information and statistics are derived from government publications, other publications or market search report prepared by Frost & Sullivan, which commissioned by us. Nevertheless, the information from official government sources has not been independently verified by us, the Joint Representatives, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, any of the Underwriters, any of their respective directors and advertisers, or any other persons or parties involved in the Global Offering (excluding Frost & Sullivan) and, therefore, we make no representation as to accuracy of such information and statistics. Further, we cannot assure our investors that they are stated or compiled on the same basis or with the same degree of accuracy as similar statistics presented elsewhere. Our investors should consider carefully how much weight or importance should be attached to or placed on such information and statistics.

### **RISKS RELATING TO OUR CONTRACTUAL ARRANGEMENTS**

**If the PRC government finds that the agreements that establish the structure for operating our businesses in the PRC do not comply with applicable PRC laws and regulations, or if these laws and regulations or their interpretations change in the future, we could be subject to severe consequences, including the nullification of the Contractual Arrangements and the relinquishment of our interest in our Consolidated Affiliated Entities.**

Current PRC laws and regulations impose certain restrictions and prohibitions on foreign ownership of companies that engage in the TV programs and other related businesses. In particular, foreign investment in television program production and operation companies is prohibited pursuant to the Negative List. See “Regulatory Overview – Regulations in Relation to Foreign Investment” for details.

On March 15, 2019, the 2nd Session of the 13th National People’s Congress (第十三屆全國人民代表大會第二次會議) approved the Foreign Investment Law of the People’s Republic of China (《中華人民共和國外商投資法》) (the “**FIL**”), which became effective on January 1, 2020. According to the FIL, the “foreign investment” refers to investment activities carried out directly or indirectly by foreign natural persons, enterprises or other organizations (hereinafter referred to as “**Foreign Investors**”), including the following: (i) Foreign Investors establishing foreign-invested enterprises in the PRC alone or collectively with other investors; (ii) Foreign Investors acquiring shares, equities, properties or other similar rights of Chinese domestic enterprises; (iii) Foreign Investors investing in new projects in the PRC alone or collectively with other investors; and (iv) Foreign Investors investing through other ways prescribed by laws and regulations or the State Council. See “Regulatory Overview – Regulations in Relation to Foreign Investment” for details.



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## RISK FACTORS

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The Company was incorporated under the laws of the Cayman Islands, and Shanghai Ninghe, our wholly-owned PRC subsidiary, is considered a foreign-invested enterprise and thereby shall be subject to the FIL. To comply with PRC laws and regulations, we conduct our drama series investment, production and distribution related businesses in the PRC through Shanghai Linmon, based on the Contractual Arrangements, which enable us to (i) have the power to direct the activities that most significantly affect the economic performance of Shanghai Linmon; (ii) receive substantially all of the economic benefits from Shanghai Linmon in consideration for the services provided by Shanghai Ninghe; and (iii) have an exclusive option to purchase all or part of the equity interests and assets of Shanghai Linmon when and to the extent permitted by PRC laws, or request Shanghai Linmon or any existing shareholder of it to transfer any or part of the equity interest and assets of Shanghai Linmon to another PRC person or entity designated by us at any time at our discretion. Because of these Contractual Arrangements, we are the primary beneficiary of Shanghai Linmon and hence treat Shanghai Linmon as our consolidated affiliated entity, and consolidate its and its subsidiaries' results of operations into ours. Our Consolidated Affiliated Entities hold the licenses, approvals and key assets that are essential for our business operations.

In the opinion of our PRC Legal Advisor, (i) the ownership structures of our Company, Shanghai Ninghe and our Consolidated Affiliated Entities are in compliance with existing PRC laws and regulations, (ii) the Contractual Arrangements are valid, binding and enforceable, and will not result in any violation of PRC laws or regulations currently in effect, and (iii) the business operations of our Company, Shanghai Ninghe and our Consolidated Affiliated Entities, as described in this prospectus, had been in compliance with existing PRC laws and regulations, including the FIL, in all material aspects during the Track Record Period and up to the Latest Practicable Date. There are, however, substantial uncertainties regarding the interpretation and application of current or future PRC laws and regulations. The relevant PRC regulatory authorities have broad discretion in determining whether a particular contractual structure violates PRC laws and regulations. Particularly, the FIL stipulates that foreign investment includes "Foreign Investors investing in the PRC through many other methods under laws, administrative regulations or provisions prescribed by the State Council." We cannot assure you that Contractual Arrangements will not be deemed as a form of foreign investment under laws, regulations or provisions prescribed by the State Council in the future, as a result of which, it will be uncertain whether the Contractual Arrangements will be deemed to be in violation of the foreign investment access requirements and the impact on the above-mentioned Contractual Arrangements. Thus, we cannot assure you that the PRC government will not ultimately take a view contrary to the opinion of our PRC Legal Advisor. If the PRC government finds that the Contractual Arrangements do not comply with its restrictions or prohibitions on foreign investment in businesses, or the Contractual Arrangements are determined as illegal or invalid by the PRC government, or if the PRC government otherwise finds that we, Shanghai Ninghe or any of our Consolidated Affiliated Entities are in violation of PRC laws or regulations or lack the necessary permits or licenses to operate our business, the relevant PRC regulatory authorities, including the MOFCOM and NRTA, would have broad discretion in dealing with such violations or failures, including, without limitation:

- revoking our business and operating licenses;

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## RISK FACTORS

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- discontinuing or restricting our operations;
- imposing fines or confiscating any of our income that they deem to have been obtained through illegal operations;
- imposing conditions or requirements with which we or our PRC subsidiaries and our Consolidated Affiliated Entities may not be able to comply;
- requiring us or our PRC subsidiaries and our Consolidated Affiliated Entities to restructure the relevant ownership structure or operations;
- restricting or prohibiting our use of the proceeds from the Global Offering or other of our financing activities to finance the business and operations of our Consolidated Affiliated Entities; or
- taking other regulatory or enforcement actions that could be harmful to our business.

Any of these actions could cause significant disruption to our business operations, and may materially and adversely affect our business, financial condition and results of operations. In addition, it is unclear what impact the PRC government actions would have on us and on our ability to consolidate the financial results of our Consolidated Affiliated Entities in our consolidated financial statements, if the PRC governmental authorities find our legal structure and contractual arrangements to be in violation of PRC laws, rules and regulations. If any of these penalties results in our inability to direct the activities of our Consolidated Affiliated Entities that most significantly impact their economic performance and/or our failure to receive the economic benefits from our Consolidated Affiliated Entities, we may not be able to consolidate our Consolidated Affiliated Entities into our consolidated financial statements in accordance with the HKFRS, thus adversely affecting our results of operations.

**Our Contractual Arrangements may not be as effective in providing operational control as direct ownership. Shanghai Linmon and its shareholders may fail to perform their obligations under our Contractual Arrangements.**

Due to the PRC restrictions or prohibitions on foreign ownership of companies that engage in drama series investment, production and distribution related businesses in the PRC, we operate a substantial portion of our business in the PRC through our Consolidated Affiliated Entities, in which we have no ownership interest. We rely on the Contractual Arrangements to control and operate our Consolidated Affiliated Entities' business. The Contractual Arrangements are intended to provide us with effective control over our Consolidated Affiliated Entities and allow us to obtain economic benefits from them. See "Contractual Arrangements" for details.

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## RISK FACTORS

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Although we have been advised by our PRC Legal Advisor that our Contractual Arrangements constitute valid and binding obligations enforceable against each party of such agreements in accordance with their terms, these Contractual Arrangements may not be as effective in providing control over our Consolidated Affiliated Entities as direct ownership. If Shanghai Linmon or its shareholders fail to perform their respective obligations under the Contractual Arrangements, we may incur substantial costs and expend substantial resources to enforce our rights. All of these Contractual Arrangements are governed by and interpreted in accordance with PRC laws, and disputes arising from these Contractual Arrangements will be resolved through arbitration or litigation in the PRC. However, there are very few precedents and little official guidance as to how contractual arrangements in the context of a variable interest entity should be interpreted or enforced under the PRC laws. There remain significant uncertainties regarding the outcome of arbitration or litigation. These uncertainties could limit our ability to enforce these Contractual Arrangements. In the event we are unable to enforce these Contractual Arrangements or we experience significant delays or other obstacles in the process of enforcing these Contractual Arrangements, we may not be able to exert effective control over our Consolidated Affiliated Entities and may lose control over the assets owned by our Consolidated Affiliated Entities. As a result, we may be unable to consolidate our Consolidated Affiliated Entities in our consolidated financial statements and our ability to conduct our business may be negatively affected.

**We may lose the ability to use, or otherwise benefit from, the licenses, approvals and assets held by our Consolidated Affiliated Entities that are material to our business operations if our Consolidated Affiliated Entities declare bankruptcy or become subject to a dissolution or liquidation proceeding.**

We do not have priority pledges and liens against the assets of our Consolidated Affiliated Entities. If our Consolidated Affiliated Entities undergo an involuntary liquidation proceeding, third-party creditors may claim rights to some or all of their assets and we may not have priority against such third-party creditors on the assets of our Consolidated Affiliated Entities. If our Consolidated Affiliated Entities liquidate, we may take part in the liquidation procedures as a general creditor under the PRC Enterprise Bankruptcy Law (《中華人民共和國企業破產法》) and recover any outstanding liabilities owed by our Consolidated Affiliated Entities to Shanghai Ninghe under the applicable service agreement. All remaining assets after paying off other debts shall be transferred to Shanghai Ninghe or any other entity or individual designated by Shanghai Ninghe at the lowest price permitted by PRC laws.

Unless required by PRC laws, Shanghai Linmon shall not be dissolved or liquidated without Shanghai Ninghe's written consent. In addition, under the Contractual Arrangements, the shareholders of Shanghai Linmon do not have the right to issue dividends to themselves or otherwise distribute the retained earnings or other assets of Shanghai Linmon without our consent. In the event that the shareholders of Shanghai Linmon initiate a voluntary liquidation proceeding without our authorization or attempt to distribute the retained earnings or assets of Shanghai Linmon without our prior consent, we may need to resort to legal proceedings to enforce the terms of the Contractual Arrangements. Any such legal proceeding may be costly and may divert our management's time and attention away from the operation of our business, and the outcome of such legal proceeding will be uncertain.

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## RISK FACTORS

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**The shareholders of Shanghai Linmon may have conflicts of interest with us, which may materially and adversely affect our business.**

We have designated PRC nationals to be the shareholders of Shanghai Linmon. These persons may have conflicts of interest with us. Our Consolidated Affiliated Entities are beneficially owned by certain members of our Co-founders and management team, namely, Mr. Su Xiao, Ms. Chen Fei, Ms. Xu Xiao'ou and Mr. Zhou Yuan, and companies including Shanghai Guoshi, Shanghai Guoyun and Tencent Investment. Conflicts of interest may arise between the roles of these individuals and companies as shareholders, directors and/or officers of our Company and as shareholders, directors and/or officers of Shanghai Linmon. We rely on these individuals and companies to abide by the laws of the Cayman Islands which impose fiduciary duties upon directors and officers of our Company. Such duties include the duty to act *bona fide* in what they consider to be in the best interest of our Company as a whole and not to place themselves in a position in which there is a conflict between their duties to our Company and their personal interests. On the other hand, PRC laws also provide that a director or a management officer owes a loyalty and fiduciary duty to the company he or she directs or manages. We cannot assure you that when conflicts arise, shareholders of Shanghai Linmon will act in the best interest of our Company or that conflicts will be resolved in our favor. These individuals and companies may breach or cause Shanghai Linmon to breach the existing Contractual Arrangements. If we cannot resolve any conflicts of interest or disputes between us and these shareholders, we would have to rely on legal proceedings, which may be expensive, time-consuming and disruptive to our operations. There is also substantial uncertainty as to the outcome of any such legal proceedings.

**If we exercise the option to acquire equity ownership of Shanghai Linmon, the ownership transfer may subject us to certain limitations and substantial costs.**

Pursuant to the Contractual Arrangements, Shanghai Ninghe or its designated person(s) has the exclusive right to purchase all or any part of the equity interests in Shanghai Linmon from its shareholders at a nominal price, unless the relevant PRC government authorities or PRC laws request that another amount be used as the purchase price and in which case the purchase price shall be the lowest amount under such request.

The equity transfer may be subject to approvals from and filings with the MOFCOM and SAMR and/or their local counterparts. In addition, the equity transfer price may be subject to review and tax adjustment with reference to its market value by the relevant tax authority. The shareholders of Shanghai Linmon will pay the equity transfer price they receive to Shanghai Ninghe or its designated person(s) under the Contractual Arrangements. The amount to be received by Shanghai Ninghe may also be subject to EIT, in which case such tax amounts could be substantial.

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## RISK FACTORS

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**Our Contractual Arrangements may be subject to scrutiny by the PRC tax authorities, and a finding that we owe additional taxes could substantially reduce our consolidated net income and the value of your investment.**

Under PRC laws and regulations, arrangements and transactions among related parties may be subject to audit or challenge by the PRC tax authorities. We could face material and adverse tax consequences if the PRC tax authorities determine that the Contractual Arrangements among our PRC subsidiaries and our Consolidated Affiliated Entities do not represent an arms-length price and adjust our Consolidated Affiliated Entities' income in the form of a transfer pricing adjustment. A transfer pricing adjustment could, among other things, result in a reduction, for PRC tax purposes, of expense deductions recorded by our Consolidated Affiliated Entities, which could in turn increase its tax liabilities. In addition, the PRC tax authorities may impose late payment fees and other penalties to our Consolidated Affiliated Entities for under-paid taxes. Our results of operations may be materially and adversely affected if our tax liabilities increase or if we are found to be subject to late payment fees or other penalties.

### **RISKS RELATING TO THE PRC**

**China's economic, political and social conditions and government policies may continue to affect our business.**

Substantially all of our businesses, assets, operations and revenues are located in or derived from our operations in the PRC and, as a result, our business, financial condition and results of operations are subject, to a significant degree, to the economic, political, social and regulatory environment in the PRC. The PRC government regulates the economy and the industries by imposing industrial policies and regulating the PRC's macro economy through fiscal and monetary policies.

The PRC economy has undergone a transition from a planned economy to a market-oriented economy. The PRC government has, in recent years, taken various actions to introduce market forces for economic reform, to reduce State ownership of productive assets and to promote the establishment of sound corporate governance in business entities. However, a substantial portion of productive assets in the PRC are still owned by the PRC government. In addition, the PRC government continues to play a significant role in regulating the economy and the industries by issuing industrial policies. The PRC government still retains significant control over the PRC's economic growth through the allocation of resources, monetary policies and preferential treatments to particular industries or enterprises.

Our performance has been and will continue to be affected by China's economy, which in turn is influenced by the global economy. The uncertainties relating to the global economy as well as the political environment in various regions of the world will continue to impact China's economic growth. While China's economy has experienced significant growth in the past few decades, growth has been uneven across different regions and economic sectors and there is no assurance that such growth can be sustained. The global economic slowdown and the turmoil in the global financial markets that began in the second half of 2008, continued weakness in the U.S. economy and the sovereign debt crisis in Europe have collectively added downward pressure to economic growth in the PRC.

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## RISK FACTORS

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We are unable to predict all the risks and uncertainties that we face as a result of current economic, political, social, and regulatory developments and many of these risks are beyond our control. All such factors may materially and adversely affect our business and operations as well as our financial performance.

**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.**

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**”). Under the Draft Administration Provisions and the Draft Filing Measures, securities offering and listing in an overseas market by a domestic company, either direct or indirect, shall be filed with CSRC. However, as of the Latest Practicable Date, the Draft Administration Provisions and the Draft Filing Measures has not been formally adopted, and due to the lack of further clarification, there are still uncertainties regarding the interpretation and implementation of the Draft Administration Provisions and the Draft Filing Measures, including the details or specific requirements of the filing. Assuming the Draft Administration Provisions and the Draft Filing Measures are formally implemented in their current form, as advised by our PRC Legal Adviser, if we have not yet completed our overseas securities offering and listing by then, we may be required to conduct the filing procedures according to the Draft Administration Provisions and the Draft Filing Measures. The PRC governmental authorities also may take actions requiring us, or making it advisable for us, to suspend the Global Offering before settlement and delivery of the Shares offered hereby.

Furthermore, according to Article 6 of the 2021 Negative List, 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. For more details, see “Regulatory Overview – Regulations in Relation to Foreign Investment.”

Therefore, if you engage in market trading or other activities in anticipation of and prior to settlement and delivery, you will bear the risk that settlement and delivery may not occur. In addition, we cannot guarantee that the Draft Administration Provisions and the Draft Filing Measures formally implemented in their current form or any new rules or regulations promulgated in the future will not impose any additional requirement on us. If it is determined that we are subject to any CSRC approval, filing, other governmental authorization or requirements for future capital raising activities, we may fail to obtain such approval or meet such requirements in a timely manner or at all. Such failure may adversely affect our ability

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## RISK FACTORS

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to finance the development of our business and may have a material adverse effect on our business and financial conditions. Furthermore, any uncertainty and/or negative publicity regarding such an approval, filing or other requirements may also have a material adverse effect on the offering of our Shares.

**The M&A Rules and certain other PRC regulations establish complex procedures for some acquisitions of Chinese companies by foreign investors, which could make it more difficult for us to pursue growth through acquisitions in the PRC.**

The “Regulations on Merger with and Acquisition of Domestic Enterprises by Foreign Investors” (《關於外國投資者併購境內企業的規定》), or the M&A Rules, adopted by six PRC regulatory agencies in 2006 and amended in 2009, and some other regulations and rules concerning mergers and acquisitions established additional procedures and requirements that could make merger and acquisition activities by foreign investors more time consuming and complex, including requirements in some instances that the MOFCOM be notified in advance of any change-of-control transaction in which a foreign investor takes control of a PRC domestic enterprise. Moreover, the “Anti-Monopoly Law” (《反壟斷法》) requires that the SAMR shall be notified in advance of any concentration of undertaking if certain thresholds are triggered. In addition, the “Rules of Ministry of Commerce on Implementation of Security Review System of Mergers and Acquisitions of Domestic Enterprises by Foreign Investors” issued by the MOFCOM (《商務部實施外國投資者併購境內企業安全審查制度的規定》) that became effective in September 2011 specify that mergers and acquisitions by foreign investors that raise “national defense and security” concerns and mergers and acquisitions through which foreign investors may acquire de facto control over domestic enterprises that raise “national security” concerns are subject to strict review by the MOFCOM, and the rules prohibit any activities attempting to bypass a security review, including by structuring the transaction through a proxy or contractual control arrangement. In the future, we may grow our business by acquiring complementary businesses. Complying with the requirements of the above mentioned regulations and other relevant rules to complete such transactions could be time consuming, and any required approval processes, including obtaining approval from the MOFCOM or its local counterparts may delay or inhibit our ability to complete such transactions, which could affect our ability to expand our business or maintain our market share.

**We may be deemed to be a PRC tax resident enterprise under the EIT Law, which may materially and adversely affect our profitability and the value of your investments.**

We are a company incorporated under the laws of the Cayman Islands. Pursuant to the EIT Law and its implementation rules, if an enterprise incorporated outside the PRC has its “de facto management bodies” within the PRC, such enterprise would generally be deemed as a “PRC resident enterprise” for tax purposes and be subject to an EIT rate of 25% on its global income. “De facto management bodies” is defined as the body that has actual overall management and control over the business, personnel, accounts and properties of an enterprise. In April 2009, July 2011 and January 2014, the SAT issued several circulars to clarify certain criteria for the determination of the “de facto management bodies” for foreign enterprises

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controlled by PRC enterprises. We are currently not regarded as a PRC tax resident enterprise. However, there is no formal implementation of regulation on how to determine the “de facto management bodies” of foreign enterprises not controlled by PRC persons. Therefore, it is still uncertain how the PRC tax authorities would deal with our case. We cannot assure you that we will not be regarded as a PRC tax resident, and if we are regarded as a PRC tax resident enterprise by the PRC tax authorities, we would have to pay PRC EIT at a rate of 25% for our entire global income, which may materially and adversely affect our profits and hence our retained profit available for distribution to our Shareholders.

**You may be subject to PRC withholding tax on dividends from us and PRC income tax on any gain realized on the transfer of our Shares.**

Under the EIT law and its implementation rules, subject to any applicable tax treaty or similar arrangement between the PRC and your jurisdiction of residence that provides otherwise, PRC withholding tax at a rate of 10% is normally applicable to dividends from a PRC source paid to investors that are “non-resident enterprises,” which do not have an establishment or place of business in the PRC, or which have such establishment or place of business but whose relevant income is not effectively connected with the establishment or place of business. Any gain realized on the transfer of shares by such investors is generally subject to a 10% PRC income tax if such gain is regarded as income derived from sources within the PRC.

Under the PRC Individual Income Tax law (《中華人民共和國個人所得稅法》) and its implementation rules, dividends from sources within the PRC paid to foreign individual investors who are not PRC residents are generally subject to a PRC withholding tax at a rate of 20% and gains from PRC sources realized by such investors on the transfer of shares are generally subject to PRC income tax at a rate of 20% for individuals. Any PRC tax may be reduced or exempted under applicable tax treaties or similar arrangements. If we are treated as a PRC resident enterprise as described under “– We may be deemed to be a PRC tax resident enterprise under the EIT Law, which may materially and adversely affect our profitability and the value of your investments,” dividends we pay with respect to our Shares, or the gain realized from the transfer of our Shares, may be treated as income derived from sources within the PRC and as a result be subject to the PRC income taxes described above. If PRC income tax is imposed on gains realized through the transfer of our Shares or on dividends paid to our non-residents investors, the value of your investment in our Shares may be materially and adversely affected.



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### **Fluctuations in exchange rates could result in foreign currency exchange losses.**

The value of the RMB against the Hong Kong dollar, the U.S. dollar and other currencies fluctuates, is subject to changes resulting from the PRC government's policies and depends to a large extent on domestic and international economic and political developments as well as supply and demand in the local market. It is difficult to predict how market forces or government policies may impact the exchange rate between the RMB and the Hong Kong dollar, the U.S. dollar or other currencies in the future. In addition, the PBOC regularly intervenes in the foreign exchange market to limit fluctuations in RMB exchange rates and achieve policy goals.

The proceeds from the Global Offering will be received in US dollars. As a result, any appreciation of the RMB against the Hong Kong dollar may result in the decrease in the value of our proceeds from the Global Offering. Conversely, any depreciation of the RMB may adversely affect the value of, and any dividends payable on, the Shares in foreign currency. In addition, there are limited instruments available for us to reduce our foreign currency risk exposure at reasonable costs. All of these factors could materially and adversely affect our business, financial condition, results of operations and prospects, and could reduce the value of, and dividends payable on, our Shares in foreign currency terms.

### **The PRC government's control of foreign currency conversion and restrictions on the remittance of RMB out of the PRC may limit our foreign exchange transactions and our ability to pay dividends and meet other obligations, and affect the value of your investment.**

The PRC government imposes controls on the convertibility of the RMB into foreign currencies and, in certain cases, the remittance of currency out of China. We receive substantially all of our revenue in RMB. We may convert a portion of our revenue into other currencies to meet our foreign currency obligations, such as payments of dividends declared in respect of our Shares, if any. Shortage in the availability of foreign currency may restrict the ability of our PRC subsidiaries to remit sufficient foreign currency out of China, or otherwise satisfy their foreign currency denominated obligations.

Under existing PRC foreign exchange regulations, payments of current account items, such as profit distributions and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior approval from the SAFE, by complying with certain procedural requirements. However, approval from or registration with appropriate governmental authorities is required where RMB is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of loans denominated in foreign currencies.

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## RISK FACTORS

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In light of the flood of capital outflows of China in 2016 due to the weakening of the RMB, the PRC government has imposed more restrictive foreign exchange policies and stepped up scrutiny of major outbound capital movements. More restrictions and substantial vetting process are put in place by SAFE to regulate cross-border transactions falling under the capital account. The PRC government may at its discretion further restrict access to foreign currencies in the future for current account transactions. If the foreign exchange control system prevents us from obtaining sufficient foreign currencies to satisfy our foreign currency demands, we may not be able to pay dividends in foreign currencies to our Shareholders.

**PRC regulation of loans to and direct investments in PRC entities by offshore holding companies may delay or prevent us from using the proceeds of the Global Offering to make loans or additional capital contributions to our PRC subsidiaries, which could materially and adversely affect our liquidity and our ability to fund and expand our business.**

Any funds we transfer to our PRC subsidiaries, either as a shareholder loan or as an increase in registered capital, are subject to approval by or registration with relevant governmental authorities in the PRC. According to the relevant PRC regulations on foreign-invested enterprises in the PRC, capital contributions to our PRC subsidiaries are subject to the requirement of making necessary filings in the Foreign Investment Comprehensive Management Information System (外商投資綜合管理信息系統) (the “FICMIS”) and registration with other governmental authorities in the PRC. In addition, (i) any foreign loan procured by our PRC subsidiaries is required to be registered with SAFE, or its local counterparts, and (ii) each of our PRC subsidiaries may not procure loans which exceed the difference between its registered capital and its total investment amount as recorded in FICMIS. Any medium or long-term loan to be provided by us to our Consolidated Affiliated Entities must be recorded and registered by the NDRC and the SAFE or its local counterparts. We may not be able to complete such recording or registrations on a timely basis, if at all, with respect to future capital contributions or foreign loans by us directly to our PRC subsidiaries. If we fail to complete such recording or registration, our ability to use the proceeds of this Global Offering and to capitalize our PRC operations may be negatively affected, which could materially and adversely affect our liquidity and our ability to fund and expand our business.

On March 30, 2015, the SAFE promulgated the “Notice on Reforming the Management Approach Regarding the Foreign Exchange Capital Settlement of Foreign-Invested Enterprises” (《國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知》) (the “SAFE Circular 19”), which took effect on June 1, 2015. SAFE Circular 19 launched a nationwide reform of the administration of the settlement of the foreign exchange capitals of foreign-invested enterprises and allows foreign-invested enterprises to settle their foreign exchange capital at their discretion, but continues to prohibit foreign-invested enterprises from using RMB funds converted from their foreign exchange capital for expenditures beyond their business scopes. On June 9, 2016, the SAFE promulgated the “Notice on Reforming and Standardizing the Administrative Provisions on Capital Account Foreign Exchange” (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》) (the “SAFE Circular 16”). SAFE Circular 19 and SAFE Circular 16 continue to prohibit foreign-invested enterprises from, among other things, using RMB funds converted from their foreign exchange capital for

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## RISK FACTORS

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expenditure beyond their business scope, investment and financing (except for securities investment or non-guaranteed bank products), providing loans to non-affiliated enterprises or constructing or purchasing real estate not for self-use. SAFE Circular 19 and SAFE Circular 16 may significantly limit our ability to transfer to and use in the PRC the proceeds from this Global Offering, which may materially and adversely affect our business, financial condition and results of operations.

**The heightened scrutiny over acquisitions from the PRC tax authorities may have a material and adverse impact on our business, acquisition or restructuring strategies or the value of your investment in us.**

On February 3, 2015, the SAT issued the “Public Announcement on Several Issues Concerning Enterprise Income Tax for Indirect Transfer of Assets by Non-Resident Enterprises” (《關於非居民企業間接轉讓財產企業所得稅若干問題的公告》) (the “**Circular 7**”), which abolished certain provisions in the “Notice on Strengthening the Administration of Enterprise Income Tax on non-Resident Enterprises” (《關於加強非居民企業股權轉讓企業所得稅管理的通知》) (the “**Circular 698**”), which was previously issued by the SAT on December 10, 2009, as well as certain other rules providing clarification on Circular 698. Circular 7 provided comprehensive guidelines relating to, and also heightened the PRC tax authorities’ scrutiny over, indirect transfers by a non-resident enterprise of assets (including equity interests) of a PRC resident enterprise (the “**PRC Taxable Assets**”).

For example, Circular 7 specifies that the PRC tax authorities are entitled to reclassify the nature of an indirect transfer of PRC Taxable Assets, when a non-resident enterprise transfers PRC Taxable Assets indirectly by disposing of equity interests in an overseas holding company directly or indirectly holding such PRC Taxable Assets, by disregarding the existence of such overseas holding company and considering the transaction to be a direct transfer of PRC Taxable Assets, if such transfer is deemed to have been conducted for the purposes of avoiding EIT and without any other reasonable commercial purpose.

Except as provided in Circular 7, transfers of Chinese taxable property under the following circumstances shall be automatically deemed as having no reasonable commercial purpose, and are subject to EIT: (i) more than 75% of the value of the overseas enterprise is directly or indirectly from Chinese taxable properties; (ii) more than 90% of the total assets (cash excluded) of the overseas enterprise are directly or indirectly composed of investment in the PRC at any time during the year prior to the indirect transfer of Chinese taxable property, or more than 90% of the income of the overseas enterprise is directly or indirectly from China during the year prior to the indirect transfer of Chinese taxable property; (iii) the overseas enterprise and its subsidiaries directly or indirectly hold Chinese taxable property and have registered with the relevant authorities in the host countries (regions) in order to meet the local legal requirements in relation to organization forms, yet proved to be inadequate in their ability to perform their intended functions and withstand risks as their alleged organization forms suggest; or (iv) the income tax from the indirect transfer of Chinese taxable property payable abroad is lower than the income tax in the PRC that may be imposed on the direct transfer of such PRC Taxable Assets.

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Although Circular 7 contains certain exemptions (including, (i) where a non-resident enterprise derives income from the indirect transfer of PRC Taxable Assets by acquiring and selling shares of a listed overseas holding company which holds such PRC Taxable Assets on a public market; and (ii) where there is an indirect transfer of PRC Taxable Assets, but if the non-resident enterprise had directly held and disposed of such PRC Taxable Assets, the income from the transfer would have been exempted from EIT under an applicable tax treaty or arrangement), it remains unclear whether any exemptions under Circular 7 will be applicable to the transfer of our Shares or to any future acquisition by us outside of the PRC involving PRC Taxable Assets, or whether the PRC tax authorities will reclassify such transaction by applying Circular 7. Therefore, the PRC tax authorities may deem any transfer of our Shares by our Shareholders that are non-resident enterprises, or any future acquisition by us outside of the PRC involving PRC Taxable Assets, to be subject to the foregoing regulations, which may subject our Shareholders or us to additional PRC tax reporting obligations or tax liabilities.

Provisions of Circular 7, which impose PRC tax liabilities and reporting obligations, do not apply to “a non-resident enterprise acquiring and disposing of the equity interests of the same offshore listed company in a public market” (the “**Public Market Safe Harbor**”), which is determined by whether the parties and number and price of the shares acquired and disposed are not previously agreed upon, but determined in accordance with general trading rules in the public securities markets, according to one implementing rule for Circular 698. In general, transfers of the Shares by Shareholders on the Stock Exchange or other public markets would not be subject to the PRC tax liabilities and reporting obligations imposed under the Circular 7 if the transfers fall under the Public Market Safe Harbor. As stated in the section headed “Information about this Prospectus and the Global Offering,” potential investors should consult their professional advisors if they are in any doubt as to the tax implications of subscribing for, purchasing, holding, disposing of and dealing in the Shares.

**We may be subject to penalties, including restrictions on our ability to inject capital into our PRC subsidiaries and our PRC subsidiaries’ ability to distribute profits to us, if our PRC resident Shareholders or beneficial owners fail to comply with relevant PRC foreign exchange regulations.**

The SAFE has promulgated several regulations that require PRC residents and PRC corporate entities to register with and obtain approval from local counterparts of the SAFE in connection with their direct or indirect offshore investment activities. The “Notice on Issues Relating to Foreign Exchange Control for Overseas Investment and Financing and Round tripping by Chinese Residents through Special Purpose Vehicles” (《關於境內居民通過特殊目的公司境外投資及返程投資外匯管理有關問題的通知》), or the SAFE Circular 37, was promulgated by the SAFE in July 2014 and requires PRC residents or entities to register with SAFE or its local counterparts in connection with their establishment or control of an offshore entity established for the purpose of overseas investment or financing. These regulations apply to our Shareholders who are PRC residents and may apply to any offshore acquisitions that we make in the future.

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Under these foreign exchange regulations, PRC residents who make, or have previously made, prior to the implementation of these foreign exchange regulations, direct or indirect investments in offshore companies are required to register those investments. In addition, any PRC resident who is a direct or indirect shareholder of an offshore company is required to update the previously filed registration with the local counterpart of the SAFE, with respect to that offshore company, to reflect any material change involving its round-trip investment, capital variation, such as an increase or decrease in capital, transfer or swap of shares, merger or division. If any PRC shareholder fails to make the required registration or update the previously filed registration, the PRC subsidiary of that offshore parent company may be restricted from distributing their profits and the proceeds from any reduction in capital, share transfer or liquidation to their offshore parent company, and the offshore parent company may also be restricted from injecting additional capital into its PRC subsidiary. Moreover, failure to comply with the various foreign exchange registration requirements described above could result in liability under PRC laws for evasion of applicable foreign exchange restrictions, including (i) the requirement by the SAFE to return the foreign exchange remitted overseas or into the PRC within a period of time specified by the SAFE, with a fine of up to 30% of the total amount of foreign exchange remitted overseas or into the PRC and deemed to have been evasive or illegal and (ii) in circumstances involving serious violations, a fine of no less than 30% of and up to the total amount of remitted foreign exchange deemed evasive or illegal.

We have requested PRC residents that to our knowledge hold direct or indirect interest in our Company to make the necessary applications, filings and amendments as required by applicable foreign exchange regulations. Each of our individual beneficial owners who is required to complete the registration under SAFE Circular 37 has duly completed the foreign exchange registrations in relation to their offshore investments as PRC residents. However, there can be no assurance that the subsequent amendment of registration, when required, can be successfully completed in a timely manner. We cannot assure you that the SAFE or its local counterparts will not release explicit requirements or interpret the relevant PRC laws and regulations otherwise. Failure by any such Shareholders to comply with Circular 37 or other related regulations could subject us to fines or legal sanctions, restrict our investment activities in the PRC and overseas or cross-border investment activities, limit our subsidiaries' ability to make distributions, pay dividends or other payments to us or affect our ownership structure, which could adversely affect our business and prospects.

As there is uncertainty concerning the reconciliation of these foreign exchange regulations with other approval requirements, it is unclear how these regulations, and any future regulation concerning offshore or cross-border transactions, will be interpreted, amended and implemented by the relevant governmental authorities. We cannot predict how these regulations will affect our business operations or future strategy. For example, we may be subject to a more stringent review and approval process with respect to our foreign exchange activities, such as remittance of dividends and foreign-currency-denominated borrowings, which may materially and adversely affect our results of operations and financial condition. In addition, if we decide to acquire a PRC domestic company, we cannot assure you that we or the owners of such company, as the case may be, will be able to obtain the necessary approvals or complete the necessary filings and registrations required by the foreign exchange regulations. This may restrict our ability to implement our acquisition strategy and could materially and adversely affect our business and prospects.

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## RISK FACTORS

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**Failure to comply with PRC regulations regarding the registration requirements for share option plans may subject the PRC plan participants or us to fines and other legal or administrative sanctions.**

In February 2012, SAFE promulgated the “Notice on Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plans of Overseas Publicly-Listed Companies” (《國家外匯管理局關於境內個人參與境外上市公司股權激勵計劃外匯管理有關問題的通知》) (the “SAFE Circular 7”), replacing the previous rules issued by SAFE in March 2007. Under the SAFE Circular 7 and other relevant rules and regulations, PRC residents who participate in a stock incentive plan in an overseas publicly listed company are required to register with SAFE or its local counterparts and complete certain other procedures. Participants of a stock incentive plan who are PRC residents must retain a qualified PRC agent, which could be a PRC subsidiary of the overseas publicly listed company or another qualified institution selected by the PRC subsidiary, to conduct the SAFE registration and other procedures with respect to the stock incentive plan on behalf of its participants. The participants must also retain an overseas entrusted institution to handle matters in connection with their exercise of stock options, the purchase and sale of corresponding stocks or interests and fund transfers. In addition, the PRC agent is required to amend the SAFE registration with respect to the stock incentive plan if there is any material change to the stock incentive plan, the PRC agent or the overseas entrusted institution or other material changes. Also, SAFE Circular 7 stipulates that PRC residents who participate in a share incentive plan of an overseas non-publicly-listed special purpose company may register with SAFE or its local counterparts before they exercise the share options. We and our PRC employees who have been granted share options will be subject to these regulations upon the completion of this Global Offering. Failure of our PRC share option holders to complete their SAFE registrations may subject these PRC residents to fines of up to RMB300,000 for entities and up to RMB50,000 for individuals, and legal sanctions and may also limit our ability to contribute additional capital into our PRC subsidiary, limit our PRC subsidiaries’ ability to distribute dividends to us, or otherwise materially and adversely affect our business.

The SAT has also issued relevant rules and regulations concerning employee share incentives. Under these rules and regulations, our employees working in the PRC will be subject to PRC individual income tax upon exercise of the share options. Our PRC subsidiaries have obligations to file documents with respect to the granted share options with relevant tax authorities and to withhold individual income taxes for their employees upon exercise of the share options. If our employees fail to pay or we fail to withhold their individual income taxes according to relevant rules and regulations, we may face sanctions imposed by the competent governmental authorities.

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## RISK FACTORS

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**The legal system in the PRC has inherent uncertainties that could limit the legal protections available to our Shareholders.**

The PRC legal system is based on written statutes and their interpretation by the Supreme People's Court of the PRC and may not be as comprehensive or developed as that of other jurisdictions. Prior court decisions may be cited for reference but have limited precedential value. Accordingly, the outcome of dispute resolutions may not be consistent or predictable.

Although efforts have been made by the PRC Government to enhance protection of foreign investment in the PRC, the PRC has not yet developed a fully integrated legal system. Newly enacted laws and regulations may not sufficiently cover all aspects of economic activities in the PRC and there is much uncertainty in their application, interpretation and enforcement. Furthermore, the PRC legal system is partly based on government policies and administrative rules that may take effect retrospectively. As a result, we may not be aware of our violations of certain policies or rules in a timely manner.

The legal protection available to us under the PRC laws, rules and regulations may be limited. Any litigation or regulatory enforcement action in the PRC may be protracted, which may result in the diversion of our resources and management attention. In addition, the outcome of dispute resolutions may not be consistent or predictable and it may be difficult to enforce judgments and arbitration awards in the PRC.

These uncertainties relating to the interpretation, implementation and enforcement of the PRC laws and regulations and a system of jurisprudence that gives only limited precedential value to prior court decisions can affect the legal remedies and protections available to you, and may adversely affect the value of your investment.

**You may experience difficulties in effecting service of legal process and enforcing judgments or bringing original actions in the PRC or Hong Kong based on foreign laws against us and our Directors and management.**

We are an exempted company incorporated in the Cayman Islands and substantially all of our assets are located in the PRC and substantially all of our current operations are conducted in the PRC as well. In addition, a majority of our current Directors and officers are nationals and residents of China and substantially all of the assets of these persons are located in the PRC. It may not be possible for investors to effect service of process upon us or those persons in the PRC for disputes brought in courts outside the PRC. The PRC has not entered into treaties or arrangements providing for the recognition and enforcement of judgments made by courts of most other jurisdictions. On July 14, 2006, Hong Kong and the PRC entered into the "Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements Between Parties Concerned" (《關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排》) (the "**Arrangement**"), pursuant to which a party with an enforceable final court judgment rendered by any designated PRC court or any designated Hong Kong court requiring

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## RISK FACTORS

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payment of money in a civil and commercial case according to a written choice of court agreement, may apply for recognition and enforcement of the judgment in the relevant Hong Kong court or PRC court. A written choice of court agreement is defined as any agreement in writing entered into between parties after the effective date of the Arrangement in which a Hong Kong court or a PRC court is expressly designated as the court having sole jurisdiction for the dispute. Therefore, it may not be possible to enforce a judgment rendered by a Hong Kong court in the PRC if the parties in the dispute did not agree to enter into a choice of court agreement in writing. As a result, it may be difficult or impossible for investors to effect service of process against certain of our assets or Directors in the PRC in order to seek recognition and enforcement of foreign judgments in the PRC.

### **RISKS RELATING TO THE GLOBAL OFFERING**

**There has been no prior public market for our Shares and there can be no assurance that an active market would develop after the Global Offering.**

Prior to completion of the Global Offering, there has been no public market for our Shares. There can be no guarantee that an active trading market for our Shares will develop or be sustained after completion of the Global Offering. The Offer Price is the result of negotiations between our Company and the Joint Representatives (for themselves and on behalf of the Underwriters), which may not be indicative of the price at which our Shares will be traded following completion of the Global Offering. The market price of our Shares may drop below the Offer Price at any time after completion of the Global Offering. Factors such as variations in our revenue, earnings and cash flows or any other developments of us may affect the volume and price at which our Shares will be traded.

**The trading price of our Shares may be volatile, which could result in substantial losses to you.**

The trading price of our Shares may be volatile and could fluctuate widely in response to factors beyond our control, including general market conditions of the securities markets in Hong Kong, the PRC, the United States and elsewhere in the world. In particular, the performance and fluctuation of the market prices of other companies with business operations located mainly in the PRC that have listed their securities in Hong Kong may affect the volatility in the price of and trading volumes for our Shares. A number of PRC-based companies have listed their securities, and some are in the process of preparing for listing their securities, in Hong Kong. Some of these companies have experienced significant volatility, including significant price declines after their initial public offerings. The trading performances of the securities of these companies at the time of or after their offerings may affect the overall investor sentiment towards PRC-based companies listed in Hong Kong and consequently may impact the trading performance of our Shares. These broad market and industry factors may significantly affect the market price and volatility of our Shares, regardless of our actual operating performance.



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**You will incur immediate and substantial dilution and may experience further dilution in the future.**

As the Offer Price of our Shares is higher than the net tangible book value per Share of our Shares immediately prior to the Global Offering, purchasers of our Shares in the Global Offering will experience an immediate dilution in terms of the pro forma net tangible book value. If we issue additional Shares in the future, purchasers of our Shares in the Global Offering may experience further dilution in their shareholding percentage.

**The actual or perceived sale or availability for sale of substantial amounts of our Shares, especially by our Directors, executive officers and Controlling Shareholders, could adversely affect the market price of our Shares.**

Future sales of a substantial number of our Shares, especially by our Directors, executive officers and Controlling Shareholders, or the perception or anticipation of such sales, could negatively impact the market price of our Shares in Hong Kong and our ability to raise equity capital in the future at a time and price that we deem appropriate.

The Shares held by our Controlling Shareholders are subject to certain lock-up periods beginning on the date on which trading in our Shares commences on the Stock Exchange. While we currently are not aware of any intention of such persons to dispose of significant amounts of their Shares after the expiry of the lock-up periods, we cannot assure you that they will not dispose of any Shares they may own now or in the future.

**There is no assurance if and when we will pay dividends in the future.**

Distribution of dividends will be at the discretion of our Board and subject to Shareholders' approval. A decision to declare or pay dividends and the amount of such dividends will depend on our future operations and earnings, capital requirements and surplus, general financial conditions, contractual restrictions and other factors that our Directors consider relevant. See "Financial Information – Dividends" for details. As a result, there can be no assurance whether, when and in what manner we will pay dividends in the future.

**Since there may be a gap of several Business Days between pricing and trading of our Shares, holders of our Shares are subject to the risk that the price of our Shares could fall during the period before trading of our Shares begins.**

The Offer Price of our Shares is expected to be determined on the Price Determination Date. However, our Shares will not commence trading on the Stock Exchange until they are delivered, which is expected to be several Business Days after the Price Determination Date. As a result, investors may not be able to sell or otherwise deal in our Shares during that period. Accordingly, holders of our Shares are subject to the risk that the price of our Shares could fall before trading begins as a result of adverse market conditions or other adverse developments that could occur between the time of sale and the time trading begins.

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## RISK FACTORS

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**The laws of the Cayman Islands relating to the protection of the interests of minority shareholders may be different from those in Hong Kong.**

Our corporate affairs are governed by the Articles of Association, the Cayman Companies Act and the common law of the Cayman Islands. The laws of the Cayman Islands relating to the protection of the interests of minority shareholders may differ in some respects from those established under statutes or judicial precedents in existence in Hong Kong. This may mean that the remedies available to our minority Shareholders may be different from those available under the laws of Hong Kong or other jurisdictions. A summary of the constitution of our Company and the Cayman Islands Company Act is set out in Appendix III to this prospectus.

**Prospective investors should read the entire prospectus carefully and are strongly cautioned against placing any reliance on the information in any press article or other media coverage which contains information not being disclosed or which is inconsistent with the information included in this prospectus.**

You are strongly advised to read the entire prospectus carefully and are cautioned against placing any reliance on the information in any press article or any other media coverage which contains information not disclosed or not consistent with the information included in this prospectus.

Prior to the completion of the Global Offering, there may be press and media coverage regarding our Group and the Global Offering. Our Directors would like to emphasize to prospective investors that we do not accept any responsibility for the accuracy or completeness of such information and such information is not sourced from or authorized by our Directors or our management team. Our Directors make no representation as to the appropriateness, accuracy, completeness and reliability of any information or the fairness or appropriateness of any forecast, view or opinion expressed by the press or other media regarding our Group or our Shares. In making decisions as to whether to invest in our Shares, prospective investors should rely only on the financial, operational and other information included in this prospectus.

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**WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES  
AND EXEMPTIONS FROM STRICT COMPLIANCE WITH THE COMPANIES  
(WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE**

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In preparation for the Listing, we have sought the following waivers and exemptions from strict compliance with the relevant provisions of the Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance:

**MANAGEMENT PRESENCE IN HONG KONG**

Rule 8.12 of the Listing Rules requires that a new applicant applying for a primary listing on the Stock Exchange must have a sufficient management presence in Hong Kong. This normally means that at least two of its executive directors must be ordinarily resident in Hong Kong. Since our core business operations are principally located, managed and conducted in the PRC and will continue to be based in the PRC, our executive Directors and senior management members are and will continue to be based in the PRC.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted a waiver from strict compliance with the requirements set out in Rule 8.12 of the Listing Rules. In order to maintain effective communication with the Stock Exchange, we have put in place the following measures in order to achieve regular communication with the Stock Exchange:

- (a) The Company has appointed Mr. Zhou Yuan and Ms. Li Zhen, as the authorised representatives (“**Authorised Representatives**”) for the purpose of Rule 3.05 of the Listing Rules. They will act as the Company’s principal channel of communication with the Stock Exchange. Each of them has confirmed that he or she can be readily contactable by phone, facsimile and email to deal promptly with enquiries from the Stock Exchange. The Company has provided contact details of the two Authorised Representatives to the Stock Exchange and will inform the Stock Exchange as soon as practicable in respect of any change in the Company’s authorised representatives. Mr. Zhou and Ms. Li have confirmed that he or she possesses valid travel documents to visit Hong Kong and will be able to meet with the Stock Exchange within a reasonable period of time, when required;
- (b) Our Authorised Representatives have means of contacting all Directors (including the independent non-executive Directors) promptly at all times as and when the Stock Exchange proposes to contact a Director with respect to any matters;
- (c) To facilitate communication with the Stock Exchange, the Company has provided the Authorised Representatives and the Stock Exchange with the office phone number, mobile phone number, residential phone number, office facsimile number and email address of each Director, where applicable. In the event that any Director expects to travel or otherwise be out of office, he or she will provide the phone number of the place of his or her accommodation to the Authorised Representatives. All the Directors who are not ordinarily resident in Hong Kong are able to apply for valid travel documents to visit Hong Kong for business purposes and would be able to meet with the Stock Exchange upon reasonable notice;

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**WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES  
AND EXEMPTIONS FROM STRICT COMPLIANCE WITH THE COMPANIES  
(WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE**

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- (d) Our Company has appointed Somerley Capital Limited as its Compliance Adviser in compliance with Rule 3A.19 of the Listing Rules. The Compliance Adviser will, among other things and in addition to the Authorised Representatives, provide our Company with professional advice on continuing obligations under the Listing Rules and act as an additional channel of communication of our Company with the Stock Exchange during the period from the Listing Date to the date on which the Company complies with Rule 13.46 of the Listing Rules in respect of its financial results for the first full financial year immediately after the Listing; and
- (e) Meetings between the Stock Exchange and our Directors could be arranged through our Authorised Representatives or our Company's Compliance Adviser, or directly with our Directors within a reasonable period. Our Company will inform the Stock Exchange as soon as practicable in respect of any change in the Authorised Representatives, the Directors and/or the Compliance Adviser of the Company in accordance with the Listing Rules.

**WAIVER IN RESPECT OF JOINT COMPANY SECRETARIES**

Pursuant to Rules 3.28 and 8.17 of the Listing Rules and the Guidance Letter HKEX-GL108-20, a new applicant for listing on the Stock Exchange must appoint a company secretary who, by virtue of his or her academic or professional qualifications or relevant experience, is, in the opinion of the Stock Exchange, capable of discharging the functions of the company secretary.

Pursuant to Note 1 to Rule 3.28 of the Listing Rules, the Stock Exchange considers the following academic or professional qualifications to be acceptable:

- (a) a member of The Hong Kong Chartered Governance Institute;
- (b) a solicitor or barrister (as defined in the Legal Practitioners Ordinance (Chapter 159 of the Laws of Hong Kong)); and
- (c) a certified public accountant (as defined in the Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong)).

In addition, pursuant to Note 2 to Rule 3.28 of the Listing Rules, in assessing "relevant experience", the Stock Exchange will consider the individual's:

- (a) length of employment with the issuer and other issuers and the roles he or she played;

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**WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES  
AND EXEMPTIONS FROM STRICT COMPLIANCE WITH THE COMPANIES  
(WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE**

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- (b) familiarity with the Listing Rules and other relevant laws and regulations including the SFO, Companies Ordinance, Companies (Winding up and Miscellaneous Provisions) Ordinance, and the Takeovers Code;
- (c) relevant training taken and/or to be taken in addition to the minimum requirement under Rule 3.29 of the Listing Rules; and
- (d) professional qualifications in other jurisdictions.

According to the Guidance Letter HKEX-GL108-20, the waiver under Rule 3.28 of the Listing Rules will be granted for a fixed period of time, but in any case, will not exceed three years from the Listing Date (the “**Waiver Period**”) and on the conditions that (i) the company secretary in question must be assisted by a person who possesses the qualifications or experience as required under Rule 3.28 of the Listing Rules and is appointed as a joint company secretary throughout the Waiver Period; and (ii) the waiver can be revoked if there are material breaches of the Listing Rules by the Company.

We have appointed Ms. Li Zhen and Ms. Szeto Kar Yee Cynthia as the joint company secretaries of our Company. Ms. Li has been serving as the director of capital and strategy department and the board secretary of Shanghai Linmon since June 2017. She has extensive experience in investment management and corporate governance matters, as well as a sound understanding of the daily operations, internal administration and management of our Group. By virtue of Ms. Li’s experience and familiarity with our Group, our Company believe Ms. Li is capable of discharging the duties as a joint company secretary of our Company and is a suitable person to act as a joint company secretary of our Company. Further, given that our main operation is in the PRC, we believe that it would be in the best interest of our Company and our corporate governance to have Ms. Li with the relevant background and experience in the PRC to act as our joint company secretary. Ms. Li presently does not possess the qualifications under Rules 3.28 and 8.17 of the Listing Rules, and may not be able to fulfill the requirements of the Listing Rules on her own. Therefore, our Company has appointed Ms. Szeto, an associate member of Hong Kong Institute of Chartered Secretaries, who fully meets the requirements stipulated under Rules 3.28 and 8.17 of the Listing Rules to act as the other joint company secretary and provide assistance to Ms. Li for an initial period of three years from the Listing Date. For further details about Ms. Li’s and Ms. Szeto’s qualifications and experience, please see “Directors and Senior Management” in this prospectus.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements under Rules 3.28 and 8.17 of the Listing Rules on the basis of the proposed arrangements below:

- (a) Ms. Li will endeavor to attend relevant training courses, including briefings on the latest changes to the relevant applicable Hong Kong laws and regulations and the Listing Rules which will be organized by our Hong Kong legal advisers on an invitation basis and seminars organized by the Stock Exchange for listed issuers from time to time;

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**WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES  
AND EXEMPTIONS FROM STRICT COMPLIANCE WITH THE COMPANIES  
(WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE**

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- (b) Both Ms. Li and Ms. Szeto have confirmed that each of them will be attending a total of no less than 15 hours of training courses on the Listing Rules, corporate governance, information disclosure, investors relations as well as the functions and duties of the company secretary of a Hong Kong listed issuer during each financial year as required under Rule 3.29 of the Listing Rules;
- (c) Ms. Szeto will assist Ms. Li to enable her to acquire the relevant experience (as required under Rule 3.28 of the Listing Rules) to discharge the duties and responsibilities as our company secretary;
- (d) Ms. Szeto will communicate regularly with Ms. Li on matters relating to corporate governance, the Listing Rules and any other laws and regulations which are relevant to our Company and its affairs. Ms. Szeto will work closely with, and provide assistance for, Ms. Li in the discharge of her duties as a company secretary, including organizing our Board meetings and Shareholders' general meetings;
- (e) Upon expiry of Ms. Li's initial term of appointment as the company secretary of our Company, our Company will evaluate her experience in order to determine if she has acquired the qualifications required under Rule 3.28 of the Listing Rules, and whether ongoing assistance should be arranged so that Ms. Li's appointment as the company secretary of the Company continues to satisfy the requirements under Rules 3.28 and 8.17 of the Listing Rules;
- (f) The Company has appointed Somerley Capital Limited as its Compliance Adviser pursuant to Rule 3A.19 of the Listing Rules which will act as the additional communication channel with the Stock Exchange (for a period commencing on the Listing Date and ending on the date on which the Company complies with Rule 13.46 of the Listing Rules in respect of its financial results for the first full financial year after the date of listing, or until the engagement is terminated, whichever is earlier) and provide professional guidance and advice to the Company and Ms. Li as to compliance with the Listing Rules and all other applicable laws and regulations; and
- (g) The waiver can be revoked with immediate effect if and when Ms. Szeto ceases to provide such assistance or if there are material breaches of the Listing Rules by the Company.

Before the end of the three-year period, we shall liaise with the Stock Exchange to revisit the situation in the expectation that we should then be able to demonstrate to the Stock Exchange's satisfaction that Ms. Li, having had the benefit of Ms. Szeto's assistance for three years, would then have acquired the relevant experience within the meaning of Note 2 to Rule 3.28 of the Listing Rules so that a further waiver would not be necessary.

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**WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES  
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**WAIVER IN RESPECT OF CONTINUING CONNECTED TRANSACTIONS**

We have entered into and are expected to continue with certain transactions after the Listing which will constitute our non-exempt continuing connected transactions under Chapter 14A of Listing Rules upon Listing. Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted us waivers in relation to certain continuing connected transactions between us and certain connected persons under Chapter 14A of the Listing Rules.

See “Connected Transactions.”

**WAIVER AND EXEMPTION IN RELATION TO THE PRE-IPO SHARE OPTION SCHEME**

The Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance prescribes certain disclosure requirements in relation to the share options granted by our Company (the “**Share Options Disclosure Requirements**”):

- (a) Rule 17.02(1)(b) of the Listing Rules requires our Company to disclose in this prospectus full details of all outstanding options and their potential dilution effect on the shareholdings upon Listing as well as the impact on the earnings per share arising from the exercise of such outstanding options;
- (b) paragraph 27 of Appendix 1A to the Listing Rules requires our Company to set out in this prospectus particulars of any capital of any member of our Group that is under option, or agreed conditionally or unconditionally to be put under option, including the consideration for which the option was or will be granted and the price and duration of the option, and the name and address of the grantee; and
- (c) section 342(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance requires all prospectuses to be issued, circulated or distributed in Hong Kong to include, among other information, the matters specified in Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance. Paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance requires our Company to set out in this prospectus, among other things, details of the number, description and amount of any shares in or debentures of our Company which any person has, or is entitled to be given, an option to subscribe for, together with the certain particulars of the option, namely (a) the period during which it is exercisable, (b) the price to be paid for shares and debentures subscribed for under it, (c) the consideration (if any) given or to be given for it or for the right to it, and (d) the names and addresses of the persons to whom it was given.

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**WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES  
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Guidance Letter HKEX-GL11-09 issued by the Stock Exchange provides that the Stock Exchange would normally grant waivers from disclosing the names and addresses of certain grantees if the issuer could demonstrate that such disclosures would be irrelevant and unduly burdensome, subject to certain conditions specified therein.

Pursuant to section 342A of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the SFC may issue, subject to such conditions (if any) as the SFC thinks fit, a certificate of exemption from compliance with the relevant requirements under the Companies (Winding Up and Miscellaneous Provisions) Ordinance if, having regard to the circumstances, the SFC considers that the exemption will not prejudice the interest of the investing public and compliance with any or all of such requirements would be irrelevant or unduly burdensome, or is otherwise unnecessary or inappropriate.

A total of 79 grantees (“**Grantees**”), including one connected person who is also an employee of the Company, 73 other employees and five consultants who are scriptwriters of the Group, have been granted Pre-IPO Share Options (“**Options**”) under the Pre-IPO Share Option Scheme prior to the date of the prospectus, for the purpose of subscribing for an aggregate of 12,771,432 Shares, representing approximately 3.54% of the total issued share capital immediately after completion of the Global Offering (presuming the Assumptions), on the terms set out in “Appendix IV – Statutory and General Information – D. Pre-IPO Share Option Scheme” to this prospectus. No Director or member of the senior management of the Company was granted Options under the Pre-IPO Share Option Scheme.

Our Company has applied to (i) the Stock Exchange for a waiver from strict compliance with the applicable Share Option Disclosure Requirements; and (ii) the SFC for a certificate of exemption under section 342A of the Companies (Winding Up and Miscellaneous Provisions) Ordinance exempting our Company from strict compliance with paragraph 10(d) of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, respectively, on the ground that strict compliance with the above requirements would be unduly burdensome for our Company for the following reasons, and the exemption would not prejudice the interests of the investing public:

- (a) the 79 Grantees comprise one connected person who is also an employee of the Company, 73 other employees and five consultants of our Group. Strict compliance with the above disclosure requirements to disclose names, addresses and entitlements on an individual basis in respect of these 79 Grantees will require an additional number of pages of disclosure that does not provide any material or meaningful information to the investing public;



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**WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES  
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- (b) lack of full compliance with the above disclosure requirements would not prevent our Company from providing its potential investors with an informed assessment of the activities, assets, liabilities, financial position, management and prospects of our Company;
- (c) material information relating to the Options under the Pre-IPO Share Option Scheme will be disclosed in this prospectus, including the total number of Shares subject to the Pre-IPO Share Option Scheme, the exercise price per Share, the potential dilution effect on shareholdings, and impact on earnings per Share upon full exercise of the Options granted under the Pre-IPO Share Option Scheme. Our Directors consider that the information that is reasonably necessary for the potential investors to make an informed assessment of our Company in their investment decision-making process has been included in this prospectus; and
- (d) the names and addresses of the remaining 78 other Grantees except for the one employee who is a connected person of the Company are immaterial information to potential investors to make an informed assessment of our Company in their investment decision-making process. In addition, the disclosure of full particulars of the Options granted to the remaining 78 other Grantees on an individual basis would be unduly burdensome to the Company. The current disclosure in “Appendix IV – Statutory and General Information – D. Pre-IPO Share Option Scheme” to this prospectus would not prejudice the interests of the potential investors of the Company.

The Directors are of the view that the grant of the waiver and exemption will not prejudice the interests of the investing public.

The Stock Exchange has granted to us a waiver under the Listing Rules on the conditions that:

- (a) on an individual basis, full details of the Options granted by our Company under the Pre-IPO Share Option Scheme to one connected person of our Company, Key Employees (as defined below) who are not Directors or members of the senior management of our Company are disclosed in this prospectus, such details to include all the particulars required under paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance;
- (b) in respect of the Options granted by our Company under the Pre-IPO Share Option Scheme to the Grantees (other than set out in (a) above) the following details are disclosed in this prospectus: (1) the aggregate number of Grantees and the number of Shares subject to the Options, (2) the consideration (if any) paid for the grant of the Options, and (3) the exercise period and the exercise price for the Options;

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**WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES  
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- (c) there will be disclosure in this prospectus for the aggregate number of Shares underlying the Options under the Pre-IPO Share Option Scheme and the percentage of our Company's total issued share capital represented by such number of Shares as of the Latest Practicable Date;
- (d) the dilutive effect and impact on earnings per Share upon full exercise of the Options under the Pre-IPO Share Option Scheme will be disclosed in "Appendix IV – Statutory and General Information – D. Pre-IPO Share Option Scheme" to this prospectus;
- (e) a summary of the major terms of the Pre-IPO Share Option Scheme will be disclosed in "Appendix IV – Statutory and General Information – D. Pre-IPO Share Option Scheme" to this prospectus;
- (f) the particulars of the waiver and the exemption will be disclosed in this prospectus;
- (g) a full list of all the Grantees, containing all the particulars as required under the Share Option Disclosure Requirements will be made available for public inspection as set forth in the section headed "Appendix V – Documents Delivered to the Registrar of Companies and Available on Display – Documents Available for Inspection"; and
- (h) the grant of a certificate of exemption under the Companies (Winding Up and Miscellaneous Provisions) Ordinance from the SFC exempting our Company from the disclosure requirements provided in paragraph 10(d) of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

The SFC has granted to our Company the certificate of exemption under section 342A of the Companies (Winding Up and Miscellaneous Provisions) Ordinance from strict compliance with paragraph 10(d) of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance on the conditions that:

- (a) on an individual basis, full details of the Options granted by our Company under the Pre-IPO Share Option Scheme to each of the Directors, members of the senior management, connected persons of the Company and other Grantees who have been granted Options representing 460,000 Shares or above ("**Key Employees**") are disclosed in this prospectus, such details to include all the particulars required under paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance;
- (b) in respect of the Options granted by our Company under the Pre-IPO Share Option Scheme to Grantees (other than set out in (a) above), the following details are disclosed in this prospectus: (1) the aggregate number of Grantees and the number of Shares subject to the Options, (2) the consideration (if any) paid for the grant of the Options, (3) the exercise period and the exercise price for the Options;

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- (c) a full list of all the Grantees, containing all the particulars as required under paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, will be made available for public inspection as set forth in the section headed “Appendix V – Documents Delivered to the Registrar of Companies and Available on Display – Documents Available for Inspection”;
- (d) the particulars of the exemption will be disclosed in this prospectus; and
- (e) this prospectus will be issued on or before July 29, 2022.

Further details of the Pre-IPO Share Option Scheme are set forth in “Appendix IV – Statutory and General Information – D. Pre-IPO Share Option Scheme” to this prospectus.

**WAIVER IN RESPECT OF PUBLIC FLOAT REQUIREMENTS**

Rule 8.08(1)(a) of the Listing Rules provides that there must be an open market in the LR8.08(1)(b) securities for which listing is sought. It normally means that the minimum public float of a listed issuer must at all times be at least 25% of the issuer’s total issued share capital. Rule 8.08(1)(b) of the Listing Rules provides that where an issuer has one class of securities or more apart from the class of securities for which listing is sought, the total securities of the issuer held by the public (on all regulated market(s) including the Stock Exchange) at the time of listing must be at least 25% of the issuer’s total issued share capital. However, the class of securities for which listing is sought must not be less than 15% of the issuer’s total number of issued shares, having an expected market capitalization at the time of listing of not less than HK\$125,000,000.

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 Global Offering and before the Over-allotment Option is exercised; and (c) such percentage of Shares to be held by the public upon any exercise of the Over-allotment Option, of the enlarged issued share capital of the Company, subject to our confirmation that we will:

- (a) make appropriate disclosure of the lower percentage of the public float in this Prospectus in accordance with Rule 8.08(1)(d) of the Listing Rules;
- (b) have an expected market capitalization at the time of Listing of over HK\$10 billion;

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**WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES  
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- (c) as soon as practicable, announce the percentage of Shares held by the public immediately after the completion of the Global Offering (but before any exercise of the Over-allotment Option) and upon any exercise of the Over-allotment Option, such that the public will be informed of the minimum public float requirement applicable to the Company;
- (d) continue to comply with Rules 8.08(2) and 8.08(3) of the Listing Rules with respect to public spread of shares and trading liquidity of the Company, and otherwise comply with Rule 8.08 of the Listing Rules to ensure that there is an open market for the Shares;
- (e) confirm the sufficiency of the public float in successive annual reports after the Listing in accordance with Rule 8.08(1)(d) and Rule 13.35 of the Listing Rules; and
- (f) implement appropriate measures and mechanisms to ensure continual maintenance of the minimum percentage of the public float of Shares prescribed by the Stock Exchange.

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## **INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING**

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### **DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS**

This prospectus, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules and the Listing Rules for the purpose of giving information to the public with regard to the Group. Our Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement in this prospectus misleading.

### **UNDERWRITING AND INFORMATION ON THE GLOBAL OFFERING**

This prospectus is published solely in connection with the Hong Kong Public Offering, which forms part of the Global Offering. For applicants under the Hong Kong Public Offering, this prospectus set out the terms and conditions of the Hong Kong Public Offering. The Global Offering comprises the Hong Kong Public Offering and the International Offering (subject to, in each case, reallocation on the basis referred to under the section headed “Structure of the Global Offering” in this prospectus and, in case of the International Offering, to any exercise of the Over-allotment Option).

The Listing is sponsored by the Joint Sponsors and the Global Offering is managed by the Joint Representatives. Subject to the terms of the Hong Kong Underwriting Agreement (including the determination of the Offer Price by agreement between the Joint Representatives (for themselves and on behalf of the Underwriters) and our Company on or around the Price Determination Date, which is expected to be Wednesday, August 3, 2022, but in any event no later than Tuesday, August 9, 2022), the Hong Kong Offer Shares are fully underwritten by the Hong Kong Underwriters pursuant to the Hong Kong Underwriting Agreement and the International Offer Shares are expected to be fully underwritten by the International Underwriters. Further information regarding the Underwriters and the Underwriting Agreements are set out in the section headed “Underwriting” in this prospectus.

If, for any reason, the Offer Price is not agreed among us and the Joint Representatives (for themselves and on behalf of the Underwriters), the Global Offering will not proceed and will lapse. For full information about the Underwriters and the underwriting arrangements, see “Underwriting”.

The Hong Kong Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and on the terms and subject to the conditions set out herein. No person is authorized to give any information in connection with the Global Offering or to make any representation not contained in this prospectus, and any information or representation not contained herein must not be relied upon as having been authorized by the Company, the Joint Sponsors, the Joint Representatives, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors, officers, employees, partners, agents, employees or advisers or any other party involved in the Global Offering.

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## **INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING**

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Neither the delivery of this prospectus nor any subscription or acquisition made under it shall, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in our affairs since the date of this prospectus or imply that the information contained in this prospectus is correct as of any date subsequent to the date of this prospectus.

Further information regarding the structure of the Global Offering, including its conditions, are set out in the section headed “Structure of the Global Offering”, and the procedures for applying for our Hong Kong Offer Shares are set out in the section headed “How to Apply for Hong Kong Offer Shares” in this prospectus.

### **RESTRICTIONS ON OFFER AND SALE OF THE OFFER SHARES**

Each person acquiring the Hong Kong Offer Shares under the Hong Kong Public Offering will be required to, or be deemed by his/her acquisition of the Hong Kong Offer Shares to, confirm that he/she is aware of the restrictions on offers and sales of the Shares described in this prospectus.

No action has been taken to permit a public offering of the Offer Shares or the general distribution of this prospectus in any jurisdiction other than in Hong Kong. Accordingly, this prospectus may not be used for the purposes of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offering of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions and pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom. Each person acquiring the Hong Kong Offer Shares under the Hong Kong Public Offering will be required to, or be deemed by his, her or its acquisition of the Offer Shares to, confirm that he, she or it is aware of the restrictions on offers of the Offer Shares described in this prospectus. No action has been taken to permit a public offering of the Hong Kong Offer Shares or the general distribution of this prospectus in any jurisdiction other than in Hong Kong. Accordingly, without limitation to the following, this prospectus may not be used for the purposes of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions and pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.

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## **INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING**

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### **APPLICATION FOR LISTING ON THE STOCK EXCHANGE**

We have applied to the Listing Committee for the listing of, and permission to deal in, the Shares in issue (including the Shares outstanding and to be issued on the conversion of the Preferred Shares) and Shares to be issued by us pursuant to the Global Offering (including any Shares which may be issued pursuant to the exercise of the Over-allotment Option and the Pre-IPO Share Option Scheme).

Dealings in the Shares on the Stock Exchange are expected to commence on Wednesday, August 10, 2022. No part of our Shares or loan capital is listed or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought on any other stock exchange as of the date of this prospectus. All the Offer Shares will be registered on the Hong Kong register of members of the Company in order to enable them to be traded on the Stock Exchange.

Under section 44B(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, any allotment made in respect of any application will be invalid if the listing of, and permission to deal in, our Shares on the Stock Exchange is refused before the expiration of three weeks from the date of the closing of the application lists, or such longer period (not exceeding six weeks) as may, within the said three weeks, be notified to the Company by or on behalf of the Stock Exchange.

### **PROFESSIONAL TAX ADVICE RECOMMENDED**

Potential investors in the Global Offering are recommended to consult their professional advisers as to the taxation implications of subscribing for, purchasing, holding or disposal of, and/or dealing in the Offer Shares or exercising rights attached to them. None of us, the Joint Sponsors, the Joint Representatives, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors, officers, employees, partners, agents, advisers or representatives or any other person or party involved in the Global Offering accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription, purchasing, holding, disposition of, or dealing in, the Offer Shares or exercising any rights attached to them.

### **OVER-ALLOTMENT OPTION AND STABILIZATION**

Details of the arrangements relating to the Over-allotment Option and stabilization are set out under the sections headed “Underwriting” and “Structure of the Global Offering” in this prospectus.

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## **INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING**

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### **HONG KONG REGISTER OF MEMBERS AND HONG KONG STAMP DUTY**

Our Company's principal register of members will be maintained by its principal share registrar, Osiris International Cayman Limited, in the Cayman Islands and our Company's Hong Kong register of members will be maintained by our Hong Kong Share Registrar, Tricor Investor Services Limited. Unless our Directors otherwise agree, all transfer and other documents of title of Shares must be lodged for registration with and registered by the Hong Kong Share Registrar and may not be lodged in the Cayman Islands. All Offer Shares will be registered on the Hong Kong register of members of our Company in Hong Kong. Dealings in the Shares registered on our Hong Kong register of members will be subject to Hong Kong stamp duty. The stamp duty is charged to each of the seller and purchaser at the ad valorem rate of 0.13% of the consideration for, or (if greater) the value of, the Shares transferred. In other words, a total of 0.26% is currently payable on a typical sale and purchase transaction of the Shares. In addition, a fixed duty of HK\$5 is charged on each instrument of transfer (if required).

### **ADMISSION OF THE SHARES INTO CCASS**

Subject to the granting of the listing of, and permission to deal in, the Shares on the Stock Exchange and compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or on any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second settlement day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

Investors should seek the advice of their stockbrokers or other professional advisers for details of the settlement arrangements as such arrangements may affect their rights and interests.

### **PROCEDURES FOR APPLICATION FOR HONG KONG OFFER SHARES**

The procedures for applying for Hong Kong Offer Shares are set out in the section headed "How to Apply for Hong Kong Offer Shares" in this prospectus.

### **STRUCTURE OF THE GLOBAL OFFERING**

Details of the structure of the Global Offering, including its conditions, are set out in the section headed "Structure of the Global Offering" in this prospectus.



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## **INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING**

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### **EXCHANGE RATE CONVERSION**

Solely for your convenience, this prospectus contains translations among certain amounts denominated in Renminbi, Hong Kong dollars and U.S. dollars. No representation is made that the amounts denominated in one currency could actually be converted into the amounts denominated in another currency at the rates indicated or at all. Unless indicated otherwise, (i) the translations between Renminbi and U.S. dollars were made at the rate of RMB6.7451 to US\$1.00, (ii) the translations between U.S. dollars and Hong Kong dollars were made at the rate of HK\$7.8499 to US\$1.00, and (iii) the translations between Renminbi and Hong Kong dollars were made at the rate of RMB0.8593 to HK\$1.00. Any discrepancies in any table between totals and sums of amounts listed therein are due to rounding.

### **LANGUAGE**

If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, this prospectus shall prevail. However, the English names of the PRC nationals, entities, departments, facilities, certificates, titles, laws, regulations and the like are translations of their Chinese names and are included for identification purposes only. If there is any inconsistency, the Chinese name prevails.

### **ROUNDING**

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments, or have been rounded to one or two decimal places. Any discrepancies in any table, chart or elsewhere between totals and sums of amounts listed therein are due to rounding.

## DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

*For further information on our Directors, please refer to the section headed “Directors and Senior Management” of this prospectus.*

### DIRECTORS

<b>Name</b>	<b>Address</b>	<b>Nationality</b>
<b>Executive Directors</b>		
Mr. Su Xiao (蘇曉)	Room 3708, No. 167, Lane 1038 Huashan Road Changning District Shanghai PRC	Chinese
Ms. Chen Fei (陳菲)	Room 806, No. 1, Lane 656 Feihong Road Yangpu District Shanghai PRC	Chinese
Ms. Xu Xiao'ou (徐曉鷗)	Room 1503, No. 19, Lane 168 Huayuan Road Hongkou District Shanghai PRC	Chinese
Mr. Zhou Yuan (周元)	Room 201, Unit 6 Binjiang Yishiba, Lane 1199 Puming Road Pudong New Area Shanghai PRC	Chinese

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**DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING**

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**Non-executive Directors**

Mr. Sun Zhonghuai (孫忠懷)	Room 102, Building 40 Longcheng Garden Huilongguan Town Changping District Beijing PRC	Chinese
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Mr. Zhang Rong (張嶸)	No. 1405, Building 29 Minwang Garden Dongcheng District Beijing PRC	Chinese
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**Independent non-executive  
Directors**

Ms. Long Yu (龍宇)	No. 7, 4th Floor, Unit 4, Building 1 No. 2, Xiatongren Road Qingyang District Chengdu PRC	Chinese
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Mr. Jiang Changjian (蔣昌建)	Room 604, No. 8, Branch Lane 5 Lane 1324 Shuidian Road Hongkou District Shanghai PRC	Chinese
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Ms. Tang Songlian (唐松蓮)	Room 105, No. 33B Yuannansan Village Xuhui District Shanghai PRC	Chinese
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## DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

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### PARTIES INVOLVED IN THE GLOBAL OFFERING

#### Joint Sponsors

**Morgan Stanley Asia Limited**  
46/F, International Commerce Centre  
1 Austin Road West  
Kowloon  
Hong Kong

**China International Capital Corporation  
Hong Kong Securities Limited**  
29/F, One International Finance Centre  
1 Harbour View Street  
Central  
Hong Kong

#### Joint Representatives

**Morgan Stanley Asia Limited**  
46/F, International Commerce Centre  
1 Austin Road West  
Kowloon  
Hong Kong

**China International Capital Corporation  
Hong Kong Securities Limited**  
29/F, One International Finance Centre  
1 Harbour View Street  
Central  
Hong Kong

#### Joint Global Coordinators

**Morgan Stanley Asia Limited**  
46/F, International Commerce Centre  
1 Austin Road West  
Kowloon  
Hong Kong

**China International Capital Corporation  
Hong Kong Securities Limited**  
29/F, One International Finance Centre  
1 Harbour View Street  
Central  
Hong Kong

**CMB International Capital Limited**  
45/F, Champion Tower  
3 Garden Road  
Central  
Hong Kong

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## DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

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### Joint Bookrunners

**Morgan Stanley Asia Limited**  
46/F, International Commerce Centre  
1 Austin Road West  
Kowloon  
Hong Kong

**China International Capital Corporation  
Hong Kong Securities Limited**  
29/F, One International Finance Centre  
1 Harbour View Street  
Central  
Hong Kong

**CMB International Capital Limited**  
45/F, Champion Tower  
3 Garden Road  
Central  
Hong Kong

**Futu Securities International  
(Hong Kong) Limited**  
Unit C1-2 13/F, United Centre  
No. 95 Queensway  
Admiralty  
Hong Kong

### Joint Lead Managers

**Morgan Stanley Asia Limited**  
46/F, International Commerce Centre  
1 Austin Road West  
Kowloon  
Hong Kong

**China International Capital Corporation  
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Hong Kong

**CMB International Capital Limited**  
45/F, Champion Tower  
3 Garden Road  
Central  
Hong Kong

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**DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING**

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**Livermore Holdings Limited**

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**Auditor and Reporting Accountant****Ernst & Young**

*Certified Public Accountant*  
*Registered Public Interest Entity Auditor*  
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**Legal Advisors to the Company**

*As to Hong Kong and U.S. laws:*

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*As to PRC law:*

**CM Law Firm**

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**Harney Westwood & Riegels**

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## DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

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**Industry Consultant**

**Frost & Sullivan (Beijing) Inc., Shanghai  
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Shanghai

PRC

**Receiving Bank**

**CMB Wing Lung Bank Limited**

CMB Wing Lung Bank Building

45 Des Voeux Road Central

Hong Kong

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## CORPORATE INFORMATION

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<b>Registered Office</b>	Suite #4-210, Governors Square 23 Lime Tree Bay Avenue PO Box 32311 Grand Cayman KY1-1209 Cayman Islands
<b>Head Office and Principal Place of Business in China</b>	28/F, Building A SOHO Renaissance Plaza Huangpu District Shanghai PRC
<b>Principal Place of Business in Hong Kong</b>	31/F, Tower Two, Times Square 1 Matheson Street Causeway Bay Hong Kong
<b>Company's Website</b>	<a href="http://www.linmon.cn">www.linmon.cn</a>
<b>Joint Company Secretaries</b>	Ms. Li Zhen No. 133, Juan Building 10 No. 20 Chengfu Road Haidian District Beijing PRC  Ms. Szeto Kar Yee Cynthia (ACG, ACS) 31/F, Tower Two, Times Square 1 Matheson Street Causeway Bay Hong Kong
<b>Authorised Representatives</b>	Mr. Zhou Yuan Room 201, Unit 6 Binjiang Yishiba, Lane 1199 Puming Road Pudong New Area Shanghai PRC  Ms. Li Zhen No. 133, Juan Building 10 No. 20 Chengfu Road Haidian District Beijing PRC



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## CORPORATE INFORMATION

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<b>Audit Committee</b>	Ms. Tang Songlian ( <i>Chairman</i> ) Mr. Zhang Rong Ms. Long Yu
<b>Nomination Committee</b>	Mr. Su Xiao ( <i>Chairman</i> ) Ms. Long Yu Mr. Jiang Changjian
<b>Remuneration Committee</b>	Ms. Long Yu ( <i>Chairman</i> ) Mr. Su Xiao Mr. Jiang Changjian
<b>Compliance Adviser</b>	Somerley Capital Limited 20th Floor, China Building 29 Queen's Road Central Hong Kong
<b>Hong Kong Share Registrar</b>	Tricor Investor Services Limited Level 54, Hopewell Centre 183 Queen's Road East Hong Kong
<b>Cayman Islands Principal Share Registrar and Transfer Office</b>	Osiris International Cayman Limited Suite #4-210, Governors Square 23 Lime Tree Bay Avenue, PO Box 32311 Grand Cayman KY1-1209 Cayman Islands
<b>Principal Bankers</b>	China Merchants Bank Co., Ltd., Zhangyang Branch No. 810 Zhangyang Road Pudong New Area Shanghai PRC  China CITIC Bank Corporation Limited, Xuhui Branch No. 1, Lane 737, Caoxi North Road Xuhui District Shanghai PRC

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## CORPORATE INFORMATION

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China Minsheng Banking Corp., Ltd.,  
Shanghai Liyuan Branch  
No. 188, Manufacturing Bureau Road  
Huangpu District  
Shanghai  
PRC

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## INDUSTRY OVERVIEW

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*The information and statistics set forth in this section and other sections of this Prospectus are derived from government publications, other publications and market research report prepared by Frost & Sullivan, which was commissioned by us.*

*The information from official government sources has not been independently verified by the Joint Representatives, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, any of the Underwriters, any of their respective directors and advisors, or any other persons or parties involved in the Global Offering (excluding Frost & Sullivan) and no representation is given as to its accuracy.*

### INTRODUCTION

We commissioned Frost & Sullivan, an independent market research and consulting company, to conduct research and analysis on, and to produce a report on, the drama series market in China at a fee of RMB666,400 which we believe reflects the market rates for reports of this type. The Frost & Sullivan Report has been prepared by Frost & Sullivan independently without any influence from us or other interested parties. Frost & Sullivan is an independent global consulting firm founded in 1961 in New York and its services include, among others, industry consulting, market strategic consulting and corporate training. Its consulting team has been tracking the latest market trends in automotive and transportation, chemicals, materials and food, commercial aviation, consumer products, energy and power systems, environment and building technologies, healthcare, industrial automation and electronics, industrial and machinery, and technology, media and telecom.

### SOURCE OF INFORMATION

Frost & Sullivan conducts both detailed primary research which involves discussion regarding the status of the industry with certain leading industry participants, and secondary research which includes reviewing company reports, independent research reports and data based on its own research database.

The market projections in the Frost & Sullivan Report are based on the following key assumptions: (i) global social, economic and political environment is likely to remain stable in the forecast period; (ii) purchasing power is expected to continue to rise rapidly in emerging regions and to grow steadily in developed regions; and (iii) related industry key drivers are likely to drive the market in the forecast period.

All statistics are based on information available as of the date of this report and have taken into account the potential impact of the COVID-19 outbreak. Other sources of information, including government, industry associations or market participants, have provided some of the information on which the analysis or data is based. All the information about our Company is obtained from our Company's management interview. The information of our Company has not been independently verified by Frost & Sullivan.

## INDUSTRY OVERVIEW

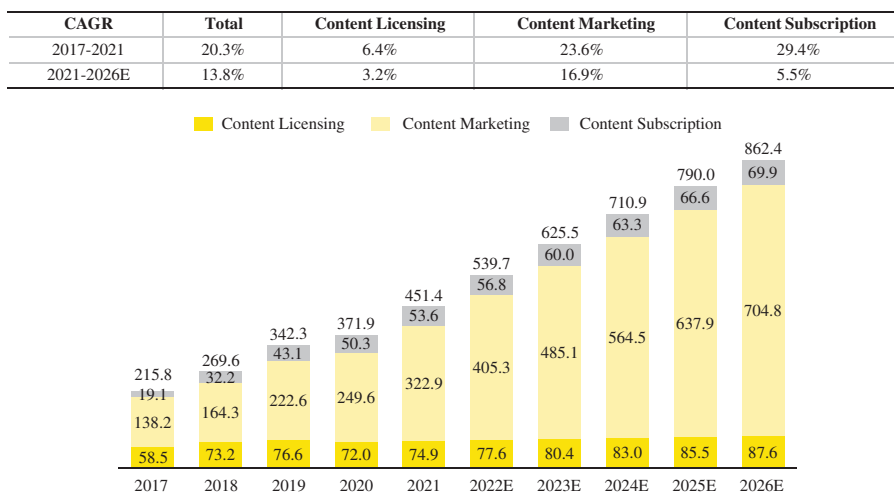
### THE VIDEO-BASED CONTENT MARKET IN CHINA

Content, especially quality content, is always pursued by audience. In particular, video-based content (consisting of drama series, variety shows, films and short video content), attributable to its intuitive and vivid way to interact with audience, has become a critical intermediary to deliver quality content. In China, video-based content can be monetized in three ways, including content licensing, content marketing and content subscription. Content is fundamental to the entire video-based content market. Quality content can generate profitable licensing revenue, and further expand revenue stream to include revenues from content marketing and content subscription.

Content licensing refers to the licensing of broadcasting rights of video-based content to TV channels, online video platforms and distributors and the generation of licensing fees. Content marketing refers to the integrated marketing planning and campaign services utilizing video-based content and the generation of marketing service fees. Content subscription refers to the membership subscription to online video platforms and the generation of membership subscription fees.

According to Frost & Sullivan, China's video-based content market experienced rapid growth at a CAGR of 20.3% from RMB215.8 billion in 2017 to RMB451.4 billion in 2021. Empowered by increasing demands, the total market size of video-based content is expected to reach to RMB862.4 billion by 2026, representing a CAGR of 13.8% from 2021 to 2026.

**Video-based Content Market by Category in China**  
RMB Billion, 2017-2026E



*Source:* Frost & Sullivan Report. Frost & Sullivan conducted primary and secondary research to estimate the market size, including reviewing the annual reports and prospectuses of publicly listed video-based content broadcasting channels and conducting expert interviews with such broadcasting channels.

*Note:*

- (1) The total revenue of video-based content include revenues generated through video-based content from content licensing, content marketing and content subscription.

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## INDUSTRY OVERVIEW

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### DRAMA SERIES INDUSTRY IN CHINA

Despite the evolution of the video-based content market from TV channel to online video platform, drama series has always been audience's ideal choice of content, throughout years of historical market developments across the world. In China's video-based content market, drama series is also one of the most important types of content.

To attract new users, maintain users' activeness and further boost the revenue growth, online video platforms have been investing heavily on content procurement and production. According to Frost & Sullivan, online video platform's cost on procurement of drama series and production of web drama series accounted for 48.5% of the online video platforms' total cost on content procurement and production in 2021.

In particular, drama series of premium content are highly valued by distribution channels. Premium content refers to high-quality/top-ranked drama series possessing one or more of the following characteristics: experienced casts, skilled production crew, significant investment on production, sizable broadcasting right licensing fee and superior viewership/view count performance. 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. Successful serialization of high viewership drama series, including sequels or coherent-themed drama series can achieve high commercial value, while successful serialization production is relatively rare in the industry.

According to Frost & Sullivan, the total number of high viewership drama series in China is 31, 35 and 39 in 2019, 2020 and 2021, respectively, accounting for 6.2%, 6.9% and 7.8% of the total number of drama series in the respective years. Although there were more than 22,500 drama series production companies in 2020, only limited number of players possess the ability to produce high viewership drama series.

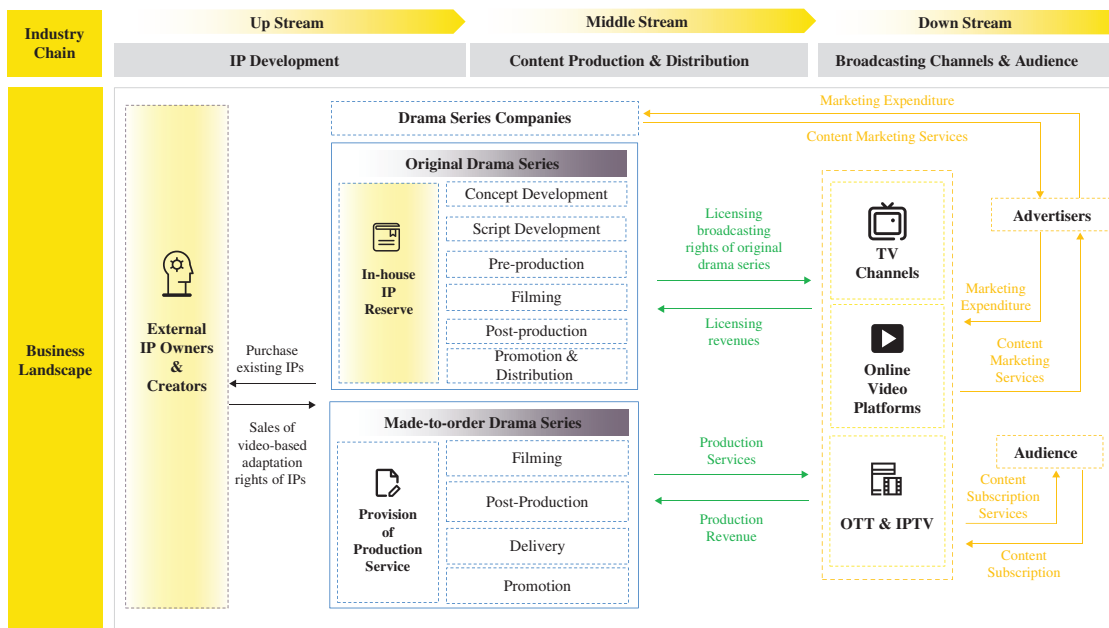
China's drama series industry comprised of two distinct segments that are traditionally distinct, namely TV series and web series. TV series is drama series with distribution license issued by the National Radio and Television Administration (NRTA), and can be broadcast on both TV channels and online video platforms. Web series, on the other hand, is drama series filed to and reviewed by NRTA, which can only be broadcast on online video platforms. However, as the review standards for TV series and Web series have been converging and the preferred platforms used by audience have gradually shifted from TV channels towards online video platforms, the distinctions between TV series and Web series have virtually disappeared.

# INDUSTRY OVERVIEW

## China's Drama Series Industry Value Chain

According to Frost & Sullivan, the value chain of China's drama series industry is illustrated as below:

### Value Chain of China's Drama Series Industry



Source: Frost & Sullivan Report

### Up Stream: IP Development

The production of drama series starts from IP development. IP can be (i) developed in-house by contracted scriptwriters and employees; or (ii) procured directly from external third parties, including existing literature, online games, animation and films, among others, and adapted/developed in-house. Companies who produce premium original drama series generally own strong IP reserve.

### Middle Stream: Content Production and Distribution

Content production and distribution is of importance in the whole business landscape. There are two major types of drama series companies in the industry. The first type refers to companies focusing on original drama series. Such companies primarily develop original IP, take the primary responsibility in the development, production and distribution of original drama series, and generate revenue by licensing broadcasting rights of original drama series. They possess both upstream and middle stream capabilities and therefore have strong bargaining power against downstream customers leveraging on their original IP reserve, accumulated production experience and skills. The second type refers to companies focusing on producing made-to-order drama series for downstream customers, and in turn generate fixed production revenue. Such companies are middle stream players in the business landscape and do not own the IP of the made-to-order drama series they produce.

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## INDUSTRY OVERVIEW

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### *Down Stream: Broadcasting Channels and Audience*

Broadcasting channels of drama series mainly include online video platform channels and TV channels. For details, see “– Channels of Drama Series in China”.

As the production of drama series is not a standardized practice and the history of the drama series industry is relatively limited, talented and experienced producers, directors, scriptwriters and management teams in China are extremely limited. Therefore, drama series production companies possessing capabilities to develop original IP, integrate talent resources, consistently produce and deliver high viewership drama series are rare and highly valued in China.

### **Key Cost Components of Drama Series Production Companies in China**

The cost of production and distribution of drama series mainly includes cast personnel costs, production costs, cost to procure and develop scripts, post-production costs and other miscellaneous materials and services required in the process of filming and post-production. According to Frost & Sullivan, the total cost of drama series production increased from approximately RMB28.9 billion in 2017 to approximately RMB34.0 billion in 2021, representing a CAGR of approximately 4.2%. The cost structure of drama series production usually varies depending on the genre. According to Frost & Sullivan, the cost needed to produce one modern drama series normally ranges from RMB50.0 million to RMB150.0 million and the cost needed to produce one costume drama series normally ranges from RMB80.0 million to RMB300.0 million, while high viewership drama series typically requires higher costs. The above cost ranges are derived from the sample of expert interviews conducted by Frost & Sullivan, which may have limitations to cover all the cost of drama series on the market. In addition, in the past several years, post-production cost as a percentage of total cost normally stays from 10% to 15% and marketing and distribution cost as a percentage of total cost normally stays at approximately 10%. Actors’ remuneration as a percentage of total cost experienced changes due to the policies issued by regulatory departments in recent years. For example, 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》) issued on October 31, 2018 imposes restrictions on the maximum compensation that actors can individually and collectively receive as a percentage of the total investment of a drama series. As a result, the total actors’ remuneration as a percentage of total cost decreased from approximately 60.0% prior to 2018 to less than 40% in recent years, among which the remuneration of the main actors is less than 70% of the total actors’ remuneration.

### **Channels of Drama Series in China**

The online video platform industry has experienced rapid growth since 2014. The total number of online video platform users in China surged to 732.7 million as of the end of 2021, accounting for approximately 71.0% of the total number of Internet users in 2021. In 2026, the total number of online video platform users is expected to reach 755.7 million. In addition, the number of paid subscribers to online video platforms is expected to increase from 380.8 million in 2021 to 430.8 million in 2026.

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## INDUSTRY OVERVIEW

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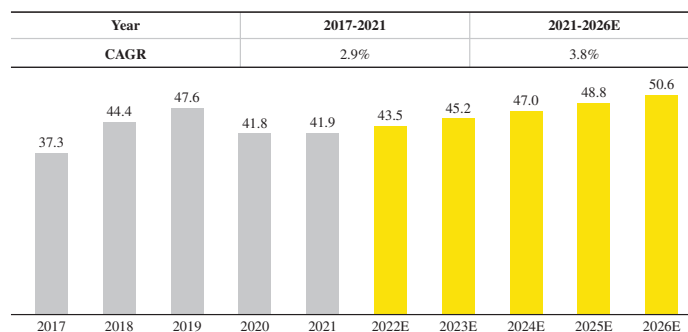
The online distribution market is very concentrated with very few online video platforms, including iQIYI, Tencent Video, Youku and Mango TV. The aggregate market share of the top four online video platforms accounted for 86.7%, 87.0% and 87.3% of the total market in 2019, 2020 and 2021, respectively. In anticipation of the intensified market competition, online video platforms have a strong motivation to procure premium content.

TV channels are also important distribution channels for drama series. The TV channel market is fairly concentrated in China, with notable TV stations accounted for a majority of TV viewership share, including China Central Television (CCTV), Hunan TV, Dragon TV, Jiangsu TV, Beijing TV and Zhejiang TV.

### Drama Series Licensing Market in China

The market size of drama series licensing in China reached RMB41.9 billion in 2021 representing a CAGR of 2.9% from 2017 to 2021 and is expected to reach RMB50.6 billion by 2026 with a CAGR of 3.8% from 2021 to 2026.

**Market Size of Drama Series Licensing Market in China**  
RMB Billion; 2017-2026E



*Source:* Frost & Sullivan Report. Frost & Sullivan conducted primary and secondary research to estimate the market size, including reviewing public reports issued by the NRTA and independent third party research groups, and conducting expert interviews with leading drama series production and distribution companies and leading drama series broadcasting platforms.

*Note:*

- (1) The market size of drama series licensing refers to the licensing of drama series and IP derivatives.

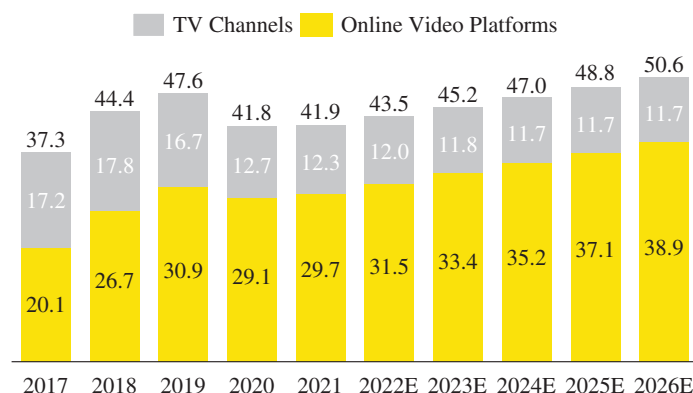


## INDUSTRY OVERVIEW

### Market Size of Drama Series Licensing Market by Channel in China

RMB Billion; 2017-2026E

CAGR	Total	TV Channels	Online Video Platforms
2017-2021	2.9%	-8.1%	10.2%
2021-2026E	3.8%	-0.9%	5.6%



*Source:* Frost & Sullivan Report. Frost & Sullivan conducted primary and secondary research to estimate the market size, including reviewing the public reports issued by the NRTA and independent third party research groups, and conducting expert interviews with leading drama series production and distribution companies and leading drama series broadcasting platforms.

*Note:*

(1) The market size of drama series licensing refers to the licensing of drama series and IP derivatives.

IP derivative licensing is another way to further monetize the commercial value of drama series and its IP. IP derivative licensing is leveraged on existing drama series IPs and the audiences accumulated by such drama series IPs, IP derivative licensing include, for example, marketing services through cooperation with consumer goods brands to produce and sell the drama series IP-related products. IP derivative licensing can diversify and maximize the commercial value of drama series and ultimately develop an ecosystem that encompasses highly-engaged users, quality content, and business partners. According to Frost & Sullivan, the total revenue generated from drama series IP derivative licensing is expected to reach RMB5.8 billion by 2026 in China, representing a CAGR of 9.8% from 2021 to 2026.

### Content Marketing Market in China

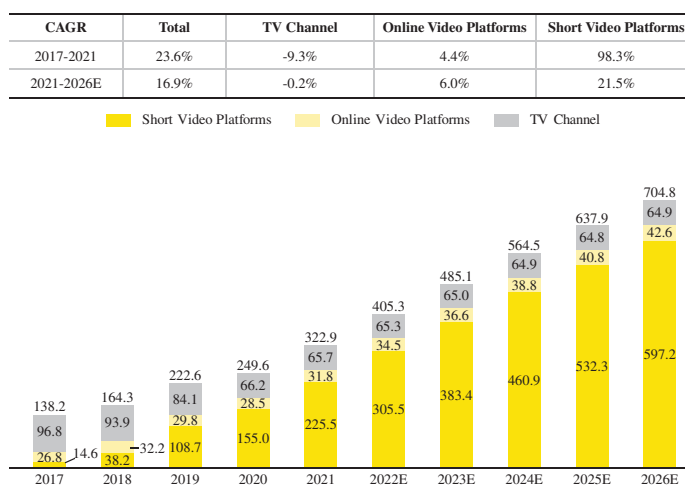
Video-based content marketing is a strategic marketing approach to design and deliver tailored marketing content to help advertisers retain and attract demographic audience and stimulate additional purchase. Video-based content marketing can typically be conducted through online video platforms, short video platforms and TV channels. Video-based content marketing in China experienced rapid growth at a CAGR of 23.6% from RMB138.2 billion in 2017 to RMB322.9 billion in 2021. By 2026, video-based content marketing in China is expected to reach RMB704.8 billion, representing a CAGR of 16.9% from 2021 to 2026.

## INDUSTRY OVERVIEW

Drama series production companies are well positioned to serve the broad needs of advertisers in innovative and interactive ways leveraging on their abilities to (i) reach to a broad coverage of customer base through popular drama series and therefore provide effective brand marketing services for advertisers; and (ii) design and produce video-based marketing content in more customized forms, including short video and mini drama series on social platforms. Therefore, it is expected that drama series production companies' content marketing business will achieve further growth going forward.

In particular, as drama series can reach audience through all three content marketing channels (including online video platforms, short video platforms and TV channels), content marketing utilizing drama series can more effectively create commercial value for advertisers.

### Video-based Content Marketing Market by Channel in China RMB Billion; 2017-2026E



*Source:* Frost & Sullivan Report. Frost & Sullivan conducted primary and secondary research to estimate the market size, including reviewing the annual reports and prospectuses of publicly listed video-based content broadcasting channels and the public reports issued by the NRTA, and conducting expert interviews with such broadcasting channels.

*Note:*

- (1) The market size of video-based content marketing refers to the revenue generated from video-based content marketing through TV channels, online video platforms and short video platforms.




## INDUSTRY OVERVIEW

### COMPETITIVE LANDSCAPE OF CHINA'S DRAMA SERIES MARKET

#### Ranking of Leading Drama Series Production Companies in China

In terms of the licensing revenue, the total market share of the top five drama series production companies accounted for 18.2% of the entire drama series market in 2021. We maintained the top five ranking stably in terms of revenue from 2019 to 2021 in China. The table below sets forth the top five drama series production companies in China in terms of licensing revenue from 2019 to 2021:

#### Ranking of the Top Five Drama Series Production Companies by Revenue<sup>(1)</sup> in China 2019-2021, RMB Billion

2021			2020			2019		
Ranking	Company	Revenue	Ranking	Company	Revenue	Ranking	Company	Revenue
1	Company A <sup>(2)</sup>	2.5	1	Company A	2.7	1	Company B	2.2
2	Strawbear Entertainment Group	1.6	2	Company B	1.6	2	 柠萌影业	1.6
3	Company C <sup>(4)</sup>	1.4	3	Company C	1.5	3	Company A	1.5
4	 柠萌影业	1.1	4	 柠萌影业	1.2	4	Company C	1.5
5	Company B <sup>(3)</sup>	1.0	5	Strawbear Entertainment Group	1.0	5	Company D <sup>(5)</sup>	0.9
Total market share: 18.2%			Total market share: 19.0%			Total market share: 16.1%		

*Source:* Frost & Sullivan Report. Frost & Sullivan conducted primary and secondary research, including reviewing the annual reports and prospectuses of publicly listed drama series production and distribution companies and conducting expert interviews with publicly listed and private drama series production and distribution companies.




*Note:*

- (1) The revenue includes revenue from the licensing of drama series and IP derivatives.
- (2) Company A is a company founded in 2005 and listed on the Shenzhen Stock Exchange focusing on the production and distribution of drama series.
- (3) Company B is a company founded in 2007 and is a subsidiary of a company listed on the Stock Exchange of Hong Kong focusing on the production and distribution of drama series.
- (4) Company C is a company founded in 2011 focusing on the production and distribution of drama series.
- (5) Company D is a company founded in 1999 and listed on the Shenzhen Stock Exchange focusing on online gaming and production and distribution of drama series.

## INDUSTRY OVERVIEW

Our Company secured the top three ranking stably in terms of high viewership drama series rate from 2019 to 2021 in China. The table below sets forth the top five drama series production companies in China in terms of high viewership drama series rate from 2019 to 2021:

### Ranking of the Top Five Drama Series Companies by High Viewership Drama Series Rate in China 2019-2021

2021	2020	2019						
Ranking	Company	High Viewership Drama Series Rate	Ranking	Company	High Viewership Drama Series Rate	Ranking	Company	High Viewership Drama Series Rate
1	Company B	80.0%	1	Company C	100.0%	1	Company C	100.0%
2	 行萌影业	66.7%	1	 行萌影业	100.0%	2	Company B	50.0%
3	Company A	33.3%	3	Company B	25.0%	2	 行萌影业	50.0%
4	Company C	0.0%	4	Company A	23.1%	4	Strawbear Entertainment Group	33.3%
4	Strawbear Entertainment Group	0.0%	5	Strawbear Entertainment Group	16.7%	5	Company D	27.3%

*Source:* Frost & Sullivan Report. The list of top 20 drama series on TV channels in term of viewership is derived from the CSM Media Research and the list of top 20 drama series on online video platforms in terms of accumulated view counts is derived from major online platforms and professional third party media organizations.

*Note:*

- (1) High viewership drama series rate refers to the number of high viewership drama series of a company as a percentage of the total number of drama series broadcast by it in the year.
- (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).

### Entry Barriers of the Drama Series Industry

According to Frost & Sullivan, the drama series industry in China has the following major entry barriers:

- *Capital Barrier.* Production of drama series requires investment at early stage to cover costs including cast personnel costs, production costs, costs of scripts, post-production costs, costs of purchased copyrights, among many others. In addition, market players bear costs and risks of market uncertainties and policy changes before licensing such drama series to customers.

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## INDUSTRY OVERVIEW

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- *IP and industry expertise barrier.* Established drama series production companies generally not only have high-quality, evergreen and diversified IP reserve, but also can integrate experienced talents in the market including directors, scriptwriters, and casting crew. Such abundant IP reserve together with integrated industry resources enable them to continuously deliver quality drama series to audience.
- *Broadcasting channel barrier.* With quality drama series content on hand, major drama series production companies with proven track record have established a large audience and loyal audience base. Their prior popular drama series increase the market predictability and acceptance of their drama series sequels, allowing them to maintain stable cooperation with broadcasting channels. Market recognition is difficulty for new market entrants to establish within a short period of time.

### Key Success Factors

According to Frost & Sullivan, China's drama series production market is highly competitive. Although the number of the Radio and Television Program Production and Operation Permits increased at a CAGR of 21.8% from 2016 to 2020, the number of companies holding TV Series Production License (Class A) (電視劇製作許可證(甲種)) is relatively limited. As announced by the NRTA, only 41 companies possess valid TV Series Production License (Class A) for the period from 2021 to 2023.

Leading drama series production companies' success is attributable to the following factors:

- *Capabilities to continuously develop and monetize premium IP:* Production companies with capability to develop premium original IPs and monetize premium IP through IP serialization, derivation and licensing, enjoy great potential to produce popular drama series.
- *Stable talent pool:* Production companies which establish stable and mutually beneficial cooperation with talents and provide all-rounded support to talents, are more likely to continuously develop innovative works and premium content.
- *Audience engagement and stickiness:* Production companies with capability to develop high viewership drama series can better engage and impact audience, thus establishing audience stickiness allowing them to retain continuity from its previous success more easily.
- *Strong recognition by distribution channels:* High viewership drama series stimulates traffic and subscriptions and significantly drive distribution channels' performance. Therefore, premium production companies with proven track record are highly valued by distribution channels, driving higher-than-average prices, pre-sale and other favorable arrangements.

### MARKET DRIVERS OF CHINA'S VIDEO-BASED CONTENT MARKET

According to Frost & Sullivan, China's video-based content market is primarily driven by the following factors:

- **Video-based content becomes the most vital choice of entertainment**

Since 2020, video-based content platforms including short video platforms and online video platforms have become the most vital choice of entertainment for a huge coverage of user base with penetration rates of over 75.0% in 2020, much higher than that of the other entertainment APPs including online music (62.7%), mobile game (47.4%) and online literature platforms (36.6%). Meanwhile, the average monthly time spent by users of short video and online video platforms collectively reached 56.4 hours in 2020, ranking as the most popular time-spending entertainment channel in 2020.

- **Sustainable growing demands for premium content**

Audience has become more and more selective about the way they consume leisure time and the type of content they consume. This promotes for a sustainable growing demand for high-quality video-based content market. Premium content can always attract loyal audience.

- **Pay-for-watching becomes mainstream**

China's video-based content market has undergone an industry upgrade from free-watching to pay-for-watching, attributable to the increasing awareness and willingness to pay for premium original content. Nowadays, in line with the stable economic development in China, audience are more willing to pay for premium content, driving the increase of membership subscriptions and other innovative and trending monetization methods such as TVOD (transactional video on demand) and PVOD (premium video on demand).

- **Technology development**

The past couple of decades experienced rapid technology development. Empowerment by digital technologies, companies nowadays can pay close attention to audience preferences more accurately and intelligently so that they can produce premium content catering to the changing needs of audience. During the production process, through the widely-adopted 5G, VR/AR, Dolby Atmos, 4K big screen and other advanced technologies, audience experience has been enormously improved in terms of visual and audio effect and quality. In addition, innovative forms of content, including live streaming, interactive drama series, vertical screen drama series, miniseries and in-app purchase further promote innovative interaction among audience and premium content.

### FUTURE TRENDS OF CHINA'S VIDEO-BASED CONTENT MARKET

- **More opportunities for top players**

The production of premium content is an extremely sophisticated and comprehensive process. The concentration of video-based content market continues to intensify, and top players possess most of the premium works. Due to experience accumulation, brand recognition, capital accumulation, distribution channel relationships and stable cooperation with skilled talents, top players are expected to take up a much larger market share in the future.

- **Diversified monetization methods**

The emergence of diversified and new monetization methods such as short video, content marketing, IP derivative licensing boost the development of the video-based content industry. As China video-based content market further matures, major players in the industry are capable to further expand their portfolios and diversify their revenue stream. For instance, drama series production companies can further monetize their content through the licensing of premium IP derivatives and provision of content marketing services.

- **Industry regulation and policies promotion**

During the past years, the Chinese government has implemented a series of regulatory policies to set stringent standards for the video-based content market, including restrictions on the maximum of drama series episodes as well as the remunerations to cast members. Such policies, on the one hand, promote competitions and eliminate excessive abuse of celebrity influence, and on the other hand, encourage video-based producers to focus on the quality of the content they deliver to the audience. In addition, the following are recent regulatory developments in the drama series industry in China:

- o The Draft for Approval of the Specifications for the External Translation of Radio, Television and Online Audio-Visual Programs (《廣播電視和網絡視聽節目對外譯製規範》) was announced by the Science and Technology Department and the International Department of the National Radio and Television Administration of the PRC(中華人民共和國國家廣播電視總局科技司和國際司) on May 25, 2022, which specifies the requirements for the external dubbing of Chinese radio, television and online audio-visual programs, including the quality and technical requirements for translation, dubbing, subtitles, post-production and other working link.
- o The Model Text of Actor Employment Contract (Trial) (《演員聘用合同示範文本(試行)》) was jointly formulated and officially released by China Radio and Television Social Organization Federation (中國廣播電視社會組織聯合會) and China Online Audiovisual Program Service Association(中國網絡視聽節目服務協會)on May 7, 2022, which further specifies the requirements for the employment contracts of actors in drama series, including but not limited to the percentage of actors' remuneration in drama series, the payment of actors' remuneration and signing method of actor employment contracts.

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- o The Production and Operation Specifications for TV Dramas and Web Drama Production Teams (Trial) (《電視劇網絡劇攝製組生產運行規範(試行)》) was released by China Federation of Radio and Television Social Organizations (中國廣播電視社會組織聯合會) and China Network Audio-Visual Program Service Association (中國網絡視聽節目服務協會) on April 27, 2022, which further promotes the normalization and standardization of the drama series industry, strengthens the production supervision and operation management of drama series, ensures the safety of life and property of shooting crews, reasonably and effectively controls the production costs and ultimately promote the high-quality development of the creation and production of drama series.
  - o The 14th Five-Year Plan for the Development of China Drama Series(《“十四五”中國電視劇發展規劃》) was issued by the NRTA on February 10, 2022, which emphasizes that the creation and production of high viewership drama series should be taken as the critical pillar and the requirements regarding to the appropriate topic selecting, stories well-telling and high-quality shooting of the drama series should be seriously implemented.
- **China-originated content will reach more overseas audiences**

The growing audience base and the increasing scalability of online distribution platforms drive further growth of video-based content in the pan-Asian market. In anticipation of the ever-intensified competition, both international and domestic leading online platform players are paying more attention to the pan-Asian market and seek to establish stronger presence with premium video-based content. China's content production companies possess competitive edge over competitors from other regions, leveraging on their deep understanding of the Asian culture, market resources and experience.



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## REGULATORY OVERVIEW

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### REGULATIONS IN RELATION TO FOREIGN INVESTMENT

The establishment, operation and management of companies in PRC are governed by the Company Law of the PRC (《中華人民共和國公司法》) (the “PRC Company Law”) which was promulgated by the Standing Committee of the National People’s Congress (全國人民代表大會常務委員會) (the “SCNPC”) on December 29, 1993, came into effect on July 1, 1994 and was last revised on October 26, 2018. Under the PRC Company Law, companies are generally classified into two categories, i.e. limited liability companies and companies limited by shares. Each a limited liability company or a company limited by shares is an enterprise legal person, and liable for its debts with all its assets. PRC Company Law is also applicable to foreign-invested companies, except otherwise set out in any other regulations.

Pursuant to the Foreign Investment Law of the PRC (《中華人民共和國外商投資法》) (the “Foreign Investment Law”) promulgated by the National People’s Congress (全國人民代表大會) (the “NPC”) on March 15, 2019 and came into effect on January 1, 2020, the “Foreign Investment” refers to the investment activity directly or indirectly conducted by the foreign natural person, enterprise or other organization (hereinafter referred to as the “foreign investors”), including the following circumstances: (i) A foreign investor establishes a foreign-invested enterprise within the territory of China, independently or jointly with any other investor; (ii) a foreign investor acquires shares, equities, property shares or any other similar rights and interests of an enterprise within the territory of China; (iii) a foreign investor makes investment to initiate a new project within the territory of China, independently or jointly with any other investor; and (iv) a foreign investor makes investment in any other way stipulated by laws, administrative regulations or provisions of the State Council. The state applies the administrative system of pre-establishment national treatment plus Negative List to foreign investment. Foreign Investors shall not invest in any field prohibited by the Negative List and shall meet the investment conditions stipulated for any field restricted by the Negative List, while for foreign investments outside the Negative List, national treatment will be given. The organization forms, structures, and operating rules of foreign-funded enterprises shall be governed by the PRC Company Law, the Partnership Law of the PRC (《中華人民共和國合夥企業法》) and other laws. In conducting production and distribution activities, foreign-funded enterprises shall comply with the provisions of laws and administrative regulations pertaining to labor protection and social insurance, conduct taxation, accounting, foreign exchange, and other affairs according to laws, administrative regulations, and the relevant provisions issued by the state, and accept the supervisory inspection legally conducted by the appropriate departments.

Pursuant 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 was promulgated by the National Development and Reform Commission of the PRC (中華人民共和國發展和改革委員會) (the “NDRC”) and the Ministry of Commerce of the PRC (中華人民共和國商務部) (the “MOFCOM”) jointly on December 27, 2021 and became effective 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

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required, 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.

According to the press conference by the relevant officials of the NDRC on January 18, 2022, Article 6 of the 2021 Negative List shall only be applying to the situations where domestic companies in the PRC are seeking a direct overseas issuance and listing; and with respect to an indirect overseas issuance and listing of securities (including through a variable interest entity (the "VIE") structure) by domestic companies engaging in fields prohibited by the 2021 Negative List, the CSRC is in the process of solicit public opinion and establishing a cross-departmental supervisory coordination mechanism for overseas listings. The current application structure of the Company's Listing constitutes an indirect overseas issuance and listing of securities by domestic companies.

On December 24, 2021, the CSRC issued the Draft Administration Provisions and 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 applicable PRC laws and regulations have not yet required to obtain the examination and approval from the CSRC and/or the relevant industry authorities for the indirect overseas issuance and listing of securities by domestic enterprises through a VIE structure. 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.

As such, our PRC Legal Advisers are of the view that a listing 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 the Listing. Our PRC Legal Advisers advised that the Listing 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.

Assuming the Draft Administration Provisions and the Draft Filing Measures are formally implemented in their current form and the Requirement under the 2021 Negative List is applicable to overseas listing of domestic companies with contractual arrangements, as advised by our PRC Legal Advisers, if we have not yet completed our overseas securities offering and listing by then, we may be required to conduct the filing procedures according to the Draft Administration Provisions and the Draft Filing Measures and to obtain the approval from the relevant regulatory authorities under the 2021 Negative List. 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".

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### REGULATIONS IN RELATION TO PRODUCTION AND OPERATION OF TELEVISION PROGRAMS

#### Radio and Television Program Production and Operation Permit

Pursuant to the Regulations on Radio and Television Administration (Revised in 2020) (《廣播電視管理條例》(2020年修訂)) promulgated by the State Council on August 11, 1997 and last revised on November 29, 2020, radio and television programs shall be produced by radio stations, TV stations, radio and television programs production and operation institutions whose establishment has been approved by the radio and television administrative departments at or above the provincial level governments. Radio station or TV station shall not broadcast programs produced by institutions without the licenses for radio and television program production and operation.

Pursuant to the Administrative Provisions on the Production and Operation of Radio and Television Programs (《廣播電視節目製作經營管理規定》), which was promulgated by the NRTA on July 19, 2004 and came into effect on August 20, 2004, and was last revised on October 29, 2020, the National Radio and Television Administration of the PRC (中華人民共和國國家廣播電視總局) (the “NRTA”) is responsible for formulating the development plan, layout and structure of the national radio and television programs production industry, administering, guiding and supervising the production and operation activities of national radio and television programs. The radio and television administrative departments under the local governments at or above the county level shall be responsible for administering the production and operation activities of radio and television programs within their respective administrative regions. Establishment of a radio and television programs production and operation institution or entity that produces and operates radio and television programs must first obtain a Radio and Television Program Production and Operation Permit (the “Permit”) (《廣播電視節目製作經營許可證》), which is subject to the licensing system applied by the PRC Government. An applicant applying for a Permit to Produce or Operate Radio and Television Programs shall conform to the development plan, layout and structure of the industry of radio and television program production of the State and shall meet the following conditions: (i) it shall have independent corporate capacity and the organization name, organizational structure and articles of association that comply with the provisions of the laws and regulations of the State; (ii) it shall have professionals specialized in radio and television and other relevant fields, funds and workplace that meet the needs of its scope of business, of which the registered capital shall not be less than RMB3,000,000; (iii) its legal representative shall not have any record of violation of laws and regulations or it has no record of revocation of its Permit to Produce or Operate Radio and Television Programs for the last 3 years before the date of application; and (iv) other conditions prescribed by the laws and administrative regulations. Central organizations in Beijing and the agencies directly subordinate thereto shall directly file the application with the NRTA while the other organization shall file an application to the relevant radio and television administrative department at the domicile of the organization. The application shall be verified and approved level by level and finally be submitted to the provincial radio and television administrative department for examination and approval. The approving authority will decide whether to grant the approval or not within 20 working days of its receipt of the complete set of documents. In the case of approval which is accorded with the Administrative Provisions on the Production and Operation of Radio and Television Programs, the NRTA will issue the

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Permit; in the case of disapproval, it will state the reasons. The decision of granting the approval or not shall be record-filed with the NRTA by provincial radio and television administrative department within a week after the decisions are made. The Permit uniformly printed by the NRTA has an effective term of two years. Organizations which have obtained the Permit to Produce or Operate Radio and Television Programs, television stations (including radio and television stations and radio, film and television groups) at or above the prefecture level and film producers which have obtained the Permit to Produce Films shall produce television plays, provided that they shall obtain another permit to produce TV series in advance. Permits to produce TV series are divided into two types: TV Series Production Licence (Class A) (《電視劇製作許可證(甲種)》) and TV Series Production Licence (Class B) (《電視劇製作許可證(乙種)》), which shall be uniformly printed by the NRTA. TV Series Production Licence (Class B), issued by the administrative department of radio and television at or above province level, only applies to the television play it indicates with the validity of 180 days and may be extended appropriately when approved by the licence issuing authority under exceptional circumstance. Applicants that have produced six or more single-episode TV shows or three or more TV series (three episodes or more per series) for two consecutive years may apply to the NRTA for TV Series Production Licence (Class A), which has an effective term of two years and may apply to all TV series produced by the holder during the effective term. Radio and television broadcasting institutions shall not broadcast television series produced by institutions without the Permit or the relevant distribution license. For violations against the aforesaid provisions, the penalty provisions of the Administrative Regulations on Radio and Television (《廣播電視管理條例》) shall be applied mutatis mutandis. Where a holder of the TV Series Production Licence (Class A) applies for an extension upon the expiration thereof, if it meets the aforementioned requirements and there is no record of violation, the extension shall be granted; where the aforesaid conditions are not met, the extension shall not be granted.

### **Record-filing and Announcing System**

Pursuant to the Administrative Regulations on Content of Television Series (《電視劇內容管理規定》) which was promulgated by the NRTA on May 14, 2010 and came into effect on July 1, 2010, and was last revised on October 31, 2018, the record-filing and announcing system, and the content examination and distribution licensing system shall be implemented for the domestically produced TV series. NRTA is responsible for announcing the TV series produced in the PRC. The radio and television administrative department of provincial government is responsible for accepting the record-filing of the TV series produced by the production entities within its administrative region, and upon its examination, report them to NRTA. When applying for record-filing of the TV series, the production institutions shall submit, among other materials, a brief introduction which truthfully and accurately describes the theme, main characters, background, stories and other contents of the TV series. If the TV series involves any significant theme or any sensitive content involving politics, military affairs, diplomacy, national security, united front, ethnic issues, religion, judicial issues, public security, etc., the written opinions issued by the relevant competent department of the government at or above the level of province shall be provided. The NRTA shall examine the application materials and announce them on its website. The announced contents shall include the name of the TV series, the production entity, the number of episodes, the abstract, etc.

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Administrative Measures for the Record-filing and Announcement for Filming and Production of Drama Series (《電視劇拍攝製作備案公示管理辦法》), which was promulgated by The State Administration of Press, Publication, Radio, Film and Television (國家新聞出版廣電總局) (the “SAPPRFT”) on September 22, 2013 and came into effect on December 1, 2013, detailed the measures regarding the record-filing and announcing system of the drama series. Drama series shall be produced in accordance with the announced content. If it is necessary to make a substantial adjustment to the theme, main characters and main plot, the producing institution shall go through record-filing and announcing procedure again. The production of drama series shall be completed within two years since the date of announcement.

### **Content Examination and Distribution Licensing System**

The Notice on Further Strengthening the Management of Radio and Television Programs Production and Operation Organizations (《關於進一步加強廣播電視節目製作經營機構管理的通知》), promulgated by the NRTA on March 15, 2005, requires the provincial radio and television administrative departments to establish a review mechanism for the content of programs produced and distributed by production institutions.

Pursuant to the Administrative Regulations on Content of Television Series, upon completion of the production of TV series, the production institutions shall file an application for content examination and apply for the Licence for Distribution of TV Series. The TV series without the Licence for Distribution of TV Series shall not be distributed, broadcast or appraised for awards. The institutions shall apply for the content examination to the radio and television administrative department of provincial government and submit, among other materials, a valid certification of the qualification of the production institution, the printed text of the announcement of the TV series, an abstract for each episode, a complete set of the sample TV series, and written opinions of the competent department and the parties concerned on special themes. Where modification is required upon examination, the institution shall, after modifying the documents for examination, re-submit the documents for examination according to the provisions. The said administrative department shall make a decision of approval or disapproval within fifty days. After making a decision of approval, it shall issue the Licence for Distribution of TV Series. If the submitting institution refuses to accept the decision of disapproval, it may file an application for reexamination with the radio and television administrative department within 60 days from the date of receiving the decision. The radio and television administrative department shall make a review decision within 50 days after receiving the application for review; the review time is 30 days. Those who pass the re-examination shall be issued the Licence for Distribution of TV Series; unqualified, it shall notify the submitting institution and explain the reasons in writing. TV series which has obtained a distribution licence shall be distributed and broadcast based on the contents which passed the examination. If the name, principal characters and stories, length of the episodes or any other aspect of the TV series is modified, the original production institution shall reapply for examination. According to the needs of public interests, the radio and television administrative department may make a decision to order the TV series to be modified, stop broadcasting or not to be distributed or awarded.

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Pursuant to the Notice 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》) promulgated by NRTA on February 6, 2020, during the record-filing period, the production institution shall be committed to the competent radio and television administrative department that the script creation has been basically completed; content involving political, military, diplomatic, national security, the united front, ethnic, religious, judicial, public security, anti-corruption and other sensitive content, the written consent of the competent government departments shall be obtained before applying for filming, production and filing for announcement. The TV and WEB Series are recommended to be limited in 40 episodes, and the creation of short series within 30 episodes is encouraged. Comprehensive measures, collaborative governance shall be taken to the content governance, relevant industry associations shall further work on the industry standards.

According to 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》) issued by NRTA on 2 September 2021, radio and television institutions and online audio-visual platforms are required 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 addition, the regulation requires TV drama production units to resolutely resist high film remuneration. TV drama production units are required to strictly implement the provisions on film remuneration for actors and guests, and strictly implement the notification and commitment system of film remuneration management. We will severely punish violations of film pay, duplicate contracts and tax evasion. 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 minimize such risks, our agreements with actors and directors include a negative publicity clause stating that we are entitled to seek repayment of the amount of service fees we paid to them in the event any lawsuits, personal misbehaviors, rumors or negative news related to them affected our distribution of the relevant drama series.

According to the Notice on Launching the Creation, Exhibition and Broadcasting of the Theme “Our New Era” (《關於開展“我們的新時代”主題作品創作展播活動的通知》) issued by the NRTA on October 25, 2021, the “Our New Era” theme works should strengthen control and guidance in all aspects such as the management of actors and guests, pay attention to the selection of actors and guests with positive social images, personal temperament and role adaptation, and excellent acting skills, resolutely resist illegal and unethical personnel, resolutely oppose the flow theory, strictly implement the remuneration regulations, and strictly control performance style, costume makeup, among others. According to the Opinions on Promoting the Improvement of Radio and TV Broadcasting Institutions in the New Era (《關於推動新時代廣播電視播出機構做強做優的意見》) promulgated by the NRTA on October 15, 2020. The circular calls for firmly grasping the correct guidance for the creation, production and broadcasting of literature and arts, strengthening guidance, improving the working

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mechanism for advocating taste and style and responsibility, resisting vulgarity and vulgarity, and resolutely preventing undesirable tendencies such as star-chasing, over-entertainment, high-priced film pay, and listening and viewing rates only. According to the Properly Handling the Exhibition and Broadcasting of TV dramas in relation to celebrating the 70th anniversary of the founding of China (《關於做好慶祝新中國成立70周年電視劇展播工作的通知》), promulgated by the NRTA on July 29, 2019. The notice requires that costume drama series and idol programs with strong entertainment shall not be broadcasted during the “100 days’ exhibition and broadcasting” activity of key TV drama series since August 2019. To the best knowledge of our Directors, none of our drama series was directly affected by such notices during the Track Record Period and up to the Latest Practicable Date. Based on the foregoing, our Directors, as advised by our PRC Legal Advisor, confirm that such notices did not have a material adverse impact on our Group during the Track Record Period and up to the Latest Practicable Date.

### **Examination of Actor’s Remuneration of TV Series and Web Series**

The China Federation of Radio, Film and Television Associations, the China Netcasting Services Association and the China Television Drama Production Industry Association jointly issued the Opinions on the Allocation of Production Costs of TV Series and Web Series (《關於電視劇網絡劇製作成本配置比例的意見》) (the “Opinion”) on September 22, 2017. Pursuant to the Opinion, the TV series production institutions shall limit the payment for the artists to a reasonable allocation of overall production costs. The total actor’s remuneration of a TV series shall not exceed 40% of the total production costs, and the principal actor’s remuneration shall not exceed 70% of the total actor’s remuneration, the production institution shall file an explanation with the relevant associations. The payment involved in the contract signed with the actor’s personal studios or other entities controlled by it should also be taken into account for the purpose of compliance with the notice.

The NRTA 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. For the purpose of ensuring the sound and orderly development of radio, television and network audio visual entertainment programs, the NRTA requires that, among other things, the total actor’s remuneration of a TV series shall not exceed 40% of the total production costs, and the principal actor’s remuneration shall not exceed 70% of the total actor’s remuneration. If the aforesaid allocation is violated with no justification or concealment is conducted, the NRTA shall, according to the circumstances, adopt punitive measures according to the regulation such as suspension and cancellation of broadcast of the series or production qualifications of production entities. TV series and web series of which the artists’ payment exceeds the required cap shall not participate in the election or awards, nor be entitled to government funding or subsidies. Furthermore, broadcasting institutions are strictly prohibited from requesting a audience rating covenant from production institutions, and the signing of a valuation adjustment mechanism agreement shall be strictly prohibited. Institutions or individuals shall be strictly prohibited from disrupting or falsifying audience rating (click-through rate) data. As confirmed by our Directors and advised by our PRC Legal Advisor, we had been in compliance with the 2018

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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. In addition, 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 such notice can be assessed from the PRC law perspective, and with Frost & Sullivan, through which the Joint Sponsors noted the impact of such notice on the industry as a whole, (ii) the review of relevant materials provided by us with respect to our compliance with the aforementioned notice issued by the NRTA, 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 such notice did not have a material adverse impact on our Company and the aforementioned Directors' view that the cost to comply with such notice is minimal, nothing material has come to the Joint Sponsors' attention to cast doubt on the reasonableness of our view that such notice will not have any material adverse impact on our Group.

Pursuant to the Notice 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》) promulgated by NRTA on February 6, 2020, at the stage of examination of a TV series and web series after completion, the production institution shall submit the report on the final allocation proportion of production costs and the copy of artists' remuneration contract to the competent radio and television administrative department for the record. The total actor's remuneration of a TV series shall not exceed 40% of the total production costs, and the principal actor's remuneration shall not exceed 70% of the total actor's remuneration.



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### **Tax-related Regulations**

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

### **Other TV Program Production Regulations or Notice**

On December 31, 2021, the NRTA issued the Specification of Teleplay Mastering (電視劇母版製作規範), which has become effective since April 1, 2022. It quantifies and standardizes the technical aspects of the duration, signature, images, sound, subtitles, packaging format and production quality of teleplay mastering, and provides recommendations on the subjective evaluation methods for the sound and picture quality of teleplay mastering, ensures that TV production institutions, copyright holders and content broadcasting platforms shall adopt uniform parameters and packaging formats during the production and exchange of teleplay mastering, reduces conversion processing, improves production efficiency and guides the improvement of the standardization of drama series. Based our review of the specifications in the document, our Directors are of the view that our production of teleplay mastering has complied with such specification during the Track Record Period and up to the Latest Practicable Date.

On May 7, 2022 the China Federation of Radio and Television Associations and the China Netcasting Services Association published the Sample Text of Engagement Contract of Actors (for Trial Implementation) (《演員聘用合同示範文本(試行)》) (the “Engagement Contract”). The Engagement Contract is a sample engagement contract for actors (including any agency or studio authorized by such actors) who participate in drama series and web series to enter into with producers or contractors of the drama series. The Engagement Contract requires that service contracts such as contracts for an actor’s remuneration shall be signed in written form in the name of the actor and shall not be after-tax income contracts. It also prohibits actors (including any agency or studio authorized by such actors) from signing consulting, planning or other contracts in the name of the actor’s close relatives or other related parties irrelevant to the acting activities to split remuneration. Remuneration for acting and other services shall not be paid in cash, nor shall the income be concealed in the form of disguised remuneration

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such as equity, real estate, jewelry, calligraphy and paintings and collections. Strict distinction shall be made between personal income, income from studio operation and enterprise income. The Engagement Contract shall specify the remuneration allocation between the agency or studio and the actors as well as the corresponding contractual obligations. All parties to the Engagement Contract shall strictly perform tax payment and withholding obligations and other legal obligations in accordance with PRC tax laws and regulations, and actors shall file tax returns by themselves in accordance with relevant regulations. As the Engagement Contract is formulated by the China Federation of Radio and Television Associations and the China Netcasting Services Association, as advised by our PRC Legal Advisers, the nature of such action was a self-regulatory measure by the industry and is not legally mandatory. During the Track Record Period, we confirm that there is no payment in non-monetary form for the acting services contracts of principal actors.

Our drama series production business is required to follow such evolving regulatory and policies from time to time. We have dedicated legal personnel who closely monitor the latest development in the industry on an on-going basis. In the case of any major regulatory updates relevant to our business operations, our dedicated legal personnel will report to our management and provide trainings to our departments to ensure ongoing compliance. Our Directors, as advised by our PRC Legal Advisors, are of the view that the new regulatory updates in the industry did not have any material adverse impact on the Group's business operations and financial performance as of the Latest Practicable Date considering that (i) we had been in compliance with such requirements the latest PRC laws and regulations in all material aspects; and (ii) we had dedicated legal personnel to track regulatory updates and report to managements and provide trainings to ensure ongoing compliance.

Our PRC Legal Advisor is of the view that, (i) the Specification of Teleplay Mastering and the Sample Text of Engagement Contract of Actors (for Trial Implementation) are industrial regulations and not legally mandatory, and there is no practical difficulty for our Group to refer to and apply such regulations and these regulations will not have any material adverse effect on the business operation and financial affairs of our Group; (ii) the Strengthen the Tax Management of Practitioners in the Field of Cultural and Entertainment emphasizes the requirements of withholding individual income tax by producers, and our Company had been in compliance with during the Track Record Period and up to the Latest Practicable Date. Therefore, the Strengthen the Tax Management of Practitioners in the Field of Cultural and Entertainment does not materially and adversely affect our business operations and financial performance; and (iii) we had been in compliance with all the latest PRC laws and regulations and therefore the latest regulatory updates did not have any material adverse effect on our business operations and financial performance.

With respect to the recent regulatory updates and developments 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, the Specification of Teleplay Mastering (《電視劇母版製作規範》) issued by the NRTA and the Engagement Contract published by the industry association, based on (i) the discussions with us, the PRC Legal Advisors and the Joint Sponsors' PRC legal advisors in respect of the impact of each such

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regulatory requirements 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 (1) 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, and (2) both the Specification of Teleplay Mastering and the Engagement Contract are industrial regulations and not legally mandatory, and there is no practical difficulty for our Group to refer to and apply such regulations and these regulations will not have any material adverse effect on our business operation and financial affairs; (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; (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; (v) the discussions with us to understand our original drama series pipeline and the potential impact (if any) of certain regulatory developments on the length and contents of such drama series; and (vi) the view of the Directors and the PRC Legal Advisors that regulatory updates in the industry (including the aforementioned updates) did not have a material adverse impact on the Group’s business operations and financial performance as of the Latest Practicable Date, nothing material has come to the Joint Sponsors’ attention to cast doubt on the reasonableness of our view that the new regulatory updates in the industry did not have any material adverse impact on the Group’s business operations and financial performance as of the Latest Practicable Date.

However, if we fail to comply with the evolving laws, regulations and policies in the future, our drama series may not be broadcast as scheduled and we may be required to repay all the prepayments we have received to our customers, which may materially and adversely affect our business, financial condition and results of operations. See “Risk Factors – The production and distribution of drama series are extensively regulated in the PRC. Our failure to comply with evolving laws, regulations and policies could materially and adversely affect our business, financial condition and results of operations”.

### REGULATIONS IN RELATION TO PRODUCTION OF WEB SERIES

Pursuant to Circular on Further Strengthening the Administration of Online Audio-visual Programs Including Web Series and Micro Films (《關於進一步加強網絡劇、微電影等網絡視聽節目管理的通知》) promulgated by the NRTA jointly on July 6, 2012, Internet audio-visual program service institutions shall report the information on examined and approved web series, micro films and other online audio-visual programs to the provincial radio, film and television administration for record-filing. Pursuant to the Notice about Upgrading the Information

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Recording Filing System of the Internet Audio-visual Program (《關於網絡視聽節目信息備案系統升級的通知》) promulgated by NRTA on December 27, 2018, the producing institutions shall, before the production of major web series (including online series, films and cartoons), which includes web series (cartoons), the investment amount of which exceeds RMB5 million, and major online films, the investment amounts of which exceeds RMB1 million, register the program information through the information recording filing system. After review by the radio and television administrative departments, the major web series will automatically obtain the planning filing number generated by the filing system. Upon the completion of production, the producing institutions shall register through the system as well and submit the completed dramas to NRTA or its provincial counterpart. The major web series that have been reviewed by the administrative department of radio and television will automatically get the online record number generated by the filing system. The major web series with online record numbers can be played and promoted on the homepage of each audio-visual program website (client), or used for investment promotion, member recommendation, online recommendation and program promotion of audio-visual program websites.

Pursuant to the Notice on Further Strengthening the Creation and Broadcasting Management of Network Audio Visual Programs (《關於進一步加強網絡視聽節目創作播出管理的通知》), promulgated by the NRTA on May 16, 2017, radio and television programs with incorrect guidance and values shall not be broadcast on the Internet, IPTV or Internet TV.

Pursuant to the General Rules for Content Auditing of Network Audio Visual Programs (《網絡視聽節目內容審核通則》), promulgated by China Network Audio Visual Program Service Association on June 30, 2017, radio and television broadcasting institutions should establish the content pre broadcast audit system, audit opinion retention system and working procedures, and network audio visual programs must be verified by the auditors before broadcasting.

Pursuant to Supplemental Notice of Circular on Further Strengthening the Administration of Online Audio-visual Programs Including Web Series and Micro Films (《關於進一步完善網絡劇、微電影等網絡視聽節目管理的補充通知》) promulgated by the SAPPRFT on January 2, 2014, enterprise engaged in production of web series and micro films shall obtain the Licence of Radio and Television Program Production and Operation. Internet audio-visual program service institutions shall not broadcast web series and micro films produced by enterprise without the above Licence.

The distribution license refers to the Television Drama Distribution License (《國產電視劇發行許可證》) which is issued by NRTA according to the Administrative Regulations on Content of Television Series. Pursuant to the Administrative Regulations on Content of Television Series, upon completion of the production of TV series, the production institutions shall file an application for content examination and apply for the distribution license from the NRTA. The TV series without the distribution license shall not be distributed, broadcast or appraised for awards.

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“TV series” means a series of scripted episodes aiming to be broadcast on TV channels which is required to obtain the distribution license from the NRTA. TV series may be broadcast on TV channels and also on new media channels such as online video platforms. “Web series” means a series of scripted episodes which can only be broadcast on new media channels such as online video platforms in the Prospectus.

In conclusion, web series is different from TV series and shall only be broadcast online instead of on TV channels. Thus, production institution of web series is not required to apply for or obtain any distribution license from the NRTA prior to the distribution and broadcast of web series.

### REGULATIONS IN RELATION TO ADVERTISING BUSINESS

The Advertisement Law of the PRC (《中華人民共和國廣告法》), which was promulgated by the SCNPC on October 27, 1994, came into effect on February 1, 1995 and last amended on April 29, 2021, requires advertisers to ensure that the content of the advertisements are true. The content of advertisements shall not contain prohibited information, including but not limited to: (i) information that harms the dignity or interests of the State or divulges the secrets of the State, (ii) information that contains wordings such as “national level”, “highest level” and “best” and (iii) information that contains ethnic, racial, religious or sexual discrimination. Where the matters involved in advertisement contents require administrative licensing, such matters shall be consistent with the contents of the licence.

The Interim Measures for Administration of Internet Advertising (《互聯網廣告管理暫行辦法》), which were promulgated by the State Administration for Industry and Commerce (the “SAIC”) on July 4, 2016, and became effective on September 1, 2016, regulate any advertisement published on the Internet, including but not limited to, those on websites, webpage and apps, those in the forms of word, picture, audio, video and others. No entities or individuals are allowed to design, produce, act as agents for, or publish on the internet any advertisements for goods or services, the production, sales or provision of which are prohibited by laws and administrative regulations, or any advertisements for goods and services which are prohibited from publishing. Internet advertisers shall be responsible for the authenticity of the contents of advertisements.

According to the Administrative Measures for Online Live-Streaming Marketing (for Trial Implementation) (《網絡直播營銷管理辦法(試行)》) promulgated by the Ministry of Public Security, CAC, MOFCOM, Ministry of Culture and Tourism, SAT, SAMR, NRTA on April 23, 2021, and became effective on May 25, 2021, operators of live studios and live-streaming marketing personnel engaging in online live-streaming marketing activities shall comply with laws, regulations and the relevant provisions of the State, follow public order and good customs, and truthfully, accurately and comprehensively release information on goods or services, and shall not commit any of the following acts: (i) violating Articles 6 and 7 of the Provisions on the Ecological Governance of Network Information Contents (《網絡信息內容生態治理規定》); (ii) publicizing false or misleading information to cheat or mislead

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users; (iii) marketing counterfeit or shoddy goods or goods that infringe upon intellectual property rights, or goods that fail to meet the requirements for personal and property safety; (iv) fabricating or tampering with data traffic such as transactions, attention, number of views, number of comments, etc.; (v) still making promotion or diversion for a person even the existence of any illegal or irregular act or act with high risk committed by the person is known or should have been known; (vi) harassing, slandering, vilifying or intimidating others, or infringing upon the legitimate rights and interests of others; (vii) pyramid marketing, fraud, gambling, or selling prohibited or controlled goods, etc.; and (viii) other acts in violation of the laws, regulations and relevant provisions of the State. Operators of live-streaming studios and live-streaming marketing personnel shall perform their responsibilities and obligations of protecting consumers' rights and interests in accordance with laws and regulations, and shall not deliberately delay or refuse without justifiable reasons the legitimate and reasonable requests put forward by consumers.

### REGULATIONS IN RELATION TO PRODUCTION AND DISTRIBUTION OF FILMS

Pursuant to Film Industry Promotion Law of the PRC (《中華人民共和國電影產業促進法》), which was promulgated by the SCNPC on November 7, 2016, and came into effect on March 1, 2017, a legal person or any other organization that intends to produce a film shall file the synopsis of the film script for the record with the film authority under the State Council or the film department of the provincial level government, and the script of a film involving any major theme or any materials relating to national security, diplomacy, ethnicity, religion, military, and other matters shall be submitted for review and approval as required by relevant regulations of the PRC. Once finished producing, the film shall be submitted to the abovementioned film administration for examination and apply for the Licence for Public Screening of Films (電影片公映許可證). A film without the Licence for Public Screening of Films shall not be distributed, projected, spread through information networks such as the Internet, telecom networks and broadcast networks or produced as any audio-visual product.

Pursuant to the Regulations on the Administration of Films (2001) (《電影管理條例(2001)》), which was promulgated by the State Council on December 25, 2001, and came into effect on February 1, 2002, the PRC applies a film examination system. Films which have not been examined by the competent examination agency of the administrative department for radio, film and television under the State Council shall not be distributed, projected, imported or exported. A Licence for Public Screening of Films (電影片公映許可證) shall be issued by the administrative department for radio, film and television after a film is examined and qualified.

Pursuant to Regulations for Administration of the Record-filing Script (Outline) and Films (《電影劇本(梗概)備案、電影片管理規定》), which was promulgated by the NRTA on May 22, 2006 and came into effect on June 22, 2006, and was revised on December 11, 2017, the PRC applies the system of script (outline) record-filing and films examination. A script (outline) that has not been put into records shall not be shot into a film, and a film that has not passed the examination shall not be released, shown, imported and exported.

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In addition, foreign investment in film production companies, distribution companies are prohibited pursuant to the Negative List.

### REGULATIONS ON INTERNET INFORMATION SECURITY

On 7 November 2016, the SCNPC promulgated the Cybersecurity Law of PRC (《中華人民共和國網絡安全法》), or the Cybersecurity Law, effective as of 1 June 2017, which applies to the construction, operation, maintenance and use of networks as well as the supervision and administration of cybersecurity in the PRC. The Cybersecurity Law defines “network” as a system comprising computers or other information terminals and relevant facilities used for the purpose of collecting, storing, transmitting, exchanging and processing information in accordance with specific rules and procedures. No individual or organization may engage in activities that threaten cybersecurity such as unlawful intrusion into others’ networks, interfering with the normal functions of others’ network and stealing network data, provide programs or tools for such intrusions, interference or stealing, or provide any assistance such as technical support, advertisement, payment or settlement for any other person if the individual or organization is fully aware that such person engages in an activity endangering cybersecurity.

On 10 June 2021, SCNPC promulgated the Data Security Law of PRC (《中華人民共和國數據安全法》), effective as of 1 September 2021, which mainly sets forth specific provisions regarding establishing basic systems for data security management, including hierarchical data classification management system, risk assessment system, monitoring and early warning system, and emergency disposal system. In addition, it clarifies the data security protection obligations of organisations and individuals carrying out data activities and implementing data security protection responsibility.

On 28 December 2021, the CAC and other twelve PRC regulatory authorities jointly revised and promulgated the Measures for Cybersecurity Review (《網絡安全審查辦法》), or the Cybersecurity Review Measures, which will come into effect on 15 February 2022, and the Measures for Cybersecurity Review (《網絡安全審查辦法》) which took effect on 1 June 2020 will be abolished at the same time. The Cybersecurity Review Measures provides that, among others, (i) the purchase of cyber products and services by critical information infrastructure operators (the “CIIOs”) and the network platform operators (the “Network Platform Operators”) which engage in data processing activities that affects or may affect national security shall be subject to the cybersecurity review by the Cybersecurity Review Office (網絡安全審查辦公室), the department which is responsible for the implementation of cybersecurity review under the CAC; and (ii) the Network Platform Operators with personal information data of more than one million users that seek for listing in a foreign country are obliged to apply for a cybersecurity review by the Cybersecurity Review Office.

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As advised by our PRC Legal Adviser, the term “listing abroad (國外上市)” under the Cybersecurity Review Measures exempts listing in Hong Kong from the mandatory obligation of ex-ante declaration of cybersecurity review. Based on the foregoing and as advised by our PRC Legal Adviser, we are of the view that the Cybersecurity Review Measures will not have a material adverse effect on our business operations or our proposed listing in Hong Kong.

On 30 July 2021, the State Council promulgated the Regulations on Protection of Critical Information Infrastructure (《關鍵信息基礎設施安全保護條例》), which became effective on 1 September 2021. Pursuant to the Regulations on Protection of Critical Information Infrastructure, critical information infrastructure refer to the important network facilities and information systems in important industries and fields such as public telecommunications, information services, energy, transportation, water conservancy, finance, public services, e-government and national defense science, technology and industry, as well as other important network facilities and information systems which, in case of destruction, loss of function or leak of data, may result in serious damage to national security, the national economy and the people’s livelihood and public interests. In addition, competent departments and administration departments of each important industry and field, or the Protection Departments, shall be responsible to formulate determination rules and determine the critical information infrastructure operator in the respective important industry or field. As of the Latest Practicable Date, we have not been informed as a critical information infrastructure operator by any competent departments or administration departments.

On 14 November 2021, the CAC published the Regulations on Network Data Security Management (Draft for Comments) (《網絡數據安全管理條例(徵求意見稿)》) (the “Draft Regulations on Cyber Data Security Management”), which specified that when data processors engage the following activities, they should apply for cybersecurity review in accordance with the relevant national regulations: (i) Network Platform Operators which gather and control a large amount of data resources related to national security, economic development and public interests carrying out merger, reorganization or division, which affects or may affect national security; (ii) data processors having access to personal information data of more than one million users seeking for public listing abroad; (iii) data processors seeking for public listing in Hong Kong which affects or may affect national security; or (iv) other data processing activities that affect or may affect national security.

The Company is not a Network Platform Operator. During the production of drama series business, the Company does not control data relating to national security. Furthermore, the Company’s plan to seek public listing in Hong Kong will not affect national security, and it is considered that the possibility of the Company’s Listing being deemed as affecting national security to be extremely low. Therefore, the PRC Legal Adviser is of the view that if the Draft Regulations on Cyber Data Security Management is implemented according to the existing form, it is highly unlikely for the CAC to deem that the Cybersecurity Review Measures to be applicable to the Company, which is engaging in drama series production business and thereby require the Company to apply for cybersecurity review according to the Draft Regulations on Cyber Data Security Management.



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### REGULATIONS IN RELATION TO OFFSHORE INVESTMENT

On July 4, 2014, the SAFE promulgated the Circular Concerning Relevant Issues on the Foreign Exchange Administration of Overseas Investing and Financing and Round-Tripping Investing Made by Domestic Residents through Special Purpose Vehicles (《關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) (the “SAFE Circular 37”), which supersedes the Circular Concerning Relevant Issues on the Foreign Exchange Administration of the Financing and the Round-Tripping Investment Made by Domestic Residents through Overseas Special-Purposes Companies by Domestic Residents (《關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知》) (the “SAFE Circular 75”). Under the SAFE Circular 37, a domestic resident must register with the local SAFE branch before he or she contributes assets or equity interests in an overseas special purpose vehicle (the “SPV”). The SPV refers to the overseas enterprises that are directly established or indirectly controlled for the purpose of investment and financing by Mainland residents (including Mainland institutions and resident individuals) with their legitimate holdings of the assets or interests in Mainland enterprises, or their legitimate holdings of overseas assets or interests. In addition, in the event of any change of basic information of the overseas SPV, such as the individual shareholder, name and operation term, among other things, or if there is a capital increase, decrease, equity transfer or swap, merge, spin-off or other amendment of the material items, the domestic resident shall complete the change of foreign exchange registration procedures for offshore investment. Failure to comply with the registration procedures set forth in the SAFE Circular 37 may result in restrictions being imposed on the foreign exchange activities of the relevant onshore company, including the payment of dividends and other distributions to its offshore parent or affiliate, and acceptance of loans from domestic resident shareholders, or may also effect the ownership structure as well as limit cross-border investment activities. The Circular of SAFE on Further Simplifying and Improving Policies for the Foreign Exchange Administration of Direct Investment (關於進一步簡化和改進直接投資外匯管理政策的通知) (the “SAFE Circular 13”) has further revised SAFE Circular 37 by requiring domestic residents to register with qualified banks rather than the SAFE or its local counterparts in connection with their establishment or control of an offshore entity established for the purpose of overseas investment or financing.

### REGULATIONS IN RELATION TO FOREIGN EXCHANGE

#### General Administration of Foreign Exchange

According to the Regulations on Foreign Exchange Administration of the PRC (Revised in 2008) (《中華人民共和國外匯管理條例》(2008年修訂)) which was promulgated by the State Council on January 29, 1996, came into effect on April 1, 1996, and was last revised on August 5, 2008, and the Regulations on the Administration of Foreign Exchange Settlement, Sale and Payment (《結匯、售匯及付匯管理規定》), which was promulgated by the People’s Bank of China (中國人民銀行) on June 20, 1996 and became effective on July 1, 1996, RMB is convertible into other currencies for the purpose of current account items, such as trade related receipts and payments, payment of interests and dividends. Current account foreign exchange income may, in accordance with relevant provisions of the PRC, be retained or sold to any financial institution engaged in foreign exchange settlement and sales business. The conversion of RMB into other currencies and remittance of the converted foreign currency

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outside the PRC for the purpose of capital account items, such as direct equity investments, loans and repatriation of investment, require the prior approval from the SAFE or its local branches. Payments for transactions that take place within the PRC must be made in RMB. Unless otherwise approved, PRC companies may repatriate foreign currency payments received from abroad or retain the same abroad.

According to SAFE Circular 13, to improve the efficiency on foreign exchange management, the SAFE has cancelled the administrative approvals of foreign exchange registration of direct domestic investment and direct overseas investment. In addition, SAFE Circular 13 simplifies the procedure of registration of foreign exchange and investors shall register with banks to have the registration of foreign exchange for the direct domestic investment and direct overseas investment.

The Notice of the State Administration of Foreign Exchange on Reforming and Standardizing the Foreign Exchange Settlement Management Policy of Capital Account (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》) (the “SAFE Circular 16”) was promulgated and became effective on June 9, 2016 by the SAFE. According to the SAFE Circular 16, enterprises registered in China may also convert their foreign debts from foreign currency into Renminbi on self-discretionary basis. The SAFE Circular 16 provides an integrated standard for conversion of foreign exchange under capital account items (including but not limited to foreign currency capital and foreign debts, funds recovered from overseas listing, etc.) on self-discretionary basis, which applies to all enterprises registered in China. The SAFE Circular 16 reiterates the principle that Renminbi converted from foreign currency-denominated capital of a company may not be directly or indirectly used for purposes beyond its business scope and may not be used for investments in securities or other investment with the exception of bank financial products that can guarantee the principal within China unless otherwise specifically provided. In addition, the converted Renminbi may not be used to make loans for non-affiliated enterprises unless it is within the business scope or to build or to purchase any real estate that is not for the enterprise own use with the exception for the real estate enterprise.

Foreign-invested enterprises may retain foreign exchange in accounts with designated foreign exchange banks under the current account items subject to a cap set by the SAFE or its local branches. Pursuant to the Notice of the SAFE on Further Improving and Adjusting Foreign Exchange Administration Policies for Direct Investment (《國家外匯管理局關於進一步改進和調整直接投資外匯管理政策的通知》) (the “SAFE Circular No. 59”) which was promulgated by the SAFE on November 19, 2012, and became effective on December 17, 2012, and was last revised on December 30, 2019, the approval is not required for the opening of an account entry in foreign exchange accounts under direct investment or for domestic transfer of the foreign exchange under direct investment or for domestic transfer of the foreign exchange under direct investment. SAFE Circular No. 59 also simplifies the capital verification and confirmation formalities for foreign invested enterprises, the foreign capital and foreign exchange registration formalities required for the foreign investors to acquire the equity interests and foreign exchange registration formalities required for the foreign investors to acquire the equity interests of Chinese party, and further improves the administration on exchange settlement of foreign exchange capital of foreign invested enterprises.

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The Notice of the State Administration of Foreign Exchange on Reforming the Management Mode of Foreign Exchange Capital Settlement of Foreign Investment Enterprises (《國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知》) (the “SAFE Circular No. 19”), which was promulgated by the SAFE on March 30, 2015, came into effect as of June 1, 2015, and was last revised on December 30, 2019, adopts the approach of discretionary foreign exchange settlement. The discretionary settlement of the foreign exchange capital of foreign-invested enterprises refers to that the settlement of foreign exchange capital in the capital accounts of foreign-funded enterprises that have been subject to the confirmation of cash capital contribution at foreign exchange authorities (or the entry registration of cash contribution at banks) may be handled at banks based on the enterprises’ actual requirements for business operation. The proportion of discretionary settlement of foreign exchange capital of foreign-funded enterprises is temporarily determined as 100%. The SAFE may, based on the international balance of payments, adjust the aforesaid proportion at appropriate times.

### REGULATIONS IN RELATION TO OFFSHORE INVESTMENT

Pursuant to SAFE Circular 37, a domestic resident shall, before contributing the domestic and overseas lawful assets or interests to a special purpose vehicle (the “SPV”), apply to the foreign exchange office for foreign exchange registration of overseas investments. In addition, in the event of any change of basic information of the overseas SPV such as the individual shareholder, name, operation term, etc., or if there is a capital increase, decrease, equity transfer or swap, merge, spin-off or other amendment of the material items, the domestic resident shall complete the modification of foreign exchange registration procedures for offshore investment. After the completion of the overseas financing, the SPV shall comply with the related provisions on Chinese foreign investment and foreign debt administration if the capital financed is repatriated for use within the territory of China. Failure to comply with the registration procedures as set out in SAFE Circular 37 may result in penalties. SAFE Circular 13 has further revised SAFE Circular 37 by requiring domestic residents to register with qualified banks rather than the SAFE or its local counterparts in connection with their establishment or control of an offshore entity established for the purpose of overseas investment or financing.

On December 25, 2006, the People’s Bank of China promulgated the Administrative Measures for Individual Foreign Exchange (《個人外匯管理辦法》), which became effective on February 1, 2007. On February 15, 2012, the SAFE issued the Circular of the State Administration of Foreign Exchange on Issues concerning the Administration of Foreign Exchange Used for Domestic Individuals’ Participation in Equity Incentive Plans of Companies Listed Overseas (《關於境內個人參與境外上市公司股權激勵計劃外匯管理有關問題的通知》) (“the SAFE Circular 7”) which became effective on the date of issuance. PRC residents who are granted shares or stock options by companies listed on overseas stock exchanges according to the stock incentive plans are required to register with SAFE or its local branches, and PRC residents participating in the stock incentive plans of overseas listed companies shall retain a qualified PRC agent, which could be a PRC subsidiary of such overseas publicly-listed company or another qualified institution selected by such PRC subsidiary, to conduct SAFE registration and other procedures with respect to the stock incentive plans on behalf of these

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participants. Such participants must also retain an overseas entrusted institution to handle matters in connection with their exercise of stock options, purchase and sale of corresponding stocks or interests, and fund transfer. In addition, the PRC agents are required to amend SAFE registration with respect to the stock incentive plan if there is any material change to the stock incentive plan, or the PRC agents or the overseas entrusted institution or other material changes. The PRC agents shall, on behalf of the PRC residents who have the right to exercise the employee share awards, apply to SAFE or its local branches for an annual quota for the payment of foreign currencies in connection with the PRC residents' exercise of the employee share awards. The foreign exchange proceeds received by the PRC residents from the sale of shares under the stock incentive plans granted and dividends distributed by the overseas listed companies must be remitted into the bank accounts in the PRC opened by the PRC agents before distribution to such PRC residents. In addition, the PRC agents shall file each quarter the form for record-filing of information of the Domestic Individuals Participating in the Stock Incentive Plans of Overseas Listed Companies with SAFE or its local branches.

### TAXATION LAWS

#### Enterprise Income Tax

According to the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》) (the "EIT Law"), which was promulgated by the NPC on March 16, 2007 and came into effect on January 1, 2008, and was last revised by SCNPC on December 29, 2018, and the Implementation Regulations of the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法實施條例》) (the "Implementation Rules") which were promulgated by the State Council on December 6, 2007 and came into effect as of January 1, 2008 and was last revised on April 23, 2019, taxpayers consist of resident enterprises and non-resident enterprises. Resident enterprises are defined as enterprises that are established in China in accordance with PRC laws, or that are established in accordance with the laws of foreign countries but whose actual or de facto control is administered from within China. Non-resident enterprises are defined as enterprises that are set up in accordance with the laws of foreign countries and whose actual administration is conducted outside China, but have established institutions or premises in China, or have no such established institutions or premises but have income generated from inside China. Under the EIT Laws and relevant implementing regulations, a uniform corporate income tax rate of 25% is applicable.

However, if non-resident enterprises have not formed permanent establishments or premises in China, or if they have formed permanent establishment institutions or premises in China but there is no actual relationship between the relevant income derived in China and the established institutions or premises set up by them, the enterprise income tax is, in that case, set at the rate of 10% for their income sourced from inside China. Pursuant to an Arrangement Between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion With Respect to Tax on Income (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》) (the "Double Tax Avoidance Arrangement"), and other applicable PRC laws, if a Hong Kong resident enterprise is determined by the competent PRC tax authority to have satisfied the

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## REGULATORY OVERVIEW

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relevant conditions and requirements under such Double Tax Avoidance Arrangement and other applicable laws, the 10% withholding tax on the dividends the Hong Kong resident enterprise receives from a PRC resident enterprise may be reduced to 5% upon receiving approval from competent tax authority. However, based on the Notice on Certain Issues with Respect to the Enforcement of Dividend Provisions in Tax Treaties (《關於執行稅收協定股息條款有關問題的通知》) (the “Notice No. 81”) issued by the SAT on February 20, 2009, if the relevant PRC tax authorities determine, in their discretion, that a company benefits from such reduced income tax rate due to a structure or arrangement that is primarily tax-driven, such PRC tax authorities may adjust the preferential tax treatment.

According to the Several Opinions of the State Council on Supporting the Construction of Kashgar and Horgos Economic Development Zones (《國務院關於支持喀什霍爾果斯經濟開發區建設的若干意見》), which was promulgated by the State Council on September 30, 2011, and the Notice of the Preferential Policies of Enterprise Income Tax in the Two Special Economic Development Zones of Kashgar and Horgos in Xinjiang (《財政部、國家稅務總局關於新疆喀什霍爾果斯兩個特殊經濟開發區企業所得稅優惠政策的通知》), which was promulgated by MOF and the SAT on November 29, 2011, from the year 2010 to 2020, the enterprises newly established in the Kashgar and Horgos within the Catalogue of Income Tax Preferences for Enterprises of Materially Encouraged Industries in Difficult 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》) (the “Catalogue of Income Tax Preferences”) shall be granted the preferential treatment of five-year enterprise income tax exemption since the taxable year when the first business income is obtained. Radio, film and television production, distribution, transaction, projection, publication and creation of derivative production are included in Catalogue of Income Tax Preferences.

### VALUE ADDED TAX

Pursuant to the Interim Regulations of the PRC on Value-added Tax (Revised in 2017) (《中華人民共和國增值稅暫行條例(2017年修訂)》) (the “VAT Regulations”) which was promulgated by the State Council on December 13, 1993 and was last revised on November 19, 2017, all entities and individuals engaging in the sale of goods, provision of processing, repair and fitting services, and importation of goods within the territory of the PRC are taxpayers of VAT, and shall pay VAT in accordance with the VAT Regulations. According to the VAT Regulations, a VAT tax rate at 6%, 11% or 17% applies to the PRC enterprises unless otherwise exempted or reduced according to the VAT Regulations and other relevant regulations.

According to the Notice of the MOF and the SAT on Adjusting the Value-added Tax Rates (《財政部、國家稅務總局關於調整增值稅稅率的通知》), which was promulgated on April 4, 2018 and became effective on May 1, 2018, where a taxpayer engages in a taxable sales activity for the VAT purpose or imports goods, the previous applicable 17% and 11% tax rates are adjusted to 16% and 10% respectively.

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## REGULATORY OVERVIEW

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According to the Announcement of the Finance, the State Taxation Administration and the General Administration of Customs on Relevant Policies for Deepening the Value-Added Tax Reform (《財政部、稅務總局、海關總署關於深化增值稅改革有關政策的公告》), which was promulgated on March 20, 2019 and became effective on April 1, 2019, the VAT rate was further adjusted as follows: (1) VAT rate of 16% applicable to the VAT taxable sale or import of goods by a general VAT taxpayer shall be adjusted to 13%, and the tax rate of 10% applicable thereto shall be adjusted to 9%. (2) The deduction rate of 10% applicable to any taxpayer's purchase of agricultural products shall be adjusted to 9%.

Where a taxpayer purchases agricultural products used for the production or consigned processing of goods to which the tax rate of 13% applies, the amount of import tax shall be calculated at the deduction rate of 10%. (3) As for exported goods and labor services to which the tax rate of 16% applies and whose export tax refund rate is 16%, the export tax refund rate shall be adjusted to 13%. As for exported goods and cross-border taxable acts to which the tax rate of 10% applies and whose export tax refund rate is 10%, the export tax refund rate shall be adjusted to 9%.

### REGULATIONS IN RELATION TO EMPLOYMENT AND SOCIAL WELFARE

#### Labor

##### *The Labor Law and the Labor Contract Law*

According to the Labor Law of the PRC (Revised in 2018) (《中華人民共和國勞動法(2018年修訂)》) which was promulgated by the SCNPC on July 5, 1994 and came into effect on January 1, 1995, and was last revised on December 29, 2018, enterprises and institutions shall establish and improve their system of workplace safety and sanitation, strictly abide by state rules and standards on workplace safety, educate laborers in labor safety and sanitation in China. Labor safety and sanitation facilities shall comply with state-fixed standards. Enterprises and institutions shall provide laborers with a safe workplace and sanitation conditions which are in compliance with state stipulations and the relevant articles of labor protection.

The principal regulations governing the employment contract is the PRC Labor Contracts Law (《中華人民共和國勞動合同法》), which was promulgated by the SCNPC on June 29, 2007 and was revised on December 28, 2012. Pursuant to the PRC Labor Contracts Law, employers shall establish employment relationship with employees on the date that they start employing the employees. To establish employment, a written employment contract shall be concluded, or employers will be liable for the illegal actions. Furthermore, the probation period and liquidated damages shall be restricted by the law to safeguard employees' rights and interests.

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## REGULATORY OVERVIEW

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### *Social Insurance and Housing Fund Regulations*

According to the Social Insurance Law of the PRC (Revised in 2018) (《中華人民共和國社會保險法(2018年修訂)》) which was promulgated by the SCNPC on October 28, 2010 and came into effect on July 1, 2011, and was revised on December 29, 2018, employers are required to provide their employees in the PRC with welfare schemes covering pension insurance, basic medical insurance, unemployment insurance, work-related injury insurance and maternity insurance. If an employer does not pay the full amount of social insurance premiums as required by law, the social insurance premium collection institution shall order the employer to make the payment or make up the difference within the stipulated period and impose a daily surcharge equivalent to 0.05% of the overdue payment from the date on which the payment is overdue. If such overdue payment is not made within the stipulated period, the relevant administration government department shall impose a fine from one to three times the amount of overdue payment. Pursuant to the Regulations of Housing Fund (《住房公積金管理條例》), which was promulgated by State Council and came into force in April 3, 1999, and was last revised on March 24, 2019, enterprises must complete registration at the competent administrative center of housing fund and go through the procedures of opening the account of housing fund for their employees at the relevant bank upon the examination by such administrative center of housing fund. Enterprises as employers are also obliged to timely pay and deposit housing fund for their employees in full amount.

## REGULATIONS IN RELATION TO INTELLECTUAL PROPERTY

### **Copyright**

According to Copyright Law of the PRC (Revised in 2020) (《中華人民共和國著作權法(2020年修訂)》) (the “Copyright Law”) which was promulgated by SCNPC on November 11, 2020 and came into effect on June 1, 2021, works of Chinese citizens, legal persons or other organizations, whether published or not, enjoy copyright protection under Copyright Law. Works of non-Chinese nationals or stateless persons which were first published in the territory of China enjoy copyright protection under Copyright Law. The term “copyright” shall include the following personal rights and property rights: (1) the right of publication; (2) the right of authorship; (3) the right of modification; (4) the right of integrity; (5) the right of reproduction; (6) the right of distribution; (7) the right of rent; (8) the right of exhibition; (9) the right of performance; (10) the right of projection; (11) the right of broadcasting; (12) the right of communication of information via network; (13) the right of cinematization; (14) the right of adaptation; (15) the right of translation; (16) the right of compilation; and (17) the other rights to which a copyright owner is entitled. The right stipulated above in items (1) and (5) to (17) of the Copyright in respect of a cinematographic work, a work created by a process analogous to cinematography or a photographic work shall be protected for a period of 50 years, ending on December 31st of the 50th year after the date on which the work is first published, but if such work is not published within 50 years after its completion, it shall no longer be protected under Copyright Law. An author’s rights of authorship, revision and integrity shall continue in perpetuity.

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## REGULATORY OVERVIEW

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The copyright of cinematographic works and drama series works in audio visual works shall be enjoyed by the producers. However, the scriptwriter, director, cinematographer, lyricist, composer, and other authors also enjoy the right of authorship in the work, and have the right to receive remuneration pursuant to the contract entered into with the producer. The authors of the script, musical work and other works that form part of a cinematographic work or a work created by a process analogous to cinematography and can be used separately have the right to exercise their copyright independently.

Pursuant to Implementation Regulations of the Copyright Law of the PRC (Revised in 2013) (《中華人民共和國著作權法實施條例(2013年修訂)》) which was promulgated by State Council on August 2, 2002, and came into effect on September 15, 2002, and was revised on January 30, 2013, copyright shall be generated on the date when the creation of a work is completed. Where a joint work cannot be used separately, the copyright shall be jointly enjoyed by, and exercised through consultation between or among, the co-authors. Where they fail to reach an agreement and have no justified reasons for the failure, no party may hinder any of the other parties from exercising all the rights, except the right of assignment. However, the income generated from the joint work shall be fairly distributed between or among the co-authors.

### **Trademarks**

Both Trademark Law of the PRC (Revised in 2019) (《中華人民共和國商標法(2019年修訂)》), which was promulgated by the SCNPC on August 23, 1982, and was last revised on April 23, 2019, and the Implementation Regulations of Trademark Law (Revised in 2014) of the PRC (《中華人民共和國商標法實施條例(2014年修訂)》) which was promulgated by the State Council on August 3, 2002, and was revised on April 29, 2014, and became effective on May 1, 2014, provide protection to the holders of registered trademarks. In the PRC, registered trademarks include commodity trademarks, service trademarks, collective trademarks and certificate trademarks.

A registered trademark is valid for ten years and is renewable every ten years where a registered trademark needs to be used after the expiration of its validity term. A registration renewal application shall be filed within twelve months prior to the expiration of the term. A trademark registrant may licence its registered trademark to another party by entering into a trademark licence contract. Trademark licence agreements must be filed with the Trademark Office for record.

### **Domain Name**

The MIIT promulgated the Administrative Measures for Internet Domain Names (《互聯網域名管理辦法》) (the “Domain Name Measures”) on August 24, 2017, which became effective on November 1, 2017. According to the Domain Name Measures, domain name owners are required to register their domain names and the MIIT is in charge of the administration of PRC Internet domain names. The domain name services follow a “first apply, first register” principle. Applicants for registration of domain names shall provide their true, accurate and complete information of such domain names to and enter into registration agreements with domain name registration service institutions. The applicants will become the holders of such domain names upon the completion of the registration procedure.



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## REGULATORY OVERVIEW

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### REGULATIONS IN RELATION TO LEASE

Pursuant to the Law of the People's Republic of China on the Administration of the Urban Real Estate (《中華人民共和國城市房地產管理法》), promulgated by the SCNPC on July 5, 1994, and last amended on August 26, 2019 and effective on January 1, 2020, in the lease of a house, the lessor and the lessee shall conclude a written lease contract defining such matters as the term, purpose and price of the lease, liability for repair, as well as other rights and obligations of both parties, and shall register the lease contract with the department of housing administration for the record. Pursuant to the Administrative Measures on Commodity Housing Leasing (《商品房屋租賃管理辦法》), issued by Ministry of Housing and Urban-Rural Development on December 1, 2010 and became effective in February 1, 2011, without the mentioned registration above, the lessor and the lessee may be imposed a fine by the development (real estate) department.

In accordance with the Contract Law of PRC (《中華人民共和國民法典》), which was promulgated on May 28, 2020, and effective on January 1, 2021, the lessee may, with consent of the lessor, sub-let the leased item to a third party. The leasing contract between the lessee and the lessor shall continue to be valid if the lessee sub-lets the leased item. In the event that the lessee sub-lets the leased item without consent of the lessor, the lessor may terminate the lease contract. In addition, any change of ownership to the lease item does not affect the validity of the lease contract.

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## HISTORY, REORGANIZATION AND CORPORATE DEVELOPMENT

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### OVERVIEW

We are a drama series company in China typically creating high viewership drama series based on our abundant reserve of original IPs. Our history can be traced back to 2014 when Shanghai Linmon, a principal operating entity of our Group in the PRC, was established to develop and produce drama series. We have since then been led by our Co-founders, Mr. Su, Ms. Chen, Ms. Xu and Mr. Zhou, who have deep expertise in the media industry and have been acting in concert in aligning their votes in our Company. See “Directors and Senior Management” for the background and the relevant industry experience of the Co-founders. Since our inception in 2014, we have been dedicated to the full value chain of operations including investment, production, distribution, promotion and derivatives licensing of drama series.

Our Company was incorporated as an exempted company with limited liability in Cayman Islands on June 10, 2021, and as a result of the Reorganization, our Company became the offshore holding company of the current business of our Group. See “– Reorganization” in this section.

### KEY MILESTONES

The following table sets forth the key milestones of our Group:

<b>Year</b>	<b>Event</b>
2014	Shanghai Linmon was established.
2015	Our Company held the first drama series release press conferences, proposed the strategic direction of “connecting with new audience through super content” and officially announced the introduction of Tencent Group as a strategic investor.
2016	“To Be a Better Man” (好先生) and “A Love for Separation” (小別離) were broadcasted and selected as the Top 20 Best Drama Series of the Year by NRTA.
2017	Our Company started shooting of “Novoland: Eagle Flag” (九州縹緲錄), which was one of the drama series with the largest investment amount since our inception.  Our Company proposed the corporate philosophy of “focus on quality, audience centricity, win-win cooperation, and integrity”.
2018	“A Love for Separation” (小別離) was awarded Outstanding Modern Drama Series Award at the 31st Flying Apsaras Award (第31屆飛天獎“優秀電視劇”大獎).

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Year	Event
2019	<p>“The King’s Avatar” (全職高手), “Novoland: Eagle Flag” (九州縹緲錄) and “A Little Reunion” (小歡喜) were broadcast in July 2019, and the shooting of “Hunting” (獵狐), “Twenty Your Life on” (二十不惑), “Nothing but Thirty” (三十而已) successively commenced in the same month.</p> <p>Our Company was awarded a National Key Enterprise of Cultural Exports (國家文化出口重點企業) by MOFCOM, CCPPD, MOF, MCT and NRTA.</p> <p>Our Company proposed the mission of “shaping content by people, and shaping people with content”.</p>
2020	<p>“Nothing but Thirty” (三十而已) ranked first measured by online viewership for TV drama series in 2020.</p> <p>“A Little Reunion” (小歡喜) won the “Outstanding Modern Television Series Award” at the 32nd Flying Apsaras Award (“飛天獎”) and “Outstanding Drama Series Award” in the 30th China Golden Eagle TV Art Festival (“金鷹獎”), respectively.</p>
2021	<p>Our Company accelerated strategy and organization innovation and established three subsidiaries, namely Shanghai Ningchuan, Wuren Guanji and Haoyou Benling, to accelerate the deployment of video content-based integrated marketing business opportunities.</p> <p>Our Company started shooting of “Nobody Knows” (膽小鬼) and “Under the Skin” (獵罪圖鑑), to accelerate the deployment of web series (純網劇集).</p>

## **HISTORY, REORGANIZATION AND CORPORATE DEVELOPMENT**

### **OUR MAJOR SUBSIDIARIES AND CONSOLIDATED AFFILIATED ENTITIES**

Please see below a list of our major subsidiaries and Consolidated Affiliated Entities as of the Latest Practicable Date:

<b>Name</b>	<b>Date of establishment</b>	<b>Place of establishment</b>	<b>Relationship with our Company</b>	<b>Principal business activities</b>
Shanghai Linmon	July 25, 2014	PRC	a Consolidated Affiliated Entity controlled by our Company through the Contractual Arrangement	investment, production, distribution and operation of drama series and relevant derivatives
Shanghai Ninghe	July 27, 2021	PRC	an indirectly wholly-owned subsidiary of our Company and the WFOE	investment holding
Dongyang Linmon	April 22, 2019	PRC	a wholly-owned subsidiary of Shanghai Linmon	radio and TV programs production, operation and distribution
Dongyang Linmon Kaixin	May 29, 2019	PRC	an indirectly wholly-owned subsidiary of Shanghai Linmon	radio and TV programs production, operation and distribution
Shanghai Ningchuan	May 12, 2021	PRC	a wholly-owned subsidiary of Shanghai Linmon	shooting and production of product placement advertisements in drama series

### **MAJOR CORPORATE DEVELOPMENT AND SHAREHOLDING CHANGES**

Shanghai Linmon, previously known as Shanghai Linmon Picture Media Ltd. (上海檸萌影視傳媒有限公司), was incorporated as a limited liability company in the PRC on July 25, 2014 with an initial registered capital of RMB3,000,000. At the time of its establishment, Shanghai Linmon was wholly owned by Mr. Su.

On September 16, 2014, Mr. Su transferred 17.85%, 17.85%, 12.75% and 15.00% of the equity interests in Shanghai Linmon to Ms. Chen, Ms. Xu, Mr. Zhou and Shanghai Guoshi, respectively. Upon completion of the above equity transfer, Shanghai Linmon was owned as to 36.55%, 17.85%, 17.85%, 12.75% and 15.00% by Mr. Su, Ms. Chen, Ms. Xu, Mr. Zhou and Shanghai Guoshi, respectively. Shanghai Guoshi is a limited partnership established under the laws of the PRC as a supplier share incentive shareholding platform of Shanghai Linmon. Since then, Shanghai Linmon has undertaken a series of capital increases and transfers to raise funds and to bring in new shareholders.

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## **HISTORY, REORGANIZATION AND CORPORATE DEVELOPMENT**

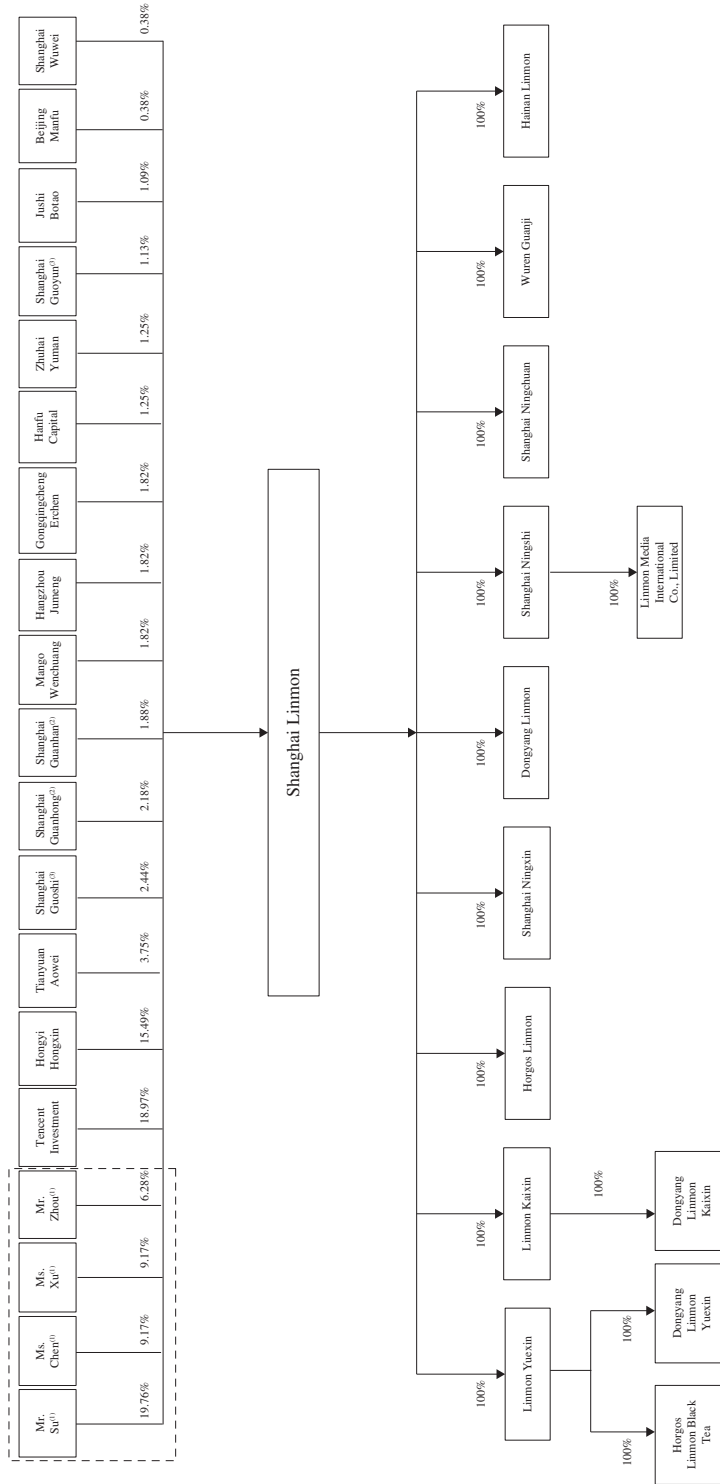
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On October 23, 2020, the shareholders of Shanghai Linmon passed resolutions approving, among other matters, the conversion of Shanghai Linmon from a limited liability company into a joint stock limited company. Upon completion of the conversion and as of December 28, 2020, the registered capital of Shanghai Linmon was RMB360,000,000 divided into 360,000,000 shares with a nominal value of RMB1.00 each. For the shareholding structure of Shanghai Linmon as of December 28, 2020, please refer to the shareholding and corporate structure chart of the Group immediately before the Reorganization below under “– Reorganization”.

### **REORGANIZATION**

In order to optimize our corporate structure to further develop the business of our Group and to access the international capital markets more readily, we underwent the Reorganization pursuant to which our Company became the holding company and listing vehicle of our Group.

The following chart sets out the shareholding and corporate structure of our Group before the Reorganization:



*Notes:*

1. Mr. Su, Ms. Chen, Ms. Xu and Mr. Zhou have been parties acting in concert with each other pursuant to the Concert Party Agreement.
2. Each of Shanghai Guanhong and Shanghai Guanhan is a limited partnership established under the laws of the PRC as an employee share incentive shareholding platform of Shanghai Linmon.
3. Each of Shanghai Guoshi and Shanghai Guoyun is a limited partnership established under the laws of the PRC as a supplier share incentive shareholding platform of Shanghai Linmon.

As of the Latest Practicable Date, Mr. Su acts as the general partner of Shanghai Guoshi. The limited partners of Shanghai Guoshi are Yang Xijuan (楊西娟), Zhang Xiaotong (張小童), Huang Lei (黃磊), Zhang Wei (張巍), Li Xiaoming (李小明) and Yang Zhi (楊治), holding 37.20%, 29.76%, 14.88%, 5.95%, 5.95% and 5.95% of its partnership interests, respectively. Among the limited partners of Shanghai Guoshi, (i) currently Yang Xijuan is a producer for our drama series. Prior to September 2020, Yang Xijuan was also the executive director of Linmon Yuexin and the ultimate beneficial owner of 20% of the equity interests in Linmon Yuexin; (ii) Zhang Xiaotong is an actor, (iii) Huang Lei is an actor and script writing services provider, and (iv) each of Zhang Wei, Li Xiaoming and Yang Zhi is a script writing services provider of our drama series. During the Track Record Period, no share-based payment or any other form of non-monetary remuneration has been made/paid to any actor engaged by the Group, and the Company will not make any share-based payment or pay any other form of non-monetary remuneration to any actor engaged by the Group.

As of the Latest Practicable Date, Ms. Xu acts as the general partner of Shanghai Guoyun. The limited partners of Shanghai Guoyun are Zhang Xiaobo (張曉波), Zhang Yingji (張英姬) and Mr. Su, holding 82.01%, 16.40% and 1.59% of its partnership interests, respectively. Among the limited partners of Shanghai Guoyun, Zhang Xiaobo is a director and production supervisor, and Zhang Yingji is a script writing services provider of our drama series.

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## HISTORY, REORGANIZATION AND CORPORATE DEVELOPMENT

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The Reorganization involved the following steps:

### 1. Incorporation of our Company

Our Company was incorporated as an exempted company with limited liability in the Cayman Islands on June 10, 2021. Subsequently, 71,136,000 Shares, 33,014,520 Shares, 33,014,520 Shares, 22,617,000 Shares, 12,741,809 Shares, 7,209,000 Shares and 675,000 Shares were allotted and issued at a par value of US\$0.000025 to Lemontree Harvest (Mr. Su's holding entity), Faye Free (Ms. Chen's holding entity), A&O Investment (Ms. Xu's holding entity), Linmon Run (Mr. Zhou's holding entity), Lemontree Friendship, Linmon AQ and Linmon Dessin, respectively, accounting for approximately 39.43%, 18.30%, 18.30%, 12.54%, 7.06%, 4.00% and 0.37% equity interests in our Company at that time.

Lemontree Friendship was established to reflect the equity interests collectively held by Shanghai Guoshi and Shanghai Guoyun in Shanghai Linmon. See “– Pre-IPO Investments” in this section for further details of Linmon AQ and Linmon Dessin.

### 2. Capital Reduction of Shanghai Linmon

On July 5, 2021, as part of the Reorganization, the shareholders of Shanghai Linmon passed resolutions approving, among other matters, the capital reduction (the “**Onshore Capital Reduction**”) from RMB360,000,000 to RMB255,506,400 and the repurchase and cancellation of 104,493,600 shares of Shanghai Linmon collectively held by certain shareholders of Shanghai Linmon (the “**Onshore Withdrawn Investors**”), respectively.

Certain Onshore Withdrawn Investors, being Hongyi Hongxin, Tianyuan Aowei, Gongqingcheng Erchen, Mango Wenchuang, Zhuhai Yuman, Jushi Botao, Shanghai Wuwei and Beijing Manfu (the “**Onshore Withdrawn and Offshore Subscribing Investors**”), intended to further subscribe for the offshore Shares of our Company and would like to reflect their shareholding interests in Shanghai Linmon in determining their respective shareholdings in the Company. According to the Company's Reorganization plan and as agreed among Shanghai Linmon and its shareholders, (i) each of the Onshore Withdrawn and Offshore Subscribing Investors withdrew its investment in Shanghai Linmon at a consideration equivalent to the initial investment amount respectively paid by each of them for the subscription of the shares in Shanghai Linmon; and (ii) each of the Onshore Withdrawn and Offshore Subscribing Investors (or their affiliated entities) further subscribed for the offshore Shares of our Company to reflect their respective shareholding interests in Shanghai Linmon and settled such subscription with their respective consideration paid by Shanghai Linmon in respect of the Capital Reduction.

On April 18, 2016, Hangzhou Jumeng, Shanghai Linmon and Shanghai Ningquxiang Enterprise Management & Consulting Partnership (Limited Partnership) (上海寧趣想企業管理諮詢合夥企業(有限合夥)) (“**Shanghai Ningquxiang**”), a then shareholder of Shanghai Linmon, entered into a share transfer agreement, pursuant to which Shanghai Ningquxiang transferred 6,534,000 shares held by it in Shanghai Linmon to Hangzhou Jumeng for a



## HISTORY, REORGANIZATION AND CORPORATE DEVELOPMENT

consideration of RMB50 million. To the best knowledge of the Company, Shanghai Ningqixiang and Hangzhou Jumeng and their respective directors, shareholders and associates are independent from each other. On January 24, 2018, Hanfu Capital and Shanghai Linmon entered into a capital increase agreement, pursuant to which Hanfu Capital subscribed 4,500,000 shares in Shanghai Linmon for a consideration of RMB100 million. Considering that (i) a limited partner of Hangzhou Jumeng was a PRC state-owned enterprise and multi-level approval procedure was required for Hangzhou Jumeng to complete its foreign exchange-related registration procedure, and (ii) Hanfu Capital has a legal impediment to complete its foreign exchange related registration procedure, it would be impracticable for Hangzhou Jumeng and Hanfu Capital to become the Company's overseas shareholders within a relatively short time period pursuant to the Company's timetable for the proposed Listing. After commercial negotiations between Hangzhou Jumeng and Hanfu Capital with the Company respectively and as agreed between all shareholders of Shanghai Linmon, each of Hangzhou Jumeng and Hanfu Capital agreed to withdraw their respective investment in Shanghai Linmon at a consideration equivalent to the respective initial investment amount paid by them for the subscription of the shares in Shanghai Linmon and not to further subscribe for the Shares in the Company.

Details of the Onshore Withdrawn Investors and the repurchase and cancellation of their shares in Shanghai Linmon are as follows<sup>(1)</sup>:

Name of Onshore Withdrawn Investors	Shares in Shanghai Linmon repurchased and cancelled by Shanghai Linmon	Consideration paid by Shanghai Linmon (the "Capital Reduction Considerations")
Hongyi Hongxin (Shenzhen) Equity Investment Fund Partnership (Limited Partnership) (弘毅弘欣(深圳)股權投資基金合夥企業(有限合夥)) ("Hongyi Hongxin")	55,756,800	RMB552,409,688
Ningbo Meishan Bonded Port Zone Tianyuan Aowei Equity Investment Partnership (Limited Partnership) (寧波梅山保稅港區天元奧維股權投資合夥企業(有限合夥)) ("Tianyuan Aowei")	13,500,000	RMB300,000,000
Gongqingcheng Erchen	6,534,000	RMB50,000,000
Mango Wenchuang (Shanghai) Equity Investment Fund Partnership (Limited Partnership) (芒果文創(上海)股權投資基金合夥企業(有限合夥)) ("Mango Wenchuang")	6,534,000	RMB50,000,000

## HISTORY, REORGANIZATION AND CORPORATE DEVELOPMENT

Name of Onshore Withdrawn Investors	Shares in Shanghai Linmon repurchased and cancelled by Shanghai Linmon	Consideration paid by Shanghai Linmon (the “Capital Reduction Considerations”)
Hangzhou Jumeng Investment Management Partnership (Limited Partnership) (杭州巨萌投資管理合夥企業(有限合夥)) (“ <b>Hangzhou Jumeng</b> ”)	6,534,000	RMB50,000,000
Zhuhai Yuman	4,500,000	RMB100,000,000
Hanfu (Beijing) Capital Management Limited (漢富(北京)資本管理有限公司) (“ <b>Hanfu Capital</b> ”)	4,500,000	RMB100,000,000 <sup>(2)</sup>
Jushi Botao	3,934,800	RMB87,440,000
Shanghai Wuwei	1,350,000	RMB12,000,000
Beijing Manfu	1,350,000	RMB12,000,000

*Notes:*

- (1) As confirmed by our PRC Legal Advisor, the Onshore Capital Reduction has been legally completed and complies with the relevant PRC laws and regulations.
- (2) The consideration was determined pursuant to the Capital Increase Agreement entered into between Hanfu Capital and Shanghai Linmon dated January 24, 2018.

### 3. Issuance of Shares pursuant to the Offshore Share Purchase Agreement

On August 31, 2021, our Company and the Pre-IPO Investors, namely 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, entered into an offshore share purchase agreement (the “**Offshore Share Purchase Agreement**”), pursuant to which:

- (i) Tencent Mobility subscribed for 57,499,194 Series A Preferred Shares, 6,534,008 Series B Preferred Shares and 4,268,878 Series C Preferred Shares in the Company to reflect the equity interests held by Tencent Investment in Shanghai Linmon for the consideration of US\$1,707.552 at par value of US\$0.000025 for each of such Shares. Tencent Investment would continue to hold equity interests in Shanghai Linmon after the Reorganization and therefore is one of the Registered Shareholders;

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- (ii) The Onshore Withdrawn and Offshore Subscribing Investors, by themselves or through their affiliated entities, subscribed for Shares in the Company to reflect their respective equity interests in Shanghai Linmon. See “– Pre-IPO Investments” in this section for details of the investments made by the Onshore Withdrawn and Offshore Subscribing Investors in the Group.

The considerations for the above-mentioned subscriptions were equivalent to the relevant Capital Reduction Considerations paid by Shanghai Linmon to each of the Onshore Withdrawn and Offshore Subscribing Investors for the repurchase and cancelation of their shares in Shanghai Linmon. Details of such subscriptions are as follows:

Name of relevant Pre-IPO Investors	Name of Onshore Withdrawn and Offshore Subscribing Investors	Relationship between the relevant Pre-IPO Investors and the Onshore Withdrawn and Offshore Subscribing Investors	Number and Class of Shares being subscribed for by the relevant Pre-IPO Investors
Mango Ningze	Mango Wenchuang	Mango Ningze is wholly-owned by Mango Wenchuang	6,534,000 Series B Preferred Shares
Gongqingcheng Erchen	Gongqingcheng Erchen	Same entity	6,534,000 Series B Preferred Shares
Beijing Manfu	Beijing Manfu	Same entity	1,350,000 Ordinary Shares
Linmon Dessin <sup>(1)</sup>	Shanghai Wuwei	Linmon Dessin is indirectly wholly-owned by Han Chen (韓晨), the only general partner of Shanghai Wuwei	675,000 Ordinary Shares
Linmon AQ <sup>(2)</sup>	Shanghai Wuwei	Linmon AQ is indirectly wholly-owned by Qiu Lingyun (邱凌雲), the only limited partner of Shanghai Wuwei	675,000 Ordinary Shares 6,534,000 Series B Preferred Shares

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Name of relevant Pre-IPO Investors	Name of Onshore Withdrawn and Offshore Subscribing Investors	Relationship between the relevant Pre-IPO Investors and the Onshore Withdrawn and Offshore Subscribing Investors	Number and Class of Shares being subscribed for by the relevant Pre-IPO Investors
Great luminosity	Hongyi Hongxin	Great luminosity is wholly-owned by Shanghai Hongni Enterprise Management Partnership (Limited Partnership) (上海鴻旒企業管理合夥企業 (有限合夥) (“ <b>Shanghai Hongni</b> ”), the only limited partner of which is Hongyi Hongxin	52,272,000 Series B Preferred Shares 3,484,800 Series C Preferred Shares
Shanghai Yuyi	Tianyuan Aowei	Tiayuan Aowei is the only limited partner of Shanghai Yuyi	13,500,000 Series C Preferred Shares
Zhuhai Yuman	Zhuhai Yuman	Same entity	3,824,550 Series C Preferred Shares <sup>(3)</sup>
Qianyi Mutian	Zhuhai Yuman	Qianyi Mutian was a limited partner of Zhuhai Yuman, holding approximately 15.01% of the partnership interest in Zhuhai Yuman prior to the completion of the Reorganization	675,450 Series C Preferred Shares <sup>(3)</sup>
Jushi Botao	Jushi Botao	Same entity	3,934,800 Series C Preferred Shares

*Notes:*

- The 675,000 Ordinary Shares issued to Linmon Dessin on June 10, 2021 were reconfirmed in the Offshore Share Purchase Agreement and no new Share was allotted and issued to Linmon Dessin pursuant to the Offshore Share Purchase Agreement.
- Out of the 7,209,000 Ordinary Shares issued to Linmon AQ on June 10, 2021: (1) 675,000 Ordinary Shares were reconfirmed in the Offshore Share Purchase Agreement; and (2) 6,534,000 Ordinary Shares were redesignated and reclassified as Series B Preferred Shares, reflecting the amount of shares held by Hangzhou Jumeng in Shanghai Linmon. Hangzhou Jumeng ceased to be a shareholder of the Group after the Reorganization.

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3. On September 24, 2021, Zhuhai Yuman surrendered 90 Series C Preferred Shares for nil consideration, and on the same day the Company issued 90 Series C Preferred Shares to Qianyi Mutian at par value of US\$0.000025 for each Share to accurately reflect the interests of Zhuhai Yuman and Qianyi Mutian in Shanghai Linmon before the Reorganization. Upon completion of the Reorganization, Qianyi Mutian ceased to be a limited partner of Zhuhai Yuman.
- (iii) Two Onshore Withdrawn Investors, Hangzhou Jumeng and Hanfu Capital, did not further subscribe for Shares in the Company and have ceased to be shareholders of the Group after the Reorganization. Meanwhile,
- Linmon AQ subscribed for 6,534,000 Series B Preferred Shares of the Company to reflect the equity interests held by Hangzhou Jumeng in Shanghai Linmon. The consideration paid by Linmon AQ was equivalent to the relevant Capital Reduction Consideration paid by Shanghai Linmon to Hangzhou Jumeng for the repurchase and cancelation of its shares in Shanghai Linmon; and
  - Zhongqing Xinxin subscribed for 4,500,000 Series C Preferred Shares of the Company, which is equivalent to the number of shares held by Hanfu Capital in Shanghai Linmon before the Reorganization. Taking into account, amongst other factors, the share subscription price of the latest round of financing of Shanghai Linmon in 2018, the capital needs of the Company and the timetable for the proposed Listing, as a result of commercial negotiations between the Group and Zhongqing Xinxin, the consideration paid by Zhongqing Xinxin was equivalent to the relevant Capital Reduction Consideration paid by Shanghai Linmon to Hanfu Capital for the repurchase and cancellation of its shares in Shanghai Linmon, which is also equivalent to the initial investment amount paid by Hanfu Capital for the subscription of the shares in Shanghai Linmon as stipulated in the capital increase agreement entered into between Hanfu Capital and Shanghai Linmon in January 2018. To the best knowledge of the Company, Zhongqing Xinxin and Hanfu Capital and their respective directors, shareholders and associates are independent from each other.

See “– Pre-IPO Investments” in this section for further details of the relevant Pre-IPO Investors.

#### **4. Enter into Contractual Arrangements**

In order for us to operate our current business in compliance with applicable PRC laws and regulations through Shanghai Linmon and its subsidiaries, we, through the WFOE, entered into the Contractual Arrangements with Shanghai Linmon and the Registered Shareholders (including the Co-founders, Tencent Investment, Shanghai Guanhong, Shanghai Guanhan, Shanghai Guoshi and Shanghai Guoyun) on August 31, 2021 which allows the Company to exercise control over the business operation of Shanghai Linmon and its subsidiaries and enjoy all the economic interests derived therefrom. See “Contractual Arrangements.”

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As advised by our PRC Legal Advisor, our Group has obtained the requisite government approvals in respect of the Reorganization and the Reorganization complies with the relevant PRC laws and regulations in all material respects.

For the shareholding and corporate structure of our Company immediately after the Reorganization, please refer to “Corporate Structure – Corporate Structure Immediately Prior to the Global Offering” in this section.

### ACQUISITIONS, MERGERS AND DISPOSALS

Save as disclosed below, throughout the Track Record Period and as of the Latest Practicable Date, we did not conduct any major acquisitions, mergers or disposals.

#### Disposal of Shanghai Mengyang during the Track Record Period

To optimize our resource allocation and focus on our drama series and movie production business, on January 23, 2020, we entered into a share transfer agreement with Jiangsu Mengyang Film and Television Culture Co. Ltd. (江蘇萌揚影視文化有限公司) (“**Jiangsu Mengyang**”), an Independent Third Party, pursuant to which we agreed to dispose of 50% of the equity interests in our subsidiary, Shanghai Mengyang Culture and Artiste Management Co., Ltd. (上海萌揚文化藝術經紀有限公司) (“**Shanghai Mengyang**”), to Jiangsu Mengyang for a consideration of RMB37.92 million (the “**Mengyang Disposal**”). Shanghai Mengyang was principally engaged in artiste management business. Prior to the Mengyang Disposal, the Group (excluding Shanghai Mengyang) entered into agreements with Shanghai Mengyang to (1) engage artistes, for whom Shanghai Mengyang provided artiste management business, to act in the drama series and movies produced by the Group; (2) engage Shanghai Mengyang to provide video production services to the Group; and (3) provide Shanghai Mengyang with administrative support such as workspace and personnel. After the Mengyang Disposal, the Group ceased to provide administrative support to Shanghai Mengyang. Shanghai Mengyang was solvent and was not involved in any material non-compliance incidents or legal proceedings before the Mengyang Disposal. The net profit of Shanghai Mengyang for the year ended December 31, 2018 was approximately RMB3.35 million and the net loss of Shanghai Mengyang for the year ended December 31, 2019 was approximately RMB3.21 million. The consideration for the Mengyang Disposal was determined based on arm’s-length negotiations between the parties with reference to (i) the original consideration paid by our Group to subscribe for the 50% equity interests in Shanghai Mengyang, and (ii) the business performance and prospects of Shanghai Mengyang. The consideration was settled on December 31, 2020. Our Directors believe that the terms of the Mengyang Disposal are on normal commercial terms, and are fair and reasonable.

The Mengyang Disposal had been properly and legally completed and settled pursuant to the applicable PRC laws and regulations, and all regulatory approvals (if applicable) had been obtained.

**PRE-IPO INVESTMENTS**

**1. Overviews**

Our Group has received several rounds of the Pre-IPO Investments since the commencement of business. The table below sets forth the principal terms of the Pre-IPO Investments:

Pre-IPO Investors	Tencent Mobility	Mango Ningze	Gonggongcheng Erchen	Beijing Mantu	Limmon AQ	Limmon Dessin	Great luminosity	Shanghai Yuyi	Zhubai Yuman	Qianyi Mutian	Jushi Botao	Zhongqing Xinxin
Date of the share subscription agreement(s)	September 24, 2014 for the first round investment	March 28, 2016	April 18, 2016	June 22, 2017	June 22, 2017 for the first round investment	June 22, 2017	July 21, 2017 for the first round investment	January 24, 2018	January 24, 2018	January 24, 2018	February 26, 2020	August 31, 2021
	March 28, 2016 for the second round investment				August 31, 2021 for the second round investment		February 1, 2018 for the second round investment					
	February 1, 2018 for the third round investment											
Date on which investment in Shanghai Limmon was fully settled	October 9, 2014 for the first round investment	April 15, 2016	April 26, 2016	June 27, 2017	July 10, 2017	July 10, 2017	September 29, 2017 for the first round investment	February 23, 2018	February 22, 2018	February 22, 2018	July 31, 2020	Not applicable <sup>(1)</sup>
	May 13, 2016 for the second round investment						March 23, 2018 for the second round investment					
	February 8, 2018 for the third round investment											

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Pre-IPO Investors	Tencent Mobility	Mango Ningze	Gongqingcheng Erchen	Beijing Mantu	Limmon AQ	Limmon Dessin	Great luminosity	Shanghai Yuyi	Zhuhai Yuman	Qianyi Mutian	Jushi Botao	Zhonggang Xinxin
Date on which investment in our Company was fully settled	August 31, 2021	August 31, 2021	August 31, 2021	August 31, 2021	August 31, 2021	August 31, 2021	August 31, 2021	August 31, 2021	September 24, 2021 <sup>(2)</sup>	September 24, 2021 <sup>(2)</sup>	August 31, 2021	August 31, 2021
Shares in our Company being subscribed for	57,499,194 Series A Preferred Shares for the first round investment	6,534,000 Series B Preferred Shares	6,534,000 Series B Preferred Shares	1,350,000 Ordinary Shares	675,000 Ordinary Shares for the first round investment	675,000 Ordinary Shares	52,272,000 Series B Preferred Shares for the first round investment	13,500,000 Series C Preferred Shares	3,824,550 Series C Preferred Shares	675,450 Series C Preferred Shares	3,934,800 Series C Preferred Shares	4,500,000 Series C Preferred Shares
	6,534,008 Series B Preferred Shares for the second round investment				6,534,000 Series B Preferred Shares for the second round investment		3,484,800 Series C Preferred Shares for the second round investment					
	4,268,878 Series C Preferred Shares for the third round investment											
Total consideration for the Shares subscribed for	RMB120,000,000 for Series A Preferred Shares	RMB50,000,000	RMB50,000,000	RMB12,000,000	RMB6,000,000 for Ordinary Shares	RMB6,000,000	RMB474,969,675.55 for Series B Shares	RMB300,000,000	RMB84,992,000	RMB15,008,000	RMB87,440,000	RMB100,000,000
	RMB50,000,000 for Series B Preferred Shares				RMB50,000,000 for Series B Shares		RMB7,440,012 for Series C Shares					
	RMB94,863,981 for Series C Preferred Shares											



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Pre-IPO Investors	Gonggongcheng											
	Tencent Mobility	Mango Ningze	Ereben	Beijing Maofu	Limmon AQ	Limmon Dessin	Great Lumiosity	Shanghai Yuyi	Zhuhai Yuman	Qianyi Mutian	Jushi Botao	Zhongqing Xinxin
Cost per Share	RMB2,0870 for Series A Preferred Share	RMB7,6523	RMB7,6523	RMB8,8889	RMB8,889 for Ordinary Share RMB7,6523 for Series B Preferred Share	RMB8,889	RMB9,0865 for Series B Preferred Share RMB2,2222 for Series C Preferred Share	RMB2,2222	RMB2,2222	RMB2,2222	RMB2,2222	RMB2,2222
Discount to the Offer Price <sup>(3)</sup>	92.0% for Series A Preferred Shares; 70.8% for Series B Preferred Shares; 15.3% for Series C Preferred Shares	70.8%	70.8%	66.1%	66.1% for Ordinary Shares; 70.8% for Series B Preferred Shares	66.1%	65.4% for Series B Preferred Shares; 15.3% for Series C Preferred Shares	15.3%	15.3%	15.3%	15.3%	15.3%
Shareholding in our Company immediately before the Global Offering	19.78%	1.89%	1.89%	0.39%	2.09%	0.20%	16.15%	3.91%	1.11%	0.20%	1.14%	1.30%
Shareholding in our Company immediately after the Global Offering presuming the Assumptions	18.95%	1.81%	1.81%	0.37%	2.00%	0.19%	15.47%	3.75%	1.06%	0.19%	1.09%	1.25%

*Notes:*

1. Zhongqing Xinxin did not subscribe for shares in Shanghai Linmon.
2. As part of the Reorganization, on September 24, 2021, Zhuhai Yuman surrendered 90 Series C Preferred Shares for no consideration, and on the same day the Company issued 90 Series C Preferred Shares to Qianyi Mutian at a par value of US\$0.000025 for each Share to accurately reflect the interests of Zhuhai Yuman and Qianyi Mutian in Shanghai Linmon before the Reorganization.
3. The discount to the Offer Price is calculated based on the assumption that (1) the Offer Price is HK\$30.52 per Share, being the mid-point of the Offer Price range; and (2) the Preferred Shares are reclassified as Ordinary Shares on a one-to-one basis. Such discounts were offered to the Pre-IPO Investors by the Company taking into consideration the timing of the investments, as well as the capital needs of the Company for the development of its drama production business.

### 2. Principal terms of the Pre-IPO Investments

<b>Basis of determining the consideration</b>	The consideration for the Pre-IPO investments as well as the discounts offered to the Pre-IPO Investors compared to the Offer Price were determined based on arm's-length negotiations between the Company and the Pre-IPO Investors after taking into consideration the timing of the investments and the operating results and prospects of our business and operating entities. In addition, the valuation of comparable companies of the Company and our leading position in terms of drama series production in China were also recognized by the Pre-IPO Investors in determining the consideration.
<b>Use of proceeds</b>	We utilized the proceeds from the Pre-IPO Investments for the operations of our Company and in accordance with the business plan or budget as approved by the Board. As of the Latest Practicable Date, the funds raised from the Pre-IPO Investments have been fully utilized.
<b>Lock-up Period</b>	The Shares held by the Pre-IPO Investors will be subject to lock-up arrangements ending on the date which is six months after the Listing Date.
<b>Strategic benefits</b>	At the time of the Pre-IPO Investments, our Directors were of the view that our Company would benefit from the additional capital provided by the Pre-IPO Investors' investments in our Company and their knowledge and experience. Our Pre-IPO Investors include renowned companies in relevant industries, which can help us achieve business synergies from our enhanced strategic cooperation, and professional strategic investors, which can provide us with professional advice on our Group's development and improve our corporate governance, financial reporting and internal control. The investments from the Pre-IPO Investors demonstrate their commitment and confidence in the business performance and operations, strengths and long-term prospects of our Group.

### 3. Special Rights of the Pre-IPO Investors

Pursuant to the shareholders agreement dated August 31, 2021 entered into, among others, by the Company and its then Shareholders (the “**Shareholders Agreement**”), the Pre-IPO Investors were granted certain special rights in relation to the Company, including, among others, information rights, inspection rights, participation rights, rights of first refusal, co-sale rights, director nomination rights and redemption rights (the “**Redemption Rights**”). Except for the Redemption Rights, all special rights shall automatically terminate upon Listing. Pursuant to the Shareholders’ resolution dated September 24, 2021, the Redemption Rights ceased to be exercisable immediately prior to the first submission of the first listing application form to the Hong Kong Stock Exchange on September 29, 2021 (the “**Listing Application**”), and shall be automatically reinstated and restored in full force and effect if (i) the Listing Application is withdrawn by the Company; (ii) the Listing Application is rejected by the Hong Kong Stock Exchange, or lapses but not renewed; or (iii) the Listing is not completed within 12 months from the date of the Listing Application.

All of the Preferred Shares will convert to Ordinary Shares each on a one-to-one basis upon the completion of the Global Offering at which time our share capital will comprise one class of shares. For further information on the rights attached to our Ordinary Shares, see “Share Capital.”

As advised by our PRC Legal Advisor, the Pre-IPO Investments were conducted in compliance with all applicable PRC laws and regulations.

### 4. Information relating to the Pre-IPO Investors

Set out below is a description of our Pre-IPO Investors. To the best knowledge of our Directors, save as disclosed in this section, each of the Pre-IPO Investors does not have any past or present relationships with our Company and its connected persons.

- **Tencent Mobility**

Tencent Mobility is a private company limited by shares incorporated in Hong Kong, which is ultimately controlled by Tencent. Tencent Group became acquainted with our Group through the ordinary course of its investment management. In 2014, in recognition of our Group’s strong growth potential and to strengthen the business relationship with our Group, Tencent Group invested in the shares of Shanghai Linmon.

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- **Great luminosity**

Great luminosity is a private company limited by shares incorporated under the laws of BVI solely for the purpose of investment in the Company. Great luminosity is wholly-owned by Shanghai Hongni, which is managed by its general partner Hony Capital (Shanghai) Co., Ltd. (弘毅投資(上海)有限公司), holding approximately 0.0018% of the partnership interest in Shanghai Hongni. Shanghai Hongni has only one limited partner, Hongyi Hongxin, holding approximately 99.9982% of the partnership interest in Shanghai Hongni.

- **Shanghai Yuyi**

Shanghai Yuyi is a limited partnership established in the PRC. Shanghai Yuyi is managed by its general partner Ningbo Yuanyi Investment Centre (Limited Partnership) (寧波元億投資中心(有限合夥)), which holds approximately 1% of the partnership interest in Shanghai Yuyi and is ultimately controlled by Tang Meng (唐萌). The sole limited partner of Shanghai Yuyi is Tianyuan Aowei, holding approximately 99% of the partnership interest in Shanghai Yuyi. Tianyuan Aowei mainly invests in cultural entertainment, logistics and other fields.

- **Linmon AQ**

Linmon AQ is a private company limited by shares incorporated under the laws of BVI solely for the purpose of investment in the Company. Linmon AQ is indirectly wholly-owned by Qiu Lingyun (邱凌雲), the only limited partner of Shanghai Wuwei, one of the Onshore Withdrawn Investors.

- **Linmon Dessin**

Linmon Dessin is a private company limited by shares incorporated under the laws of BVI solely for the purpose of investment in the Company. Linmon Dessin is indirectly wholly-owned by Han Chen (韓晨), the only general partner of Shanghai Wuwei.

- **Mango Ningze**

Mango Ningze is a company limited by shares incorporated under the laws of the BVI and its principal business is investment holding. Mango Ningze is wholly-owned by Mango Wenchuang, a limited partnership established in the PRC. Mango Wenchuang is managed by its general partner, Yize Capital Management Co., Ltd. (易澤資本管理有限公司), which is ultimately and collectively controlled by Hunan Broadcasting System (湖南廣播電視台) and Mr. Huang Guoxiong (黃國雄). The limited partners of Mango Wenchuang are Shanghai Lulin Investment Management Center (Limited Partnership) (上海麓麟投資管理中心(有限合夥)), Zhongnanhong Culture Group Co., Ltd. (中南紅文化集團股份有限公司), Mango Media Co., Ltd.

(芒果傳媒有限公司), Shenzhen Zhongmin Capital Management Co., Ltd. (深圳中民資本管理有限公司), Ningbo Meishan Free Trade Zone Loulan Xinghang Investment Management Partnership Enterprise (Limited Partnership) (寧波梅山保稅區樓嵐興杭投資管理合夥企業(有限合夥)), Tibet Taifu Culture Media Co., Ltd. (西藏泰富文化傳媒有限公司), Shenzhen Mangrove Venture Capital Co., Ltd. (深圳紅樹林創業投資有限公司), Xiamen C&D Group Co., Ltd. (廈門建發集團有限公司), Yancheng Sanshi Investment Management Center (Limited Partnership) (鹽城三石投資管理中心(有限合夥)), Tibet Yiyu Culture Media Co., Ltd. (西藏易娛文化傳媒有限公司), Shanghai Helu Enterprise Management Consulting Partnership (Limited Partnership) (上海禾麓企業管理諮詢合夥企業(有限合夥)), Xiamen Xingyuan Investment Co., Ltd. (廈門星原投資有限公司), Xiamen International Trust Co., Ltd. (廈門國際信託有限公司), and Xiamen Venture Capital Co., Ltd. (廈門市創業投資有限公司), holding approximately 16.66%, 16.53%, 16.21%, 11.35%, 9.72%, 7.78%, 6.48%, 4.86%, 2.56%, 1.94%, 1.94%, 1.62%, 1.62% and 0.65% of the partnership interest in Mango Wenchuang, respectively. Among such limited partners, Tibet Taifu Culture Media Co., Ltd. indirectly holds 10% equity interests in Tibet Yiyu Culture Media Co., Ltd.; Xiamen C&D Group Co., Ltd. holds 10% equity interests in Xiamen International Trust Co., Ltd. and indirectly holds 47.38% equity interests in Xiamen Xingyuan Investment Co., Ltd.; and Xiamen International Trust Co., Ltd. and Xiamen Venture Capital Co., Ltd. are under common control. Mango Wenchuang mainly engages in equity investment in companies in the TMT and the pan-culture and entertainment industry.

- **Gongqingcheng Erchen**

Gongqingcheng Erchen is a limited partnership as well as a capital fund (Fund Code: SJ7432) established under the laws of the PRC. It is managed by its general partner, Xi'an Fusi Erwan Investment Management Co., Ltd. (西安複思爾灣投資管理有限公司) (“**Fusi Erwan**”), which is ultimately controlled by Jia Yiqun (賈軼群). The nine limited partners of Gongqingcheng Erchen are Xi'an Heyuan Business Information Consulting Co., Ltd. (西安合遠商務信息諮詢有限責任公司), Xu Ruixue (徐瑞雪), Xi'an Qujiang Cultural Industry Venture Capital Co., Ltd. (西安曲江文化產業風險投資有限公司), Xi'an Huayang Nianhua Film and Television Media Co., Ltd. (西安花樣年華影視傳媒有限公司), Wang Hao (王浩), Ma Lin (馬琳), Shaanxi Xidian High-tech Middle and Low Voltage Switchgear Co., Ltd. (陝西西電高科中低壓開關有限公司), Xi'an Yuanhe Chuangzhu Business Information Consulting Co., Ltd. (西安源合創鑄商務信息諮詢有限公司) and Wang Chenchen (王晨晨), holding approximately 19.09%, 16.36%, 14.55%, 12.91%, 9.09%, 9.09%, 8.18%, 5.45% and 3.64% of the partnership interest in Gongqingcheng Erchen, respectively. To the best knowledge of the Company, the nine limited partners of Gongqingcheng Erchen are independent from each other. Fusi Erwan is the fund manager of Gongqingcheng Erchen and it mainly invests in education, medical and other industries.

- **Zhongqing Xinxin**

Zhongqing Xinxin is a limited partnership established under the laws of the PRC, which is managed by its general partner Ningbo Meishan Free Trade Zone Xinxin Qingda Investment Management Co., Ltd. (寧波梅山保稅區芯鑫清大投資管理有限公司) (“**Xinxin Qingda**”), holding approximately 0.1% of the partnership interest in Zhongqing Xinxin. The only limited partner of Zhongqing Xinxin is UNIC Capital Management Co., Ltd. (中青芯鑫(蘇州工業園區)資產管理有限責任公司) (“**UNIC Capital**”), holding approximately 99.9% of the partnership interest in Zhongqing Xinxin. Xinxin Qingda is wholly owned by UNIC Capital, which is owned as to approximately 49.5% by Sino IC Leasing Co., Ltd. (芯鑫融資租賃有限責任公司) (“**Sino IC Leasing**”), approximately 49.0% by Zhongqing Xintou Holding Co. Ltd. (中青信投控股有限責任公司) which is a wholly-owned subsidiary of Tsinghua Unigroup Co., Ltd (紫光集團有限公司) (“**Tsinghua Unigroup**”), and approximately 1.5% by Beijing Yihejia Investment Development Co., Ltd. (北京怡和家投資發展有限公司) (“**Beijing Yihejia**”). To the best knowledge of the Company, (i) UNIC Capital is not a subsidiary of Sino IC Leasing; (ii) Sino IC Leasing is held as to approximately 13.89% by its largest shareholder Zhejiang Honghu Semiconductor Industry Group Co., Ltd. (浙江鴻鵠半導體產業集團有限責任公司), of which two state-owned enterprises in the PRC ultimately and collectively constitute its largest shareholder. The remaining 86.11% equity interests of Sino IC Leasing are held by other 19 entities, with no individual entity holding more than 10% of its equity interests; (iii) Tsinghua Unigroup is ultimately owned by the Ministry of Education of the PRC; and (iv) Beijing Yihejia is ultimately controlled by Ji Yongya (季永亞). UNIC Capital mainly invests in integrated circuits and strategic emerging industries. Zhongqing Xinxin became acquainted with our Group through the ordinary course of its investment management. In 2021, during the Reorganization, the Company was approached by the investment department of Zhongqing Xinxin. In recognition of our Group’s strong growth potential and to strengthen the business relationship with our Group, Zhongqing Xinxin purchased 4,500,000 Series C Preferred Shares of our Company.

- **Jushi Botao**

Jushi Botao is a limited liability company incorporated under the laws of PRC, mainly engaged in organizing cultural and artistic exchange activities, trade consulting, market research and computer animation design. The shareholders of Jushi Botao are Song Meng (宋孟), Ye Meixi (葉美希) and Li Yajing (李亞京), holding approximately 86.25%, 10% and 3.75% of the equity interests, respectively. Jushi Botao focuses on cultural project production and mainly invests in film and drama series production.

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## HISTORY, REORGANIZATION AND CORPORATE DEVELOPMENT

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- **Zhuhai Yuman**

Zhuhai Yuman is a limited partnership established under the laws of the PRC. It is managed by its general partner Wuhu Yuxu Investment Partnership (Limited Partnership) (蕪湖裕胥投資合夥企業(有限合夥) (“**Wuhu Yuxu**”)), which holds approximately 2.35% of the partnership interest in Zhuhai Yuman. The general partner of Wuhu Yuxu is Shenzhen Qianhai Qihui Wealth Management Co., Ltd. (深圳市前海旗輝財富管理有限公司), which is ultimately controlled by Wang Donghua (王懂化). The sole limited partner of Zhuhai Yuman is Guangxi Qianyi Investment Management Co., Ltd. (廣西仟意投資管理有限公司), a limited liability company incorporated under the laws of the PRC, holding approximately 97.65% of the partnership interest in Zhuhai Yuman. Zhuhai Yuman mainly engages in equity investment in private companies.

- **Beijing Manfu**

Beijing Manfu is a limited liability company incorporated under the laws of PRC. The shareholders of Beijing Manfu are Huang Lei (黃磊) and Cao Hui (曹暉), holding approximately 90% and 10% of the equity interests, respectively. Beijing Manfu’s main business involves the planning and production of film and drama series and other projects in the pan-culture industry. In addition, Beijing Manfu also invests in cultural media enterprises.

- **Qianyi Mutian**

Qianyi Mutian is a limited partnership established under the laws of the PRC. Its general partner is Hangzhou Qianyi Jierui Investment Management Co., Ltd. (杭州千毅傑睿投資管理有限公司), which is owned as to 20% by each of Ni Shuyang (倪舒揚), Wu Qun (吳群), Zhuang Haihong (莊海紅), Wang Zheng (王正), and Han Xiao (韓嘯). The three limited partners of Qianyi Mutian are Yang Xiaoming (楊曉明), Ni Haiming (倪海鳴) and Huang Hai (黃海), holding approximately 70.55%, 17.64% and 11.76% of the partnership interest in Qianyi Mutian, respectively. To the best knowledge of the Company, the three limited partners of Qianyi Mutian are independent of each other.

### 5. Public Float

Immediately following the Global Offering and presuming the Assumptions, Tencent Mobility and Great luminosity will be interested in approximately 18.95% and 15.47% of the total issued share capital of our Company and will be a substantial Shareholder of our Company, respectively. Therefore, Tencent Mobility and Great luminosity will constitute core connected persons of our Company and the Shares held by Tencent Mobility and Great luminosity will not be counted towards the public float for the purpose of Rule 8.08 of the Listing Rules upon the Listing.



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## HISTORY, REORGANIZATION AND CORPORATE DEVELOPMENT

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Save as disclosed above, all the Shares held by other Pre-IPO investors will be considered as part of the public float according to Rule 8.08 of the Listing Rules.

Based on the minimum Offer Price HK\$27.75 and assuming no exercise of the Over-allotment Option, we expected that our market capitalization will be not less than HK\$10 billion. We have applied to the Hong Kong Stock Exchange, and the Hong Kong Stock Exchange has granted us, a waiver from strict compliance with the requirements of Rule 8.08(1)(a) of the Hong Kong Listing Rules. Therefore, the minimum public float of the Company shall be the highest of (1) approximately 21.26% of the total issued share capital of the Company, or (2) such percentage of Shares to be held by the public immediately after the completion of the Global Offering and the exercise of the Over-allotment Option. Please refer to the section headed “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” of this prospectus.

### COMPLIANCE WITH INTERIM GUIDANCE AND GUIDANCE LETTERS

On the basis that (i) the consideration for the Pre-IPO investments was irrevocably settled more than 28 clear days before the date of our first submission of the listing application to the Stock Exchange and (ii) the special rights granted to the Pre-IPO Investors shall cease to be effective and be discontinued upon Listing, the Joint Sponsors confirm that the investments of the Pre-IPO Investors are in compliance with the Interim Guidance on Pre-IPO Investments issued by the Hong Kong Stock Exchange on October 13, 2010 and as updated in March 2017, the Guidance Letter HKEx-GL43-12 issued by the Hong Kong Stock Exchange in October 2012 as updated in July 2013 and March 2017, and the Guidance Letter HKEx-GL44-12 issued by the Hong Kong Stock Exchange in October 2012 and as updated in March 2017.

### THE PREVIOUS INITIAL PUBLIC OFFERING APPLICATION

To explore the opportunity of establishing a capital market platform in the A-share market in the PRC, in January 2021, we entered into a tutoring agreement for the initial public offering (the “**Tutoring Agreement**”) with China International Capital Corporation Limited, the parent company of China International Capital Corporation Hong Kong Securities Limited, to receive guidance from China International Capital Corporation Limited, a qualified sponsor of A-share listing.

Along with the expansion of our business and our strategic adjustments, we decided to explore overseas financing opportunities to pursue a listing on the Stock Exchange. As such, we terminated the Tutoring Agreement in June 2021. Since the execution of the Tutoring Agreement and up to the Latest Practicable Date, the Company did not submit A-share listing application to the CSRC or the relevant stock exchanges in the PRC, and did not receive any comments or inquiries from the CSRC or the relevant stock exchanges in the PRC.

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## **HISTORY, REORGANIZATION AND CORPORATE DEVELOPMENT**

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To the best of their knowledge and belief, our Directors are not aware of any other matters relating to the A-share initial public offering mentioned above that might potentially affect the suitability of the Group to be listed on the Stock Exchange.

On the basis of their discussions with the Company and the PRC Legal Advisor, and their review of the public announcements made related to the preliminary tutoring, the Joint Sponsors are not aware of any other material matters relating to the A-share listing application attempt that need to be brought to the Stock Exchange's attention.

### **PRE-IPO SHARE OPTION SCHEME**

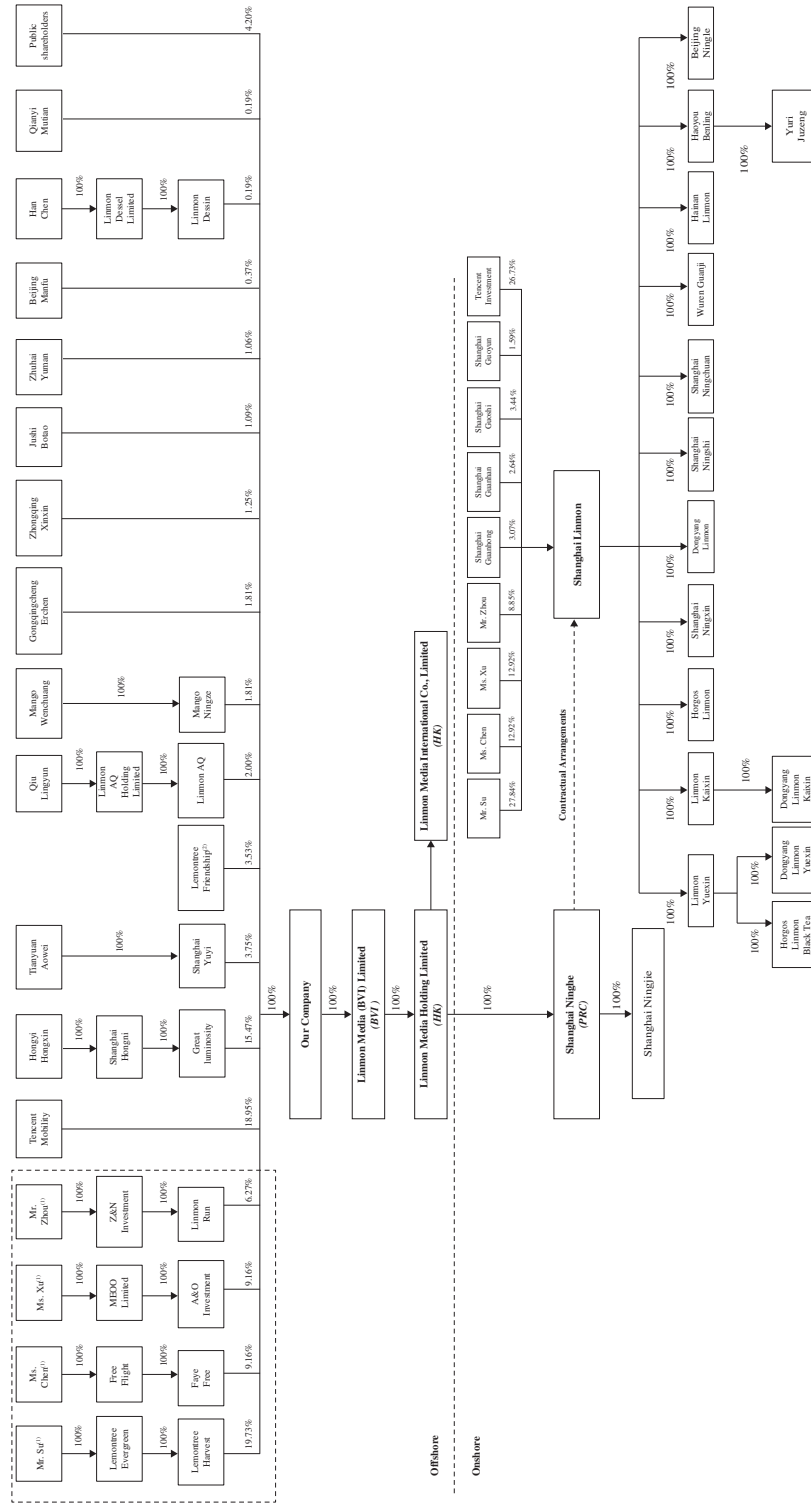
The Company's Pre-IPO Share Option Scheme was adopted by our Shareholders on September 24, 2021. The purpose of the Pre-IPO Share Option Scheme is to achieve strategic goals and fuel the development of our Company by providing our employees and consultants with the opportunity to acquire proprietary interests in our Company.

As of the Latest Practicable Date, 79 Grantees have been granted options under the Pre-IPO Share Option Scheme in respect of an aggregate of 12,771,432 Shares, representing approximately 87.00% of the total 14,680,471 Shares underlying the Pre-IPO Share Option Scheme. See "Statutory and General Information – D. Pre-IPO Share Option Scheme" in Appendix IV for details.



Corporate Structure Immediately Following the Global Offering

The following chart sets forth our corporate and shareholding structure upon the completion of the Global Offering, presuming the Assumptions:



Note: (1)-(2) See Notes (1)-(2) to the Corporate Structure Immediately Prior to the Global Offering.

### PRC LEGAL COMPLIANCE

Our PRC Legal Advisor has confirmed that (i) all relevant approvals or filings have been obtained or made, as applicable, for the change in share capital and equity transfers in the PRC as mentioned above; (ii) the Reorganization has complied with all applicable laws and regulations in the PRC and we have obtained all necessary approvals from the relevant PRC governmental authorities in relation to the Reorganization; and (iii) the Listing and the completion of the Global Offering do not require the approval from the CSRC or the MOFCOM under current PRC laws.

### M&A Rules

On August 8, 2006, six PRC regulatory agencies, including MOFCOM, SASAC, SAT, SAIC, CSRC and SAFE, jointly issued the M&A Rules, which became effective on September 8, 2006, and was amended on June 22, 2009. Pursuant to the M&A Rules, a foreign investor is required to obtain necessary approvals when (1) a foreign investor acquires equity in a domestic non-foreign invested enterprise thereby converting it into a foreign-invested enterprise, or subscribes for new equity in a domestic enterprise through an increase of registered capital thereby converting it into a foreign-invested enterprise; or (2) a foreign investor establishes a foreign-invested enterprise which purchases and operates the assets of a domestic enterprise, or which purchases the assets of a domestic enterprise and injects those assets to establish a foreign-invested enterprise (the “**Regulated Activities**”).

Given that (1) the CSRC currently has not issued any definitive rule or interpretation concerning whether the listing like ours are subject to the M&A Rules; (2) the WFOE was not established through mergers or acquisitions of domestic companies owned by PRC companies or individuals as defined under the M&A Rules; and (3) that no provision in the M&A Rules clearly classified contractual arrangements as a type of transaction subject to the M&A Rules, as advised by our PRC Legal Advisor, unless new laws and regulations are enacted or MOFCOM and CSRC publish new provisions or interpretations on the M&A Rules in the future, prior CSRC or MOFCOM approval for the Listing is not required.

### SAFE Registration in Respect of Circular 37 and Circular 13

Pursuant to the Circular on Issues concerning Foreign Exchange Administration over the Overseas Investment and Financing and Round-trip Investment by Domestic Residents via Special Purpose Vehicle (關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知) (“**Circular 37**”) promulgated by SAFE and which became effective on July 4, 2014, (1) a PRC resident must register with the local SAFE branch before he or she contributes assets or equity interests to an overseas special purpose vehicle (the “**Overseas SPV**”) that is directly established or indirectly controlled by the PRC resident for the purpose of conducting investment or financing, and (2) following the initial registration, the PRC resident is also required to register with the local SAFE branch any major change in respect of the Overseas SPV, including, among other things, a change in Overseas SPV’s PRC resident shareholder(s), the name of the Overseas SPV, terms of operation, or any increase or reduction of the Overseas

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## HISTORY, REORGANIZATION AND CORPORATE DEVELOPMENT

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SPV's capital, equity transfer or swap, and merger or division. Pursuant to SAFE Circular No. 37, failure to comply with these registration procedures may result in penalties. Pursuant to the Circular of SAFE on Further Simplifying and Improving Policies for the Foreign Exchange Administration of Direct Investment (關於進一步簡化和改進直接投資外匯管理政策的通知) (the “**Circular 13**”) promulgated by SAFE and which became effective on June 1, 2015, the power to accept SAFE registration was delegated from local SAFE branch to local banks where the assets or interest in the domestic entity are located.

As advised by our PRC Legal Advisor, each of Mr. Su, Ms. Chen, Ms. Xu, Mr. Zhou, Qiu Lingyun and Han Chen, the ultimate individual shareholders of our Company, has respectively completed the required registrations under SAFE Circular No. 13 and SAFE Circular No. 37 on June 11, 2021, respectively.

**OVERVIEW****Who We Are**

According to Frost & Sullivan, we ranked the fourth among all Chinese drama series companies in terms of revenue in 2021. We typically create high viewership drama series 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.

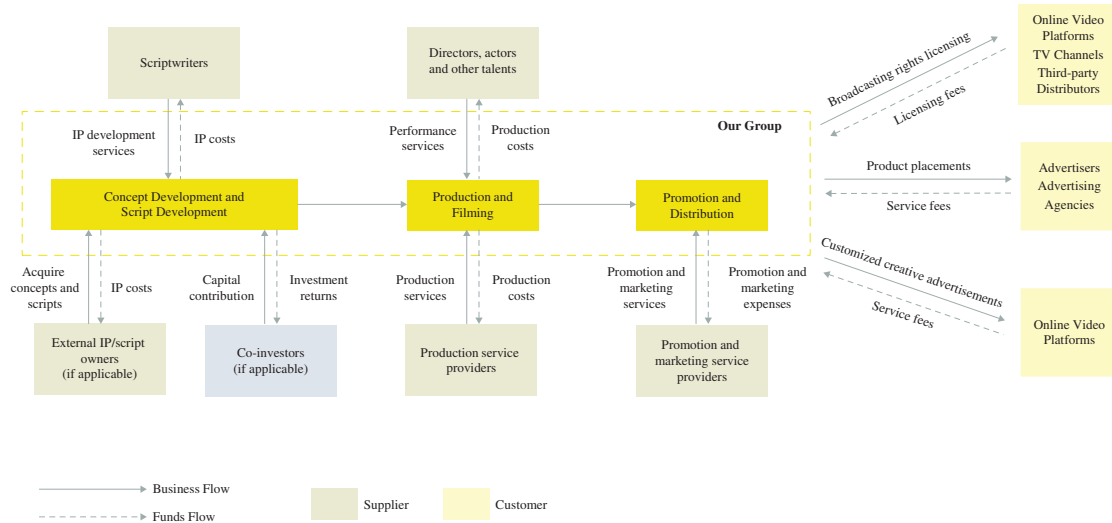
Since our inception and up to the Latest Practicable Date, we had produced and distributed a total of 17 drama series. 15 of them are original drama series in which we acted as the lead/sole investor and the executive producer, and we therefore own the proprietary rights of these drama series. According 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 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 discussions.

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 distributed 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.

**OUR BUSINESS MODEL**

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

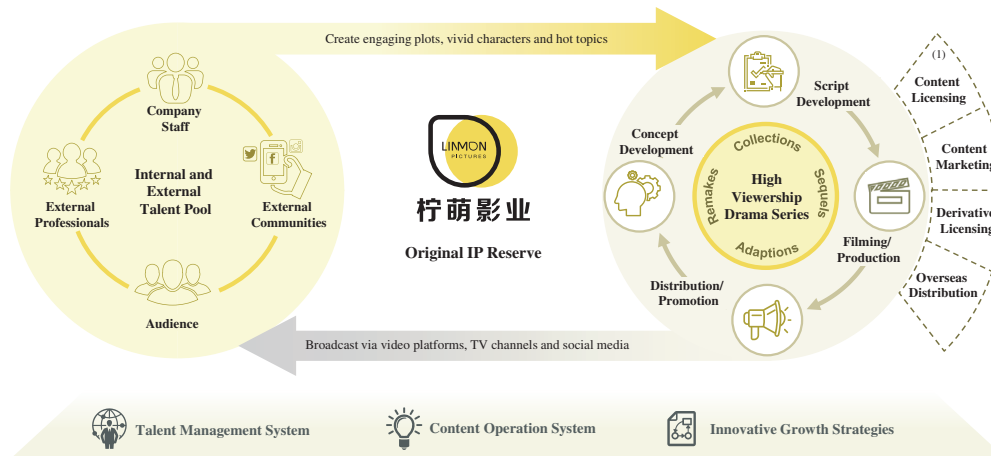


At the concept development and script development stage, we self-develop or acquire scripts and IPs from external sources. We engage scriptwriters to further develop scripts and IPs based on our experience and industry insights and we in turn pay them IP fees. Co-investors typically participate in and 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.



## BUSINESS

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 a 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.

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## BUSINESS

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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. 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.

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, derivatives licensing and overseas distribution. 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:

#### **A drama series production company in China with a track record of creating premium content**

Our drama series have achieved great success in terms of both commercial value and artistic value. According to Frost & Sullivan, we achieved a high viewership drama series rate as high as 75.0% from 2019 to 2021, substantially higher than China's industry average at approximately 7.1% and the average of our top five competitors by revenue at approximately 45.9% from 2019 to 2021. According to the same source, we had drama series ranked among the top 10 in terms of viewership on TV channels or effective views on online video platforms in 2019 and 2020, and among the top 5 in 2021. In addition, the licensing fees of the first-run broadcasting rights of our drama series per episode for online video platforms ranged from RMB1.9 million to RMB15.8 million during the Track Record Period, higher than the industry average of approximately RMB3.0 million during the Track Record Period, according to Frost & Sullivan.

Our brand and content have been highly recognized by the industry. Our drama series “A Little Reunion” (小歡喜) won the “Outstanding Modern Television Series Award” at the 32nd Flying Apsaras Award (“飛天獎”) and Outstanding Television Series Award in the 30th China Golden Eagle TV Art Festival (“金鷹獎”), respectively. “Nothing but Thirty” (三十而已) received “The 27th Shanghai TV Festival International Communication Awards” and, along with “Hunting” (獵狐), was awarded 2020 Chinese TV Series Selections.

**Abundant original IP content reserve**

We pride ourselves in taking the lead in the development of premium original IP in-house. Among the ten drama series we distributed 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. As new media channels and new content consumption patterns are evolving, such a key capability has played and, we believe, will continue to play an important role in our success.

Our IP content reserve covers a comprehensive set of genres including contemporary topics, modern romance, heroism, costume and realistic suspense. Our classic product of long-form drama series delivers positive values targeting both online and TV viewers. We also produce short-form drama series on niche themes, such as realistic suspense or gender topics, and distribute them on online platforms, to capture the eyes of young audience, a highly promising consumer base.

As we own full IP rights of our drama series, we can monetize the IPs multiple times throughout their life cycles by means of creating collections, sequels, adaptations, remakes, re-run licensing, overseas distribution and other forms of variations of content. Built on the same principal characters or the same theme, collections, sequels and re-run licensing help attract return audience, reinforce the word-of-mouth reputation of our series, and increase audience loyalty to our brand, making our IP reserve long-lasting. Moreover, building on successful precedents increases the predictability of our market acceptance thus minimizing risk and ensuring profitability. For instance, our family and education themed “Little” collection, i.e. “A Love for Separation” (小別離), “A Little Reunion” (小歡喜) and “A Little Dilemma” (小舍得), and our female empowerment themed collection of “Twenty Your Life On” (二十不惑) and “Nothing but Thirty” (三十而已) have both achieved renowned success and considerable synergies. Additionally, adaptations, remakes and overseas distributions bring in additional revenues and extend the impact of our IPs. For example, we licensed the adaptation rights of “Legend of Fuyao” (扶搖) and “Only Side by Side with You” (南方有喬木) to online gaming companies, and the original soundtracks of “Twenty Your Life On” (二十不惑) and “A Little Dilemma” (小舍得) to an online music sharing platform.

**Systematic production capabilities**

Capabilities to realize creativity and manage creativity are at the core of our strong production capabilities. In terms of talent management, we believe we have established a rare and effective approach to ensure content quality and productivity. We have integrated the best creative talents in the industry, including directors, scriptwriters, actors and actresses, onto our platform through arrangements including long-term exclusive contracts and strategic partnership. Our long-lasting cooperation with our key talents can trace back to the time of our inception. Many of the talents we worked with have successfully demonstrated their artistic talent through our content, forming a win-win situation with us.

In terms of operational flow management, we are in charge of all the key aspects and have a sophisticated approach in place to ensure efficiency and systematic operation.

- **Concept and Script Development:** Our in-house concept and script development processes consolidate inputs from our research and development center, script center, internal experts, employees and external audience community. This process is supplemented by our acquisition of high-potential materials from external sources from time to time. We have also developed systematic methodologies for content creation to ensure consistent, generation of quality content.
- **Filming and Production:** In our filming and production processes, we have established detailed quality control standards and practical measures to ensure that our projects will be completed within budget and schedule. At the filming stage, we assign an in-house production team to enhance the artistic value and ensure the production quality of each project. At the post-production page, we also utilize both internal and external resources to ensure our final products are up to our high standards.
- **Promotion and Distribution:** We begin the promotion process prior to filming, and interact with our target audiences on social media and video sharing platforms on an ongoing basis. Leveraging our proprietary IPs, we also cross-promote our drama series collections to maximize the promotion effects utilizing characters, cast, settings, themes, topics in our drama series collections. For example, we promoted female empowerment themed “Twenty Your Life On” (二十不惑) and “Nothing but Thirty” (三十而已) under the promotional topic of “No limit for twenty and thirty”, which became the most popular searches of the day on social media platforms, bringing our drama series extensive publicity. As for distribution, we have optimized our distribution strategy and established an effective market analysis and feedback mechanism.

### **Comprehensive content distribution capabilities**

We have established long-term and stable cooperation with a diversified portfolio of distribution channels, including leading online video platforms and national and top regional TV channels. The grand majority of our drama series during the Track Record Period were broadcast on top online video platforms and TV channels.

We have a proactive and flexible distribution strategy thanks to our premium content. Based on the content and target audiences, we are able to assemble a set of tailor distribution channels including online video platforms and/or TV channels. Our “A Little Dilemma” (小舍得) was broadcast on online video platforms as well as national and local TV channels to maximize audience coverage.

We have been able to distribute our drama series on favorable terms and pre-sell most of our drama series before the completion of scripts, primarily due to our proven track record of delivering high quality drama series and the expected popularity of our drama series among audiences. According to Frost & Sullivan, companies with track record to deliver high viewership drama series are regarded as trusted suppliers and thus are able to pre-sell their drama series at a higher premium to major online video platforms. The licensing fees of the broadcasting rights of our drama series have been priced higher than the industry average during the Track Record Period, according to Frost & Sullivan. Additionally, we only license the broadcasting rights of our drama series for a limited period of time to downstream platforms and retain all the other rights for future use. Such pre-sale model helps us to receive prepayment in advance, secure the distribution and align the channel's interests with ours in maximizing the distribution and promotion effects of our drama series.

Our distribution has expanded to overseas markets. Our drama series such as “Novoland: Eagle Flag” (九州縹緲錄), “Nothing but Thirty” (三十而已), “A Love for Separation” (小別離) and “A Little Reunion” (小歡喜) have been successively broadcast on many major platforms such as Netflix South Korea, South Korea JTBC, Singtel TV Jia Le Channel, Japan Lala TV, Malaysia Astro and YouTube, and have achieved considerable influence in the Asian cultural market. As of the Latest Practicable Date, we licensed the remake rights of “Nothing but Thirty” (三十而已) to established TV channels in South Korea and Vietnam and have signed a licensing contract in September 2021 with a globally renowned entertainment company to broadcast one original drama series globally (outside of Mainland China). In 2019, 2020 and 2021 and the three months ended March 31, 2022, we generated revenue of RMB25.8 million, RMB8.8 million, RMB12.2 million and RMB14.0 million, respectively, from the licensing of our original drama series to be broadcast on TV channels and platforms of regions other than Mainland China.<sup>(1)</sup>

### **Diversified monetization methods**

Since our inception in 2014, we have gained a deep understanding of the needs and preferences of our audience, the distribution channels and the advertisers. Benefiting from the business acumen of our management, we have been able to continuously extend the boundaries of our business scope, including:

- **Web series:** We align ourselves with the young generation's appetite for innovative and thought-provoking content such as realistic suspense and gender topics. We have in our pipeline multiple web series on track to be delivered on top online video platforms to capture the market potential.

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*Note:*

(1) Certain of our original drama series were licensed to the customers for the distributions in both Mainland China and regions other than Mainland China in the same agreements. The licensing revenue of such drama series from regions other than Mainland China cannot be separated from those from Mainland China and therefore was not included in the disclosed amounts.

- **Content marketing:** Leveraging our IP reserve and audience base, we provide advertisers with content-based marketing services such as product placement and customized creative advertisement services. We have worked with over 100 brands since our inception, including a wide variety of top consumer brands in food, drinks, lifestyle services and many other industries. We believe our advertiser network will continue to grow as we further develop such business.
- **Revenue sharing scheme with platforms:** In certain agreements with online video platform customers, in addition to licensing fees for each episode, we are also entitled to receive revenue sharing from such platforms based on the additional and renewal of membership subscriptions (above a prescribed threshold) that our drama series has directly contributed within a certain period. According to Frost & Sullivan, we are one of the first in the industry to establish such a revenue sharing scheme. This innovative approach allows us to share fast-growing subscriber-based revenue driven by the popularity of our content. It also highlights the quality of our content and its audience appeal for which the platforms are willing to provide us extra incentives.

### **Industry veteran founding management team in a stable and efficient partnership**

We have a visionary and professional management team consisting of our four co-founders. Each of them has been in the film and media industry in China for more than 15 years. They own a wealth of industry experience, keen business acumen and the ability to manage the full industry value chain.

Our chairman, Mr. Su Xiao, is a leading figure with approximately 25 years of experience in the media industry and management. Mr. Su is responsible for the Group's overall strategic planning, financial and talent management and government public affairs. Our chief executive officer, Ms. Chen Fei, has approximately 18 years of experience in the planning, production and marketing of TV series, and is primarily responsible for the Group's strategy and organization innovation and full chain management. Our vice president, Ms. Xu Xiao'ou, has approximately 16 years of experience in drama series production, and is primarily responsible for intellectual property development and script development. Our vice president, Mr. Zhou Yuan, has over 18 years of experience in the capital operation and commercialization in the media industry, investment and information system analysis, and is primarily responsible for our film business, overseas business, capital operation, commercialization and innovative business.

Our four co-founders had worked together as a team for a long time before founding the Company. Together, they have witnessed and captured the opportunities in the TV and film industry over the past decade. Their skill-sets are highly complementary, and they share the same values and deep mutual trust. They manage the Company in a seamless partnership and they are deeply involved in all the key decision-making processes at every stage of the Company's operations. We believe the complementarity, engagement and stability of the co-founder team has enabled us to constantly make the right strategic decisions and become an industry leader in every aspect of our business.

### 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**

Premium original drama series are the core of our current business and the engine of our future growth. We will continue to produce premium original drama series to further enlarge our IP reserve, expand our market share and strengthen our leadership position.

There is an increasing demand from audiences for premium content and better viewing experience, prompting us to continue to strengthen our drama series production capabilities. According to Frost & Sullivan, the high viewership drama series rate of all broadcast drama series increased from 6.2% in 2019 to 7.8% in 2021, indicating that the number of high viewership drama series in China increased by 25.8% from 2019 to 2021. In addition, the average viewership of high viewership drama series on TV channel increased from approximately 1.34% in 2019 to approximately 1.61% in 2021, indicating that the number of audience who watched high viewership drama series on TV channel increased by 21.8% from 2019 to 2021, according to the same source. We plan to continue to improve our production of premium original drama series by leveraging our industry experience and operation efficiency. In addition, we will closely monitor and manage the process and progress to deliver more premium original drama series on schedule going forward.

- *Concept and script development:* (i) based on the insights into audience preferences and research on the social transformation, our research and development team will continue to creatively develop IP covering a more comprehensive selection of trending topics; (ii) we will recruit both young graduates through campus recruitment and experienced professionals in the industry through our network. We also hold seminars and invite industry experts to share their experience and thoughts and provide regular training sessions to further enhance their skills; and (iii) we will continue leveraging third-party resources, to seek and procure quality IP from media platforms, mainstream online literature platforms and books for our further development. We plan to use approximately 10% of the net proceeds from the Global Offering, approximately HK\$37.1 million, for the further expansion of our IP pool. For details, see “Future Plans and Use of Proceeds”.
- *Production:* we will continue to invest resources in selecting the most suitable cast members, production crews, shooting sets and equipment to ensure the superior filming quality and the steady increase in the number of drama series we produce. We plan to use approximately 45% of the net proceeds from the Global Offering, approximately HK\$167.2 million, for the production of drama series. For details, see “Future Plans and Use of Proceeds”.

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- *Distribution and promotion:* We will focus on both online video platforms and TV channels. This will continuously help us gather feedback, allowing us to improve our distribution plan for the first-run and re-run broadcasts. Our promotion methods include interactive marketing, press releases and media visits, helping us to effectively cover a broad and targeted audience base. We plan to use approximately 5% of the net proceeds from the Global Offering, approximately HK\$18.6 million, for the distribution and promotion of our drama series. For details, see “Future Plans and Use of Proceeds”.

### **Further improve our operation of IP management and shape our brand**

We are dedicated to strengthening our operational management capabilities, including IP serialization, derivation and licensing to extend the life cycle of our IP using our cash on hand. We are typically the sole copyright owner of our original IP and therefore, we can utilize its potential throughout the full life cycle.

The serialization of our original drama series, including (i) production of drama series sequels, and (ii) drama series with coherent themes and storylines can bring long-lasting emotional resonance with our audience. We believe that the popularity, reputation and audience of our existing IP will lay a solid foundation for the success of such serialization by leveraging our past proven track record and existing audience base. IP serialization will further strengthen our leadership in the industry and bring more value to our future growth.

To further utilize our IP, we intend to (i) deliver additional types of video content based on our existing IP, including movies, mini drama series and web series, to achieve synergies among our IP across online and offline channels; and (ii) build our “Linmon Universe”, comprising common or related characters, cast, settings, elements and common plots in our different original drama series by producing IP variations such as sequels. We believe we can enhance public recognition of our IP and characters, therefore shaping the brand identity of “Linmon” across a broader audience.

### **Further diversify our revenue streams with video-based content to unleash the potential for monetization**

We will leverage our IP reserve to explore new business opportunities with the short video platforms. We plan to produce short video which usually lasts for one to three minutes on short video platforms pursuant to customers’ needs. Such video may be developed and produced based on our original drama series and our original IP, or developed and produced based on customers’ specifications on a project-by-project basis. We can charge production service fees in return for such services. As short video platforms allow audiences and users to directly interact with our characters on an ongoing basis, we can reach a broader coverage of audiences in a more engaging and effective way, which brings us additional media resources. With these resources, we can further have a set of diversified monetization methods.



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On top of our existing content marketing services, mainly including product placement and customized creative advertisements, we will further leverage our video-based content to provide a more comprehensive coverage of our content marketing services, including tailored content marketing on short video platforms to provide integrated marketing campaign. See “– Our Business – Content Marketing” for details. We can charge content marketing services fees in return for such services. Based on years of unique experience in the drama series production industry, we have accumulated profound insights into customer needs. In addition to drama series, we can also deliver content marketing services through short videos, long videos and movies. We expect our track record in drama series production, together with our initiatives in short video content licensing, will enable us to provide multi-screen and full-coverage marketing services, covering both online and offline scenarios, to attract more customers.

Lastly, we plan to deliver IP through a broader range of entertainment forms and generate licensing revenue from IP derivative adaption rights, such as licensing of the audiobook rights, music rights and game adaptation rights of our original series. For example, we have licensed the music rights in our original drama series to online music sharing platforms and licensed the adaptation rights of our original drama series to game companies for game development based on our IP. We have also been in close negotiations with audiobook platforms to license the audiobook rights of our original drama series recently so that our content can reach audiences in different forms through different platforms. We are not required to obtain any additional licenses for these new methods of delivering our IP and generating licensing revenue from IP derivative adaption rights as advised by our PRC Legal Advisor. We also plan to customize short video content and monetize such content through content marketing and e-commerce services. See “– Our Business – Content Marketing” for details. We can charge content marketing services fees in return for such services. In addition, we plan to closely work with emerging consumer brands through content licensing and co-branding.

Our IP monetization methods in emerging business opportunities include (i) producing short video and release on short video platforms; (ii) providing tailored integrated marketing campaign; and (iii) licensing IP derivative rights. We plan to use approximately 15% of the net proceeds from the Global Offering, approximately HK\$111.9 million, for emerging business opportunities. For details, see “Future Plans and Use of Proceeds”.

### **Expand our business internationally**

There is a growing interest in Chinese drama series from the overseas markets in recent years, and we plan to broaden our overseas distribution channels and expand the influence of our IP. In particular, we plan to expand our geographic coverage to emerging markets such as Southeast Asia and Africa because we have abundant original IPs which have been proved to be successful in the China market and which we believe can be further developed to cater the local audience preferences in such emerging markets. For example, we have licensed out the remake rights of our “Nothing but Thirty” (三十而已) to Korea and Vietnam. In addition, we believe we are well positioned to compete with local market players in such emerging markets in terms of industry resources, experience, production and financial capabilities. For example, we keep in close touch with leading international media and broadcasting platforms and have

licensed the broadcasting rights of our original drama series, “Xiaomin’s Home” (小敏家), to a leading international broadcasting platform to reach to a broader international audience base. In addition, we plan to work directly with local media platforms to reach target audiences more precisely instead of dealing with agents. For example, we have licensed the broadcasting rights of another original drama series, “To Fly with You” (陪你逐風飛翔), to a leading pan-regional video streaming service provider to be broadcast in Singapore, Indonesia and Thailand. The increase of our penetration into overseas markets will also be further accelerated as online streaming services are getting increasingly popular in our target countries. We also plan to enlarge our audience base, expand our IP influence and explore opportunities through licensing our premium content to those online streaming platforms in overseas markets. To attract foreign audiences, we plan to conduct research on local drama series and audience preferences and cooperate with local professionals, including directors, script writers and actors to deliver quality drama series. Licensing our content overseas will help us to generate additional revenue in line with the trend that our drama series would reach larger audiences.

In addition, we plan to explore new business models overseas to diversify our products and services offerings. For example, we plan to sell re-make rights of our drama series in targeted countries, as well as oversee and manage local producers’ production if necessary.

As a supplement to overseas drama series releases, we also plan to attract overseas talents or establish local studios to produce drama series in local language. In order to supplement our existing domestic drama series portfolio, we may also import quality overseas drama series to the audience in China.

### **Selectively conduct strategic alliances, investments and mergers and acquisitions**

To achieve our growth strategy, we may selectively pursue strategic alliances, investments and acquisitions along the value chain of the drama series industry, such as companies possessing IP or IP development capabilities (for example, companies possessing literature IPs) or operating downstream businesses (like e-commerce and content marketing). In selecting investment and acquisition targets, our general criteria include conformity with our strategic planning, level of potential synergies, market position, experience of management team, valuation, historical operational indicators and financial performance. As of the Latest Practicable Date, we did not have any specific acquisition or investment targets. We plan to use approximately 15% of the net proceeds from the Global Offering, approximately HK\$111.9 million, for strategic investment and acquisition opportunities. For details, see “Future Plans and Use of Proceeds”.

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### OUR BUSINESS

We primarily engage in the development, production and distribution of high viewership drama series and content marketing. During the Track Record Period, we generated revenue from these 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 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, charging fixed production fees; (ii) developing, producing and distributing films, charging licensing fees for the broadcasting rights of the film; (iii) investing in drama series as a non-executive producer, charging net licensing fees in proportion to our investment; (iv) licensing our IP derivatives adaptation rights, charging royalty income. During the Track Record Period, we also provided artiste management services and charged service fees. We disposed of the relevant subsidiary in 2020 and we ceased providing such service afterwards.

The following table sets forth our revenue breakdown by business line 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	%
	<i>(Unaudited)</i>									
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 <sup>(1)</sup>	102,674	5.7	152,775	10.7	87,763	7.0	38,475	80.0	339	0.1
<b>Total</b>	<b>1,794,164</b>	<b>100.0</b>	<b>1,426,159</b>	<b>100.0</b>	<b>1,248,964</b>	<b>100.0</b>	<b>48,083</b>	<b>100.0</b>	<b>470,648</b>	<b>100.0</b>

*Note:*

- (1) Others include revenue generated from (i) made-to-order drama series production; (ii) film production; (iii) investments in drama series as a non-executive producer; (iv) IP derivative adaptation right licensing; and (v) artiste management services.

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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
	(Unaudited)									
	(RMB in thousands)									
“To Be a Better Man” (好先生) <sup>(1)</sup>	-	-	-	-	-	-	-	-	-	-
“A Love for Separation” (小別離) <sup>(2)</sup>	792	-	1,353	-	178	-	174	-	-	-
“Fighter of the Destiny” (擇天記) <sup>(3)</sup>	-	-	-	-	-	-	-	-	-	-
“Only Side by Side with You” (南方有喬木) <sup>(4)</sup>	1,651	-	-	-	-	-	-	-	-	-
“Legend of Fuyao” (扶搖) <sup>(5)</sup>	-	-	-	-	-	-	-	-	-	-
“Novoland: Eagle Flag” (九州縹緲錄)	1,005,857	4,717	-	-	-	-	-	-	-	-
“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) <sup>(6)</sup>	-	-	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) <sup>(7)</sup>	-	-	-	-	219,293	13,499	-	-	3,382	-
“Xiaomin’s House” (小敏家) <sup>(8)</sup>	-	-	-	-	396,225	42,380	-	-	29,487	7,899 <sup>(9)</sup>
“Beyond” (超越)	-	-	-	-	-	-	-	-	299,664	5,387
“Under the Skin” (獵罪圖鑑)	-	-	-	-	-	-	-	-	123,657	833
<b>Total</b>	<b>1,632,658</b>	<b>58,832</b>	<b>1,207,423</b>	<b>65,961</b>	<b>1,051,435</b>	<b>109,766</b>	<b>9,608</b>	<b>-</b>	<b>456,190</b>	<b>14,119</b>

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*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”.

### **Original Drama Series**

Since our inception, we have focused on the production of our own original drama series, as well as licensing the related broadcasting rights to top domestic and overseas online video platforms, major domestic and overseas TV channels, and sometimes third-party distributors. Since our inception and up to the Latest Practicable Date, we did not have any outright-purchased drama series.

We act as the sole/lead investor and executive producer of our original drama series. We enter into investment agreements with co-investors and typically grant them variable return based on their respective proportionate shares of the entire investment income. See “– Salient Terms of Investment Agreements with Co-investors” for details. See “Financial Information – Critical Accounting Policies and Estimates – Accounting for the Co-investment Arrangement and Co-financing arrangement” and note 2.4 to the Accountant’s Report set out in Appendix I to this prospectus for the details of the accounting treatments.

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During the Track Record Period, we produced and distributed ten original drama series. Revenue generated from our licensing of broadcasting rights of original drama series amounted to RMB1,632.7 million, RMB1,207.4 million, RMB1,051.4 million and RMB456.2 million, respectively, in 2019, 2020 and 2021 and the three months ended March 31, 2022, accounting for approximately 91.0%, 84.7%, 84.2% and 96.9% of our total revenue in the same periods, respectively.

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	%
	<i>(Unaudited)</i>									
Online video										
platforms <sup>(1)</sup>	1,257,358	77.0%	896,767	74.3%	722,459	68.7%	9,434	98.2%	334,804	73.4%
TV channels <sup>(2)</sup>	333,362	20.4%	276,026	22.9%	269,380	25.6%	134	1.4%	95,655	21.0%
Others <sup>(3)</sup>	41,938	2.6%	34,630	2.8%	59,596	5.7%	40	0.4%	25,731	5.6%
<b>Total</b>	<b>1,632,658</b>	<b>100.0%</b>	<b>1,207,423</b>	<b>100.0%</b>	<b>1,051,435</b>	<b>100.0%</b>	<b>9,608</b>	<b>100.0%</b>	<b>456,190</b>	<b>100.0%</b>

*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.

We generated revenue of licensing of broadcasting rights of original drama series mainly from online video platforms and TV channels. Our revenue from licensing of broadcasting rights of original drama series to online video platforms decreased from RMB1,257.4 million in 2019 to RMB896.8 million in 2020, primarily due to the decrease in the licensing fees of our drama series. Our revenue from licensing of broadcasting rights of original drama series to online video platforms decreased from RMB896.8 million in 2020 to RMB722.5 million in 2021, primarily due to (i) a decrease in total number of episodes of first-run original drama series licensed to online video platforms from 127 episodes in 2020 to 115 episodes in 2021, and (ii) a comparatively lower licensing fee from online video platforms 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. Our revenue from licensing of broadcasting rights of original drama series to online video platforms increased from RMB9.4 million in the three months ended March 31, 2021 to RMB334.8 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 online video platform customers following the broadcasting of

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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 to any online video platform customers in 2021.

Our revenue from licensing of broadcasting rights of original drama series to TV channels decreased from RMB333.4 million in 2019 to RMB276.0 million in 2020, primarily because (i) we received higher licensing fees of one costume drama series in 2019, driven by the high production cost of such drama series; and (ii) we licensed the first-round broadcast of a modern drama series to an online video platform in 2020 rather than to a TV channel. Our revenue from licensing of broadcasting rights of original drama series to TV channels remained relatively stable at RMB276.0 million and RMB269.4 million in 2020 and 2021, respectively. Our revenue from licensing of broadcasting rights of original drama series to TV channels increased from RMB0.1 million in the three months ended March 31, 2021 to RMB95.7 million in the three months ended March 31, 2022, primarily because we recognized revenue from the licensing of the first-run broadcasting rights of one original drama series, namely “Beyond” (超越), to TV channels 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 revenue from licensing of broadcasting rights of original drama series to other customers amounted to RMB41.9 million, RMB34.6 million and RMB59.6 million, RMB40,000 and RMB25.7 million in 2019, 2020 and 2021 and the three months ended March 31, 2021 and 2022, respectively. The increase of revenue from licensing of broadcasting rights of original drama series to other customers from 2020 to 2021 and from the three months ended March 31, 2021 to the three months ended March 31, 2022 was primarily in line with our expansion of distribution to overseas markets.









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Name of the Drama Series	Production Mode	Genre	Number of Investment Episodes	Our Investment Percentage (%)	Revenue from the licensing of original drama series						The licensing fee per episode <sup>(1)</sup>						Time of the Initial Broadcasting	Major Broadcast Channels	Lead investor(s) and executive producer(s)	Co-investor(s) and non-executive producer(s)		
					Year ended December 31,		Three months ended March 31,		Year ended December 31,		Three months ended March 31,		Pre-sale arrangement		Our Role							
					2019	2020	2021	2022	2019	2020	2021	2022	2021	2022	2021	2022						
“Nothing but Thirty” (三十而已)	Original drama series	Modern	43	100.0%	-	420,167	9,434	9,434	-	-	9,771.3	219.4	219.4	-	Pre-sold	Sole investor and executive producer	Our Group	-	Dragon TV, Tencent Video	July 2020	Our Group	-
“A Little Dilemma” (小舍得)	Original drama series	Modern	42	90.0%	-	-	426,305	-	-	-	-	10,150.1	-	-	Pre-sold	Lead investor and executive producer	Our Group	Huang Lei (黄磊) and Fenghuoshi Culture Development (Beijing) Co., Ltd.* (鳳火石文化發展(北京)有限公司)	April 2021	Our Group	Huang Lei (黄磊) and Fenghuoshi Culture Development (Beijing) Co., Ltd.* (鳳火石文化發展(北京)有限公司)	
“To Fly with You” (陪你逐風飛翔)	Original drama series	Modern	33	100.0%	-	-	219,293	-	3,382	-	-	6,645.2	-	102.5	Pre-sold	Sole investor and executive producer	Our Group	-	November 2021	Our Group	-	
“Xiaomin's House” (小敏家)	Original drama series	Modern	40	80.0%	-	-	396,225	-	29,487	-	-	9,905.6	-	737.2	Pre-sold	Lead investor and executive producer	Our Group	Fenghuoshi Culture Development (Beijing) Co., Ltd.* (鳳火石文化發展(北京)有限公司)	December 2021	Our Group	Fenghuoshi Culture Development (Beijing) Co., Ltd.* (鳳火石文化發展(北京)有限公司)	
“Beyond” (超越)	Original drama series	Modern	29	100.0%	-	-	-	299,664	-	-	-	-	-	10,333.2	Pre-sold	Sole investor and executive producer	Our Group	-	January 2022	Our Group	-	
“Under the Skin” (御罪圖鑑)	Original drama series	Modern	20	100.0%	-	-	-	-	-	-	-	-	-	6,182.9	Pre-sold	Sole investor and executive producer	Our Group	-	March 2022	Our Group	-	

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*Notes:*

- (1) The licensing fee per episode during the Track Record Period is calculated using the licensing revenue of each of our original drama series in each year by dividing the number of episodes of the relevant original drama series. For purposes of this calculation, the licensing revenue of our original drama series from all types of our customers (including online video platforms, TV channels and third-party distributors) and from both first-run broadcasting and re-run broadcasting are taken into account.
- (2) Our Group and Shaanxi Wentou both acted as the executive producer of “To Be a Better Man” (好先生).

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Our original drama series have achieved great success. While we keep creating new innovative drama series, we realized that producing drama series sequels can, at the same time, retain continuity from our previous success to make them all recognizably part of a coherent topic, keeping audiences coming back in greater numbers. For example, we created an immensely popular collection of day-to-day life theme series focusing on China's education topics, including "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 character-driven realistic theme series collection showing the lives of females in their twenties and thirties, including "Twenty Your Life On" (二十不惑) and "Nothing but Thirty" (三十而已) in 2020. The following are posters of our 15 broadcast original drama series from our inception and up to the Latest Practicable Date:



"To Be a Better Man"  
(好先生) (2016)



"A Love for Separation"  
(小別離) (2016)



"Fighter of the Destiny"  
(擇天記) (2017)



"Only Side by Side with You"  
(南方有喬木) (2018)



"Legend of Fuyao"  
(扶搖) (2018)



"Novoland: Eagle Flag"  
(九州縹緲錄) (2019)



“A Little Reunion”  
(小欢喜) (2019)



“Hunting”  
(獵狐) (2020)



“Twenty Your Life On”  
(二十不惑) (2020)



“Nothing but Thirty”  
(三十而已) (2020)



“A Little Dilemma”  
(小舍得) (2021)



“To Fly with You”  
(陪你逐风飞翔) (2021)



“Xiaomin's House”  
(小敏家) (2021)



“Beyond”  
(超越) (2022)



“Under the Skin”  
(獵罪圖鑑) (2022)

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In addition to the above broadcast original drama series, we had four drama series projects under filming/post-production. All four of pipeline drama series were pre-sold as of the Latest Practicable Date. The table below sets forth the details of the four pipeline drama series projects as of the Latest Practicable Date:

Name of the Drama Series	Production Mode	Genre	Our Investment Percentage (%)	Our Role	Status as of the Latest Practicable Date	Expected Broadcasting Time
“Nobody Knows” (膽小鬼)	Original drama series	Modern	100.0%	Sole investor and executive producer	To be broadcast (obtained the web drama broadcasting record number (網絡影視劇上線備案號))	2022
“Twenty Your Life On II” (二十不惑 II)	Original drama series	Modern	100.0%	Sole investor and executive producer	To be broadcast (obtained the Television Drama Distribution License (國產電視劇發行許可證))	2022
“Nothing But You” (愛情而已)	Original drama series	Modern	100.0%	Sole investor and executive producer	Under filming	2022
“Utter Innocence” (赤子之心)	Original drama series	Modern	100.0%	Sole investor and executive producer	Under filming	2023



“Nobody Knows”  
(膽小鬼) (2022)



“Twenty Your Life On II”  
(二十不惑II) (2022)  
(Temporary)



“Nothing But You”  
(愛情而已) (2022)



“Utter Innocence”  
(赤子之心) (2023)

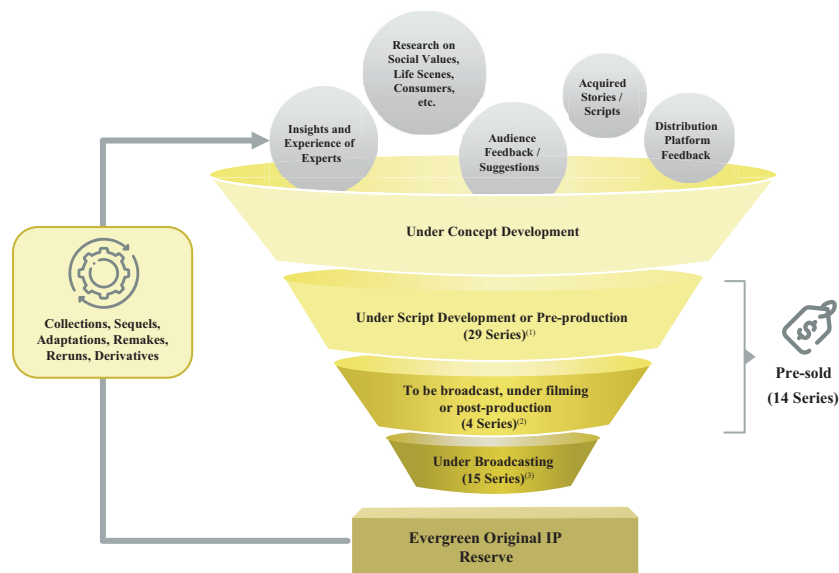
We actively and consistently develop IPs in house through research and development and also procure high-potential IPs from external sources for further development. This allows us to have an abundant reserve of original IPs and a strong project pipeline. Our development of high-quality original IPs is supported by our concept and script development process. During the process, our research and development center assesses the latest social developments and the values of our target audience through interviews and online research, brainstorms ideas based on gathered information and crafts stories through internal workshops and seminars with scriptwriters. In addition, we also established a scriptwriter talent pool consisting of top notch writers with strengths covering a comprehensive suites of trending subjects, allowing us to match the most appropriate scriptwriters with different genres of scripts that we want to develop. We also proactively gather inspiration by utilizing internal and external resources, including our internal expert groups with different strengths and external communities consisting of our audience. In addition, our employees are deeply involved in the production, distribution and promotion process to ensure project quality: including (i) our internal project managers assigned for each drama series project to provide overall management of the project; (ii) our internal producers to coordinate the production process with other external co-producers on site for our original drama series projects on a daily basis; (iii) our internal script center and executive editors to participate in the script development and production process to continuously develop and revise the scripts; (iv) our internal distribution and promotion personnel design and execute the marketing strategies; and (v) our accounting personnel responsible for the accounting and finance matters during the production. However, we do engage third party service providers, including directors, actors and production crew, to produce our original drama series. Leveraging our industry experience and insights, strong project management and research and development capabilities, we believe we will be able to continuously deliver premium original drama series to the market.



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As of the Latest Practicable Date, we had 29 drama series projects which were under script development and pre-production, two drama series projects that were under filming/post-production, two drama series project that were to be broadcast and 15 drama series which were under broadcasting. Among the 15 drama series which were under broadcasting, 11 of them were further developed by us based on third-party IPs and four of them were independently developed by us. All four drama series projects which were to be broadcast or under filming/post-production and ten of the drama series projects which were under script development and pre-production were pre-sold and expected to be broadcast within the next four years, subject to negotiations with customers, if any, as of the Latest Practicable Date. As of the Latest Practicable Date, we were in negotiations or finalizing the pre-sale arrangements with online video platforms for the drama series we had not pre-sold. As of the Latest Practicable Date, 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.

During the Track Record Period, we acquired (i) the adaptation rights of 30 novels with the cost ranged from RMB0.5 million to RMB10.0 million; (ii) the copyright of five scripts with the cost ranged from RMB2.1 million to RMB14.4 million; (iii) the adaptation rights of two drama series with the cost ranged from RMB1.5 million to RMB2.2 million and one film with the cost of RMB2.2 million; and (iv) the adaptation right of one comic book with the cost of RMB1.5 million and the total contractual amounts for our procurement of such third-party IP were RMB118.7 million. As of the Latest Practicable Date, (i) two of the acquired novels had been developed into drama series or movie which were under broadcasting, one of the acquired novels had been developed into drama series and were to be broadcast and the remaining 27 novels were under internal review, concept development or script development; (ii) three of the acquired scripts had been developed into drama series which were under broadcasting, one of the acquired scripts had been developed into drama series and were to be broadcast and the remaining one scripts were under concept/script development; (iii) one drama series and one film of which we acquired adaption rights were under concept/script development and one drama series of which we acquired adaption rights was under filming/post-production; and (iv) the one comic book of which we acquired adaption rights were under internal review. The following chart illustrates our original IP reserve and project pipeline as of the Latest Practicable Date:



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*Notes:*

- (1) We were the executive producer and sole investor in all the 29 original drama series which were under script development or pre-production as of the Latest Practicable Date.
- (2) We were the executive producer and sole investor in all the four original drama series which were to be broadcast, under filming or post-production as of the Latest Practicable Date.
- (3) We were the executive producer and lead investor of all the 15 original drama series which were under broadcasting as of the Latest Practicable Date.

### ***Business Model***

We typically act as the lead/sole investor and executive producer of our original drama series, contributing all or substantially all of the funding whilst taking the lead in the production, promotion and distribution processes (including the application for the Television Drama Series Distribution License). Co-investors make capital contributions and share returns in proportion to their respective capital contributions. From time to time, we carefully select experienced investors to make minority financial investments into our drama series according to the budget of our drama series projects. We typically solely own the copyrights of our original drama series. As the sole copyright owner, we only license the broadcasting rights of such drama series to our customers and maintain all the other legal rights including IP adaptation and licensing rights.

The production and monetization of an original drama series consists mainly of seven stages: concept development, script development, pre-production, filming, post-production, distribution and promotion.

At the concept development stage, we internally create and develop interesting, attractive and meaningful stories, ideas or scripts to serve as the foundational concepts of a future drama series. From time to time, we also explore and purchase high-potential IPs from social media platforms, books, movies or major online literature platforms.

At the script development stage, we further develop scripts and IPs based on our experience and industry insights. In general, we typically own all the creative products generated from the concept and script development stages and the copyrights of the scripts, while scriptwriters own rights of authorship and rights of remuneration. We pay scriptwriters and IP owners fixed fees depending on the concept, the level of completion, the amount of time and effort spent and market recognition of the scriptwriter.

At the production and filming stage, we are usually in charge of the entire process while procuring certain services and products from third-party suppliers. Our procurement costs are typically related to the remuneration of filming crew and cast members, rental expenses of various filming and shooting sites and equipment, costumes and props, travel and accommodation of the filming crew and post-production work, including, among others, dubbing, editing and audio and video production. We have implemented measures to ensure

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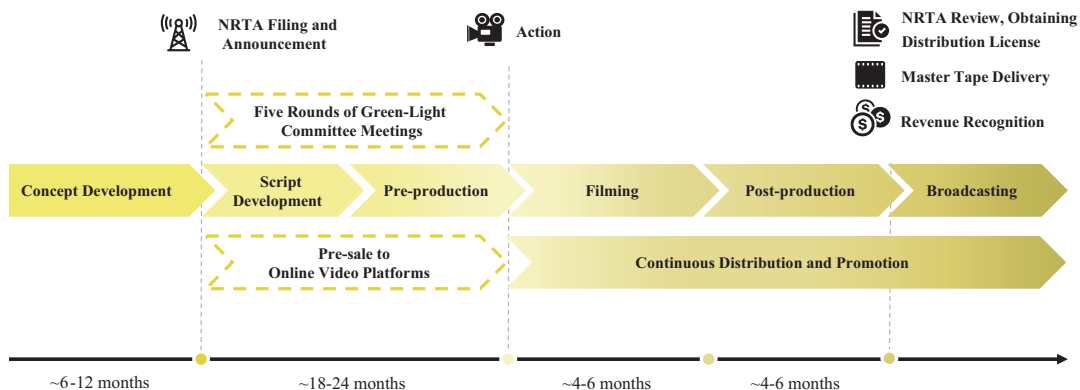
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that our projects will be completed within budget and on schedule. For example, for each project, we formulate a comprehensive budget plan and assign finance, production management and quality control staff on-site to monitor project expenditures closely and report to producers regularly.

At the promotion and distribution stage, we design tailored marketing campaign plans and engage experienced third-party marketing service providers for the detailed execution of our plans. We distribute our drama series primarily through leading domestic online video platforms and TV channels as well as overseas online video platforms and TV channels both directly and through third party distributors. Due to the premium quality and great popularity of our original drama series, we typically pre-sell our drama series to online video platforms prior to or shortly after the commencement of filming and before the completion of scripts and receive approximately 30% of the total licensing fees within a certain period after signing of the agreements. Despite the fact that drama series projects are typically capital-intensive in nature, our pre-sale model ensures our liquidity in the production process. In addition, we also fund our drama series projects through capital contributions from cash from operations, third party investors, and bank borrowings. The agreements with the online video platforms to which we pre-sold our drama series typically set forth our obligations to deliver master tapes to the relevant customers by a specific time. The relevant customers can require us to reimburse the full licensing fees we have received, pay penalties and terminate the licensing agreements if we fail to deliver the master tape within a specified period after notice. For details, see “Original Drama Series – Salient Terms of the Broadcasting Rights Licensing Agreements with Our Customers”. Our Directors confirm that we delivered the master tapes of all our drama series to our customers pursuant to the agreements. In addition, we are able to optimize our distribution strategy through our diversified distribution channels and secure different time windows on different distribution channels. For example, we sometimes negotiate exclusive licensing agreements with our customers so that our drama series will be broadcast exclusively on their platform. We also allow certain customers to broadcast our drama series or certain episodes of our drama series before they are broadcast on other customers’ platforms.

### *Operation Flow*

The following diagram illustrates the operation flow of our original drama series business:



### *Concept Development*

We start our original drama series projects with concept development as we believe this is a critical step to ensure that our story will engage, and entertain the audience. Our research and development center takes the primary responsibility in the concept development phase, conducting research for our in-house IP development as well as identifying, evaluating and purchasing high-potential IPs from various sources.

Our research and development center supports our in-house IP development by (i) taking the pulse of the latest social developments and the values of our target audience through interviews and online research; (ii) brainstorming ideas based on gathered information one to two times every month; and (iii) crafting stories through internal workshops and seminars with scriptwriters every month. From time to time, our research and development center also conducts research on specific subject matters or with members of our targeted audience. The research is based on the needs of scriptwriters in making sure our scripts are engaging as well as realistic, and that our characters have vivid personalities, and our stories can resonate well with the target audience.

Our research and development center also seeks high-potential IPs through social media platforms, video-sharing platforms, books, movies and major online-literature platforms, and carefully curates quality IPs for our IP committee's review and approval. Our IP committee consists of members of our senior management and they evaluate IPs based on their industry experience considering factors including (i) the distinctiveness and uniqueness of the IP; (ii) potential market reception and social value; (iii) potential commercial value; and (iv) synergy with our previous and pipeline drama series. In addition, our research and development center also regularly publishes identified external IPs on our internal evaluation system for our employees to provide feedback from their own perspectives, which may be considered and adopted by our scriptwriters in the script development stage. Upon the approval of our IP committee, we negotiate with the owners of the identified external IPs and typically pay fixed licensing fees to acquire rights including adaptation rights for our further development. Our agreements with the relevant IP owners typically set forth a contract term ranging from five to ten years, during which we are authorized to develop scripts based on the acquired IP. We own all creative products from the acquired IPs, while the owners of the acquired IPs own rights of authorship and rights of remuneration.

On top of the efforts by our research and development center, we also proactively gather inspiration by utilizing internal and external resources. For example, our employees meet every week to discuss the latest market trends, domestic and overseas drama series and other entertainment works, and to brainstorm ideas. We also have four internal expert groups with areas of strengths to provide ongoing expert support. We also utilize external resources, such as the "Mengju" community (萌劇社), an external community consisting of the audiences of our drama series. Our dedicated personnel host weekly online discussions and ad hoc offline salons with members of the "Mengju" community to collect their ideas, suggestions and feedback on our stories, which we take into consideration in our concept development and script development process.

The concept development process typically takes an extended period of time ranging from six to 12 months to ensure the quality of the groundwork of our drama series.

### *Script Development*

We have established our own script center which is responsible for script development. Our script center carefully selects talented scriptwriters from industry and social media platforms and establishes stable cooperative relationships with them. Our script center had established a script writer talent pool consisting of top notch writers with different areas of strengths covering a comprehensive suite of trending subjects. This dynamic talent pool allows us to match the most appropriate scriptwriters with different genres of scripts that we want to develop.

In the script development phase, we usually require scriptwriters to draft the outline of each script. Our script center will then review and refine the outline and submit the most compelling content to our green-light committee, which comprises our four co-founders, for review and determination of the script and scriptwriters. In return for their services, we typically pay fees to scriptwriters upon achievement of milestone events such as the delivery of the outline, the script for the first 10 episodes and the full scripts.

From time to time, we also acquire third party IPs, including novels, scripts and adaption rights, for our further development as our proprietary IPs. During the Track Record Period, we acquired (i) the adaptation rights of 30 novels with the cost ranged from RMB0.5 million to RMB10.0 million; (ii) the copyright of five scripts with the cost ranged from RMB2.1 million to RMB14.4 million; (iii) the adaptation rights of two drama series with the cost ranged from RMB1.5 million to RMB2.2 million and one film with the cost of RMB2.2 million; and (iv) the adaptation right of one comic book with the cost of RMB1.5 million. The total contractual amounts for our procurement of such third-party IP were RMB118.7 million. We procure such third-party IP for our further development. Our script center and executive editors use their professional judgement and experience to adapt or improve such third party IPs we acquire through their gathering of inspiration from online research and studies, expert interviews and the latest social trends and topics. In addition, our executive editors also structure the storylines, design characters and refine scripts based on the acquired third party IPs. The drama series produced using our scripts which are developed based on such acquired IPs become our own proprietary IPs after our development and we enjoy all subsequent rights as the IP owner, including the broadcasting rights and remake rights. Among the 15 drama series which were under broadcasting, 11 of them were further developed by us based on third-party IPs and four of them were independently developed by us.

Similar to the concept development process, we fully utilize both internal and external resources to better facilitate our script development. Our script center actively participates in the entire script development process by providing feedback and supplying true-to-life source materials gathered from research and interviews. When necessary, we also consult external technical advisors with particular expertise for their professional opinions on the draft script

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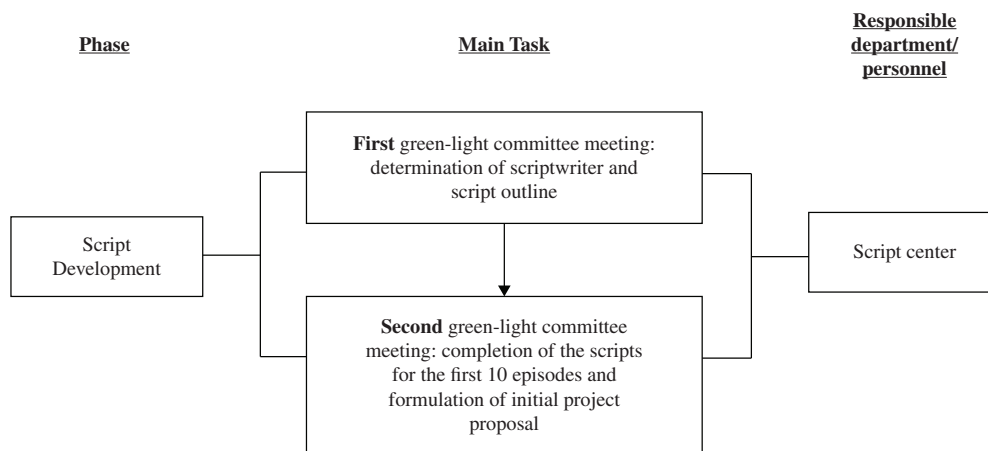
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to ensure the authenticity of the storyline and the realism of the characters portrayed. We also maintain close communications with leading online video platforms and major TV channels to evaluate the commercial value of our projects, and discuss future distribution plans at the script development stage.

Once a more advanced draft script is ready, typically marked by the completion of the scripts for the first 10 episodes, our green-light committee will conduct a second green-light committee meeting to review the draft script and provide suggestions based on their in-depth industry experience. In addition, our green-light committee will also formulate an initial project proposal including plans on budget and cast members. All the suggestions provided to our green-light committee will be duly heard and thoroughly discussed. The draft scripts will be adjusted and enhanced based on the green-light committee's suggestions until a final consensus is reached.

The table below sets forth the workstreams of our green-light committee meetings at the script development stage:



Once our initial project proposal and draft script are approved by the second green-light committee meeting, we proceed to file the Application for Public Record (備案公示申請) to the NRTA in accordance with the Administrative Measures of Record-filing and Announcement for Filming and Production of Drama Series (《電視劇拍攝製作備案公示管理辦法》). As one of the 41 holders of the Television Drama Production Permit (Class A) (《電視劇製作許可證(甲種)》) in China as of March 31, 2022, we are not required to apply for the relevant individual production permit prior to the commencement of production of each drama series.

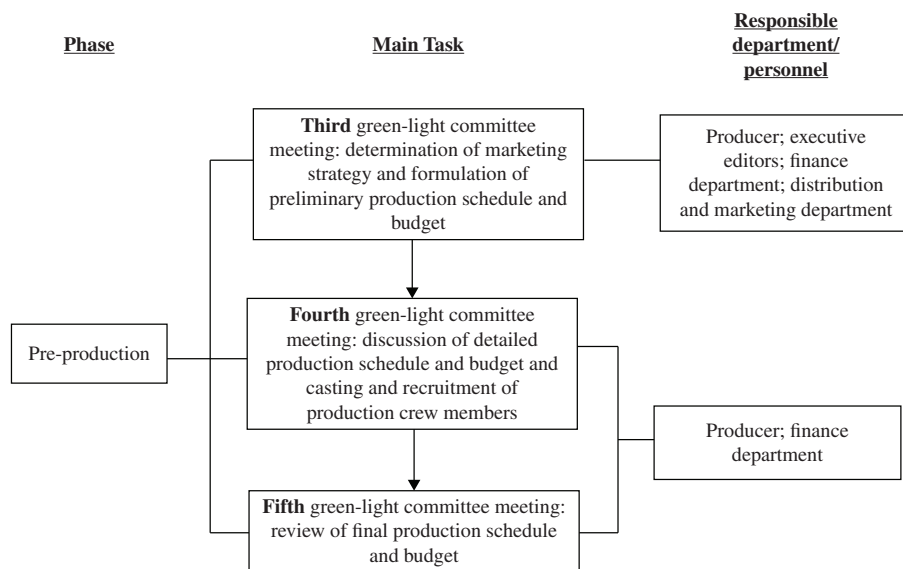
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### *Pre-production*

We start the pre-production process once the green-light committee unanimously approves the filming of the proposed script. Our green-light committee continues to play an important role in the pre-production stage, including (i) the formulation of the marketing strategy and preliminary production schedule and budget at the third green-light committee meeting; (ii) the discussion of the detailed production schedule and budget, as well as the casting and recruitment of production crew members at the fourth green-light committee meeting; and (iii) the review of the final production schedule and budget at the fifth green-light committee meeting. The flowchart below sets forth the workstreams of our green-light committee meetings at the pre-production stage:



Under the guidance of our green-light committee, we are also primarily in charge of the following aspects in the pre-production phase:

- (i) casting: we select major cast members based on their suitability for roles, the target audience, the cast members' popularity, fee quote and availability. From time to time, we also provide training to major cast members if necessary to help them better understand their roles;
- (ii) selection of production crew: we select and engage professionals for filming, lighting, props, costumes, make-up, settings, art, martial arts and stunt coordination, based on their experience and expertise;
- (iii) script review: we encourage major cast members and key production crew to review scripts together at the pre-production phase to better understand their roles and provide their insights. We may continue to refine the scripts based on their discussions and suggestions;

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- (iv) location scouting and design and construction of shooting sets: we conduct site visits to shooting sites and evaluate factors primarily including costs, scene suitability and filming feasibilities. We formulate design and construction plans and engage experienced third-party construction service providers to execute the design and construction plans;
- (v) formulation and commencement of product placement plans: we formulate product placement plans at the pre-production phase. We tailor the scripts and the construction of shooting sets to embed products/services naturally into our drama series; and
- (vi) purchasing and leasing of filming equipment and props.

The script development and pre-production phases usually take 18 to 24 months.

### *Filming*

After the pre-production phase, we proceed to the filming process. The filming process typically takes approximately four to six months. We have implemented measures to ensure that our projects will be completed within budget and on schedule.

For each project, we assign an in-house production team led by our in-house producers on site, to monitor the entire filming process. The team consists of personnel from our script center, marketing department and finance department. In particular, (i) executive editors from our script center liaise with the production crew and make necessary adjustments to the scripts to ensure the smooth operation of the filming and production process; (ii) personnel from our sales and marketing department collect and produce marketing materials on-site to be used at the promotion stage; and (iii) our finance department monitors project expenditures in accordance with the budget plans to prevent cost over-runs. In addition, our production team conducts daily, weekly and ad hoc meetings to monitor project progress and to adjust the filming schedule when necessary. They also review completed clips to ensure filming quality.

Production shoots are typically scheduled for a number of full days based on the total production budget of the project, availability of actors, weather and setting conditions. In addition to our in-house production team, the filming stage of the production is also led by the directors and producers, who are supported by professional teams with areas of expertise including filming, lighting, props, costumes, make-up, settings and art, among many others.



### *Post-production*

After filming is completed, the producer, director and editors will select the scenes to assemble the final product. Post-production primarily involves (i) video and sound editing; (ii) voice dubbing; (iii) creating and recording music; (iv) sound mixing; (v) special effects; and (vi) color grading. During the post-production stage, we regularly review the edited materials and video clips from artistic, commercial and compliance perspectives. The post-production process typically takes four to six months.

Once the post-production work of the drama series is completed, the post-production team typically conducts multiple rounds of review to identify and solve issues and ensure quality post-production. In addition, our Senior Management, directors, producers and script writers also review and provide suggestions for the post-production team to make adjustments and further enhance the quality of the post-production.

We also actively seek fresh-eye opinions from our employees and the “Mengju” community on the sample video clips, with a particular focus on the realism and attractiveness of the characters, the storylines and the core value delivered by the drama series. Our legal department also review the drama series from the legal compliance perspective and provides comments. In addition, we also invite members from the “Mengju” community to review close-to-final video clips to provide thoughts/opinions, which we believe serves as an effective tool to better formulate and adjust our marketing strategies.

After our review, we submit the drama series to the relevant government authorities for content review. For drama series to be broadcast on TV channels, we are required to submit the Application for Content Examination (內容審查申請) to the NRTA and obtain the relevant Television Drama Distribution License (《國產電視劇發行許可證》). For drama series to be broadcast on online video platforms, we are required to either (i) obtain the relevant TV Drama Distribution License; or (ii) submit the completed dramas to NRTA or its provincial counterpart for content review in accordance with the Notice about Upgrading the Information Recording Filing System of the Internet Audio-visual Program (《關於網絡視聽節目信息備案系統升級的通知》) if such drama series will only be broadcast on online video platforms. During the review/filing process, we adjust and modify the content of our drama series according to the suggestions of the relevant PRC government authorities. See “Regulatory Overview” for details.

### *Distribution*

We primarily distribute our original drama series through online video platforms and TV channels. We proactively select among different distribution channels to optimize our audience coverage, considering each distribution channel’s (i) compatibility with the market positioning of our drama series, (ii) target audience, and (iii) timeline and fee quotes.

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We typically pre-sell our drama series to online video platforms prior to or shortly after the commencement of filming and before the completion of scripts due to the premium quality of our content. Specifically, in the second half of each year, we provide a pre-sale list showing the names and outlines of all the drama series that are under development to our potential customers. We enter into pre-sale agreements with customers who are interested in such drama series and secure prepayments in advance. The presale can, on the one hand, secure the distribution of our original drama series, and on the other hand, allow us to receive a certain percentage of our total licensing fees upfront (prior to or shortly after the commencement of filming), which in turn, 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. The agreements with online video platforms to which we pre-sold our drama series typically set forth our obligations to deliver master tapes to the relevant customers by a specific time, which is estimated by us based on our production plan and negotiated and mutually agreed by the parties. The relevant customers can require us to reimburse the full licensing fees we have received, pay penalties and terminate the licensing agreements if we fail to deliver the master tape within a specified period after notice. For details, see “Original Drama Series – Salient Terms of the Broadcasting Rights Licensing Agreements with Our Customers”. Our Directors confirm that we delivered the master tapes of all our drama series to our customers pursuant to the agreements. Customers also tend to provide feedback to us during the post-production period to speed up the process. Once we obtain the TV Series Distribution License, we transfer the master tape and grant transmission rights or TV broadcasting rights to the customers. During the Track Record Period, we were able to pre-sell all of our original drama series broadcast during each of the period at a time as early as the commencement of filming to online video platforms, representing a pre-sale rate of 100.0%. According to Frost & Sullivan, we are one of the very few drama series production companies in China that are capable of pre-selling drama series to online video platforms.

We license the broadcasting rights of our original drama series either exclusively or non-exclusively to our customers. The term of each license generally ranges from five to ten years. Once the term of an exclusive license has expired, we can re-license our original drama series to other distribution channels. For non-exclusive licenses, we can simultaneously license the broadcasting rights of the same drama series to multiple distribution channels to maximize the commercial value of such drama series. For details of our contract terms with customers, see “Business – Salient Terms of the Broadcasting Rights Licensing Agreements with Our Customers”.

In addition to generating revenue from the licensing of the broadcasting rights of our original drama series, we have been exploring new monetization methods. For example, during the Track Record Period, we licensed the remake rights of “Nothing but Thirty” (三十而已) to an overseas TV channel, granting the rights to remake the drama series in a different language and to distribute the remake work around the world.

We have also established an effective market summary, analysis and feedback mechanism to further enhance our distribution process. We record the distribution information and related data throughout the entire process, helping us to effectively maintain customer relationships and provide critical guidance for our planning, investment and distribution of future projects.

### *Promotion*

The preparation for the promotion activities of a drama series generally begin at the pre-production phase and the promotion may last for several months after the initial broadcasting of the series.

We primarily promote our drama series through interactive marketing on social media platforms and short video platforms. We formulate tailored promotion plans based on the demographics of the target audiences of our original drama series. For example, we post interesting video clips of our drama series and behind-the-scene stories and host live streaming gatherings among cast members and the audience on social media platforms. Such promotion strategy has proved to be successful. For example, short videos with the hashtag “Nothing but Thirty” had received the most accumulated views among all drama series short videos on a major short video platform in China as of the Latest Practicable Date according to Frost & Sullivan.

We strive to fully utilize our drama series collections and create synergy among our proprietary IPs to intrigue our audience’s continuous interest in our drama series. To this end, we cross-promote our drama series collections on social media and short video platforms. For example, in 2020, we created trending topics on our proprietary drama series “Twenty Your Life On” (二十不惑) and “Nothing but Thirty” (三十而已). The trending topics such as “No limits for twenty and thirty” became popular searches of the day on social media platforms. Since our inception, there has been over 100 hot searches of the day relating to our drama series on one of the most popular social media platforms in China, amounting to over 10.0 billion views. In addition, we created interactive scenes in “Nothing but Thirty” (三十而已), in which the three main characters interacted with the main characters of “Twenty Your Life On” (二十不惑).

Our promotion activities also include press releases, marketing campaigns, drama series release conferences and media interviews with the major cast members. In addition, we organize press visits to the filming sites during filming to garner media attention. We also organize appearances of the actors and directors of the drama series on television programs and at other events to promote our drama series.

### ***Salient Terms of the Broadcasting Rights Licensing Agreements with Our Customers***

We enter into licensing agreements with online video platforms, TV channels and third party distributors on a project-by-project basis. The typical salient terms of the agreements with our customers are as follows:

- *Term of the license:* Generally five to ten years from the date of the initial broadcasting on the relevant online video platforms or TV channels;
- *Details of the drama series:* The agreements typically set out the official name, the number of episodes, major cast members, and relevant distribution licenses of the drama series;

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- *Territories and exclusivity:* Generally online video platforms are granted the broadcasting rights of the drama series in the PRC, while TV channels are usually granted such rights of the drama series within certain specific provinces. The broadcasting rights granted to our licensee customers can be both exclusive or non-exclusive;
- *Rights of sub-licensing:* From time to time, we grant sub-licensing rights to certain customers. Customers with sub-licensing rights can sub-license the exclusive broadcasting rights of our original drama series to third parties in the PRC within the term of the license;
- *Broadcasting Schedule:* The licensing agreements usually specify the broadcasting schedule, including the number of episodes each day and their corresponding time slot during the day for broadcasting (i.e., prime time or otherwise). Certain of the agreements also include a clause designating the priority of broadcasting (i.e., the initial broadcast or subsequent broadcast) and the number of times the particular drama series can be broadcast;
- *Licensing fee:* Generally a fixed amount per episode, while in some cases it may be subject to adjustments based on the actual number of episodes delivered;
- *Payment:* We typically pre-sell our drama series to our customers before the completion of scripts and receive 30% of the total licensing fees within a certain period after signing of the agreement, which is within the industry norm range. Such 30% licensing fees are typically determined based on the industry norm range and our business negotiations with our customers. Payments in instalments in accordance with the milestone payment schedules are set out in the relevant agreements, which are typically payable within a certain period after the execution of the agreements, the obtaining of relevant Television Drama Distribution Licenses, the delivery of the master tapes or the initial broadcasting of the drama series;
- *Bonus.* In certain agreements with online video platform customers, if our drama series reaches a certain level of viewership rate or contributes to more than a prescribed number of additional or renewal of membership subscriptions within a certain period after the broadcasting, we are entitled to an additional bonus pursuant to the agreements;
- *Delivery of the materials:* We are required to deliver the master tapes to the relevant customers by the prescribed time set forth in the relevant agreements. Customers can require us to reimburse the full licensing fees we have received, pay penalties and terminate the licensing agreements if we fail to deliver the master tape within a specified period after reasonable notice. Some agreements contain provisions relating to the format and specifications of the drama series materials to be delivered to our customers and the proposed schedule of delivery;

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- *Confidentiality*: All parties undertake responsibilities not to disclose the other party's trade secrets or other business information to any third party; and
- *Termination*: Our licensee customers are entitled to terminate the relevant licensing agreements in the event of, among other reasons, delay in delivering the tapes, delay in obtaining the Television Drama Distribution License, and adverse social impact caused by the cast members during distribution or failure to meet the pre-agreed broadcasting schedule. We are entitled to terminate the relevant licensing agreements in the event of, among other reasons, improper use of the drama series beyond the agreed licensing scope, material delay in payment or force majeure. In addition, we may be required to refund part or all the licensing fee to customers if the original drama series cannot be broadcast during the licensing period.

### *Salient Terms of Investment Agreements with Co-investors*

We enter into investment agreements with co-investors in drama series in which we act as the lead investor and executive producer on a project-by-project basis. The typical salient terms of the agreements with co-investors are as follows:

- *Details of the drama series*: The agreements typically set forth the official name, the number of episodes and major cast members of the drama series.
- *Investment details*: The agreements typically set forth the amount and percentage of capital investment made by the relevant investors and the investment payment schedule.
- *Investment return*: The investment return is typically variable return calculated based on investors' proportionate shares of the entire investment income. The investment return is fixed return only when the relevant investors prefer not to undertake any investment risks and would like to receive fixed amount of return instead. During the Track Record Period, only certain investors' investment in "Hunting" (獵狐) and "Novoland: Eagle Flag" (九州飄緲錄) are fixed-return.
- *Confidentiality*: Both parties typically undertake responsibilities not to disclose any information in connection with the agreements unless such information becomes publicly available.
- *Termination*: Agreements can typically be terminated after both parties reaches mutual consent.

### **Content Marketing**

Our broad audience reaches across the world makes us a preferred choice for advertisers for content marketing.

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We provide three types of content marketing services, including (i) product placement services; (ii) customized creative advertisements to be placed in our drama series broadcast on online video platforms; and (iii) integrated marketing campaigns tailored to the target consumers of the advertisers. The table below sets forth the revenue breakdown of our content marketing services by type for the periods indicated.

	Year ended December 31,			Three months ended March 31,	
	2019	2020	2021	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Product placements	50,491	58,349	84,591	–	4,795
Customized creative advertisements	8,341	7,612	12,142	–	1,679
Integrated marketing campaign	–	–	13,033	–	7,645
<b>Total</b>	<b>58,832</b>	<b>65,961</b>	<b>109,766</b>	<b>–</b>	<b>14,119</b>

For product placement, we carefully examine our scripts during the script development process to locate highlights of the drama series that are most likely to generate wide public interest and discussions. We actively approach customers with advertising needs and are also approached by customers from time to time prior to the filming and we discuss the detailed product placement plans prior to and during the filming process. We then produce and embed customized scenes in our drama series during the filming, production and post-production process, such as the interaction between the characters and the product/service in our drama series, to market the products/services naturally.

The pictures below are examples of our product placement, both of which are screenshots from our original drama series “A Little Dilemma” (小舍得) in which our advertisers’ products were showcased:



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During the Track Record Period, we also developed and produced customized creative advertisements for online video platforms and third-party advertising agencies and provide such advertisements to online video platforms and TV channels for the broadcasting during our original drama series. We produce such advertisements before and during the broadcasting of the relevant drama series on such platforms.

Leveraging on our diversified advertising customer portfolio, we also design integrated marketing campaigns that are tailored to the target consumers of the advertisers and launch such campaigns on various platforms including social media and short video platforms. We actively approach potential customers with advertising needs, formulate and discuss detailed integrated marketing campaign plans, and execute plans pursuant to the customers' instructions. Therefore, integrated marketing services are project-based in nature and the details of the campaigns varied significantly in different projects. For example, we produce short video based on our original drama series and original IP pursuant to the specifications of our content marketing customers and release such video on short video platforms and social media platforms to achieve customers' marketing purposes. Since 2021, we also started to launch integrated marketing campaigns leveraging on the characters and actors in our original drama series and design advertisement campaigns and produce videos for our customers to promote their brands. In addition, we are also in the process of negotiating with a potential customer to provide marketing campaign design and operating services for their live streaming events on short video platforms and generate content marketing services revenue. According to Frost & Sullivan, the online video-based content marketing market in China experienced rapid growth at a CAGR of 23.6% from approximately RMB138.2 billion in 2017 to approximately RMB322.9 billion in 2021. By 2026, the online video-based content marketing market in China is expected to reach approximately RMB704.8 billion, representing a CAGR of approximately 16.9% from 2021 to 2026.

Since our inception and up to the Latest Practicable Date, leveraging our well-recognized industry reputation and high-quality marketing capabilities, we were able to develop a diversified portfolio of over 100 advertising customers, covering industries including automobiles, cosmetic products, commodities, clothing, online retail platforms, among many others. The following table sets forth the number of brands for which we provided content marketing services for the periods indicated:

	Year ended December 31,			Three months ended
	2019	2020	2021	March 31, 2022
Number of brands <sup>(1)</sup>	29	37	61	7

*Note:*

- (1) Number of brands includes the brands from which we generated content marketing services revenue directly or indirectly through third-party agents during each respective period.

***Salient Terms of Product Placement Services Agreements***

We enter into agreements with customers for our product placement services on a project-by-project basis. The typical salient terms of the agreements with our customers for our product placement services are as follows:

- *Details of the drama series:* The agreements typically set forth the official name, the major cast member, the expected broadcasting time (if available), and the expected broadcasting channels (if available) of the drama series.
- *Details of the product placement services:* The agreements typically set forth the details of how the product placement services are provided, including, for example, the number of scenes to be shown in the drama series and whether the products are passively shown in the scene or the actors would actively interact with the relevant product.
- *Payment:* The agreements typically set of the amount of product placement service fees, which are typically fixed price with adjustment mechanism in case the fixed number of scenes broadcast deviate from the stipulated terms. The product placement service fees are typically payment in installments upon reaching the stipulated milestone events, including, for example, the execution of the agreement and the various milestone of drama series production.
- *Termination:* Product placement customers are entitled to terminate the agreement if we fail to obtain the relevant broadcasting license of the original drama series or the relevant drama series cannot be broadcast on the stipulated broadcasting channels before a specific date and both parties cannot reach consensus, and in such case we may be required to refund all costs paid by the relevant customers.

***Salient Terms of Customized Creative Advertisement Services Agreements***

We enter into agreements with customers for our customized creative advertisement services on a project-by-project basis. The typical salient terms of agreements with our customers for our customized creative advertisement services are as follows:

- *Details of the drama series:* The agreements typically set forth the official name of the drama series.
- *Details of the customized creative advertisement services:* The agreements typically set forth the details of how the customized creative advertisement services are provided, including the advertising brand and the number, length and size of the advertisements to be produced. We are required to submit the advertisement for customers' review and obtain their confirmation.



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- *Payment:* The agreement typically sets forth the amount of customized creative advertisement service fees, which are typically fixed price payable within a certain period after (i) customers' confirmation on the produced advertisements; and (ii) customers' receipt and confirmation of the value-added tax invoices we issue.
- *Termination:* The agreements can be terminated in the event of material breach. For example, if we fail to deliver the advertisements to customers as stipulated and fail to cure within a certain period of time, customers are entitled to terminate the agreements and we may be required to refund the service fees we have received to such customers.

### *Salient Terms of Integrated Marketing Campaign Services Agreements*

We enter into agreements with customers for our integrated marketing campaign services on a project-by-project basis. The typical salient terms of agreements with our customers for our integrated marketing campaign services are as follows:

- *Details of the drama series:* The agreements typically set forth the official name and the major cast members.
- *Details of the integrated marketing campaign services:* Due to the nature of such services, the details of the integrated marketing campaign services we provide may vary in different agreements. The agreements typically set forth the details of how the integrated marketing campaign services are provided, including, for example, the marketing brand, the number of marketing videos and posts we are responsible for arranging the identified actors to participate in the campaign. We may also license the right to use the posters of our drama series (including the relevant actors) to the customers for the campaign.
- *Payment:* The agreements typically set forth the amount of integrated marketing campaign service fees and the payment schedule.
- *Termination:* Agreements can typically be terminated in the event of material breach. For example, if we fail to deliver the marketing materials as stipulated and fail to take remedial actions within a certain period of time, customers are entitled to terminate the agreements and we may be required to refund service fees and pay penalties as stipulated.

Going forward, we plan to further develop our content marketing business. In 2021, we established subsidiaries including Shanghai Ningchuan and Wuren Guanji to focus on our content marketing business. Specifically, we plan to (i) further increase the number of our original drama series and cooperative third party platforms, through which we can deliver more content marketing services; (ii) market our customers' products/services in innovative and trending methods, such as short videos, long videos, films and mini drama series; and (iii) provide cross-platform and cross-screen advertising services and cover both online and offline scenarios. See "Business – Our Strategies" for details.

### **Other Businesses**

We also provide other services including (i) producing made-to-order drama series based on customer orders and charging fixed production fees; (ii) developing, producing and distributing films and charging licensing fees for the broadcasting rights of the film; (iii) investing in drama series as a non-executive producer and charging net licensing fees in proportion to our investment; and (iv) licensing our IP derivatives adaptation rights and charging royalty income. During the Track Record Period, we also provided artiste management services and charged service fees. We disposed of the relevant subsidiary in 2020 and ceased providing such service afterwards.

#### ***Made-to-order Drama Series Production***

During the Track Record Period, in light of our reputation and proven track record of creating premium content, Tencent Video hired us to undertake the production of two drama series (including “The King’s Avatar” (全職高手) in 2019 and “Ancient Love Poetry” (千古玦塵) in 2021).

The business model of made-to-order drama series production is different from that of our original drama series, for which we independently manage the full-cycle process including development, production and distribution. For the two made-to-order drama series, Tencent Video provided IPs and was also responsible for distribution. We were only engaged to arrange and supervise the production of such drama series, including procurement and coordination of engagement of directors, producers and actors. We were not responsible for the distribution of the made-to-order drama series. The production of the two made-to-order drama series from filming to post-production took 12 to 15 months as such drama series contain gaming or costume scenes which typically take more production time. In return for our services, we generated revenue of approximately RMB73.1 million in 2019 and RMB28.2 million in 2021.

The following are the posters of the two made-to-order drama series broadcast during the Track Record Period:



“The King’s Avatar”  
(全職高手) (2019)



“Ancient Love Poetry”  
(千古玦塵) (2021)

Going forward, we will selectively undertake the production of made-to-order drama series while focusing on original drama series production and distribution.

### *Film Production*

Given our established expertise in the drama series production industry, we also stepped into the film production industry leveraging our development and production capabilities and industry resources. While we primarily focus on producing original drama series, we also developed, produced and distributed one film, “Monster Run” (怪物先生), in 2020 and own the IP of such film. We also developed and filmed another film, “Counterfeit Secret Service” (冒牌特工隊), in 2020, but did not complete its post-production due to the expected decrease in popularity of its content among audience and our estimation of its profitability based on the overall market conditions and trends in 2020. Accordingly, 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. See “Financial Information – Description of Key Statement of Profit or Loss Items – Gross Profit and Gross Profit Margin” for details.

Most of the operation process of film production is substantially the same to that of our original drama series production. See “Our Business Model – Original Drama Series – Operation Flow” for details. However, pursuant to Film Industry Promotion Law of the PRC (《中華人民共和國電影產業促進法》), we are required to (i) file the outline of film script for the record with the film authorities under the State Council or the competent provincial film authorities, and (ii) submit the film script for review of and approval by competent government authorities if the film script contains a major theme or a theme relating to the national security, diplomacy, ethnicity, religion and military. We are also required to submit films to the competent national and provincial film authorities for review and obtain the Licence for Public Screening of Films (電影片公映許可證) after filming/production and before broadcasting. See “Regulatory Overview – Regulations in Relation to Production and Distribution of Films” for details.

Revenue from films is typically box office revenue, which is different from original drama series which generates revenue by licensing the broadcasting rights to online video platforms, TV channels and third-party distributors. However, due to the COVID-19 pandemic, the PRC government imposed strict social distancing policies and suspended the operation of cinemas in the first quarter of 2020. As a result, we promptly adjusted our film distribution plan. Instead of licensing theatrical distribution rights to cinemas, we licensed the broadcasting rights to top domestic online video platforms including Tencent Video in 2020. See “Business – Impacts of The COVID-19 Pandemic” for details. We are also in close negotiation with overseas distribution channels to license the broadcasting rights of “Monster Run” (怪物先生) to them and expect to generate additional licensing fees in the near future.

Revenue generated from film production during the Track Record Period were all in relation to “Monster Run” (怪物先生), which amounted to RMB135.0 million in 2020. The gross profit margin of “Monster Run” (怪物先生) was 19.1% in 2020. However, primarily due to the full provision we made for the impairment of “Counterfeit Secret Service” (冒牌特工隊), the gross profit margin of our film production business was negative 17.2% in 2020, resulting in negative gross margin of our other businesses of negative 8.0% in 2020. See “Financial Information – Summary of Historical Financial Information – Gross Profit and Gross Profit Margin” for details.

The following is a poster of the film we produced during the Track Record Period:



“Monster Run”  
(怪物先生) (2020)

***Investment in Drama Series as A Non-executive Producer***

During the Track Record Period, from time to time, we chose to invest in high viewership drama series projects to further monetize our production capability. We obtain information of drama series projects through our industry resources and carefully select drama series projects to invest in as a non-executive producer based on our experience. Under such co-financing arrangements, we act as a non-executive producer, generally contributing a minority investment. We generally do not participate in the production process of such drama series, but sometimes assist in the promotion and distribution by referring industry resources (i.e. the promotion and distribution service providers we have previously engaged). We entered into co-financing agreements with other drama series producers on a project-by-project basis. The salient terms of the co-financing agreements we entered into typically include: (i) the details of the drama series, such as the name, number of episodes, total investment, leading cast and production schedule; (ii) IP arrangements, usually owned by the executive producers or jointly owned by the executive producers and us; (iii) investment allocation and payment, investment is paid by us in instalments and we share part of the net licensing fees and/or distribution commission in proportion to our investment; and (iv) work allocation – executive producers are in charge of development, production and distribution (including the application for the Television Drama Distribution License) while we assist with promotion and distribution.

Since our inception and up to the Latest Practicable Date, we invested in four drama series as a non-executive producer. We invested 47.5% of the capital contributions to “Chronicle of Life” (寂寞空庭春欲晚) in 2015, 10% of the capital contributions to “Chinese Paladin 5” (仙劍雲之凡) and 30% of the capital contributions to “The Chinese Style Relationship” (中國式關係) in 2016 and 30% of the capital contributions to “Hand in Hand” (陪你一起長大) in 2021 as a non-executive producer and generated revenue from investing in drama series including “Chinese Paladin 5” (仙劍雲之凡) and “Hand in Hand” (陪你一起長大) of RMB47.6 million in 2021.

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The below table sets forth the details of the co-investors and co-producers of the drama series in which we invested as a non-executive producer:

<b>Drama Series in which we invested as a non-executive producer</b>	<b>Lead investor(s) and executive producer(s)</b>	<b>Co-investor and non-executive producer</b>
<p>“Chronicle of Life” (寂寞空庭春欲晚)</p>	<p>Zhejiang Menghuan Xingshengyuan Film and Television Culture Co., Ltd.* (浙江夢幻星生園影視文化有限公司) (47.5% of the capital contribution), Beijing Tianxing Shikun Culture Media Co., Ltd. * (北京天行勢坤文化傳媒有限公司) (5% of the capital contribution)</p>	<p>Our Group (47.5% of the capital contribution)</p>
<p>“Chinese Paladin 5” (仙劍雲之凡)</p>	<p>Tianjin Tangren Film and Television Holdings Co., Ltd.* (天津唐人影視股份有限公司) (90% of the capital contribution)</p>	<p>Our Group (10% of the capital contribution)</p>
<p>“The Chinese Style Relationship” (中國式關係)</p>	<p>Tianjin Tianma Yingxiang Film and Television Co., Ltd.* (天津天馬映像影業有限公司) (70% of the capital contribution)</p>	<p>Our Group (30% of the capital contribution)</p>
<p>“Hand in Hand” (陪你一起長大)</p>	<p>Shanghai Qingxin Culture Chuanbo Co., Ltd.* (上海青新文化傳播有限公司) (70% of the capital contribution)</p>	<p>Our Group (30% of the capital contribution)</p>

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We enter into investment agreements with co-investors for drama series in which we invest as a non-executive producer on a project-by-project basis. During the Track Record Period, the investment return in “Hand in Hand” (陪你一起長大) in which we invested as a non-executive producer is variable return based on our proportionate shares of the entire investment income. Revenue generated from investing in drama series as a non-executive producer amounted to nil, nil, RMB47.6 million and nil in 2019, 2020 and 2021 and the three months ended March 31, 2022, respectively. The typical salient terms of the agreements with co-investors are as follows:

- *Details of the drama series:* The agreements typically set forth the official name, the number of episodes and major cast members of the drama series.
- *Investment details:* The agreements typically set forth the amount and percentage of capital investment made by us and the investment payment schedule.
- *Investment return:* The investment return is all variable return calculated based on our proportionate shares of the entire investment income. During the Track Record Period, all of the investment income of the drama series in which we invested as a non-executive producer are variable return.
- *Confidentiality:* Both parties typically undertake not to disclose any information in connection with the agreements unless such information becomes publicly available.
- *Termination:* Agreements can typically be terminated after both parties reach mutual consent.

We engage an independent third-party valuer to use discounted cash flow method to evaluate the initial recognition and subsequent measurement of the fair value of financial assets arising from each investment and our management team and finance department monitor the subsequent measurement and make risk assessment from time to time.

### ***Royalty Income***

We also generated royalty income from IP derivatives, such as licensing of adaptation rights of our original drama series to online gaming and music companies to produce role play games or music during the Track Record Period. When our drama series gain or are expected to gain popularity, we offer IP derivatives opportunities by licensing the adaptation rights of such drama series. We work closely with our IP derivative customers to launch IP derivatives with the marketing and promotion of our drama series. For example, we licensed the adaptation rights of “Legend of Fuyao” (扶搖) and “Only Side by Side with You” (南方有喬木) to online gaming companies, we also licensed the original soundtracks of “Twenty Your Life On” (二十不惑) and “Nothing but Thirty” (三十而已) to an online music sharing platform. In 2019, 2020 and 2021 and the three months ended March 31, 2022, we generated revenue of RMB1.7 million, RMB2.8 million, RMB4.0 million, and nil, respectively, as royalty income. Going forward, we will continue to explore opportunities to sell IP derivatives of our drama series to diversify our monetization methods.

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### *Artiste Management*

During the Track Record Period, we sourced actors for drama series and films, entertainment events and TV programs for artistes, whilst generating artiste management fees. In 2019, 2020 and 2021, we generated revenue of RMB23.9 million, RMB0.4 million, and nil from artiste management, respectively. During the Track Record Period, artiste management services contributed only a small portion to our revenue and we disposed of Shanghai Mengyang, the subsidiary providing artiste management services, in 2020 to focus our resources on our original drama series business. As a result, we do not expect to generate revenue from artiste management in the future. See “History, Reorganization and Corporate Development” for details. All the artiste management agreements were entered into between Shanghai Mengyang and the relevant artistes and Shanghai Mengyang has been independently responsible for its artiste management services since our disposal.

### **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:

- drama series are priced higher if the total investment of the drama series is higher;
- licensing fees to online video platforms are typically priced higher than TV channels mainly because the budget of online video platforms is higher than the same of TV channels and the competition between online video platforms incentivizes them to procure high quality drama series to retain audience;
- licensing fees of the drama series which are expected to have higher rankings are typically priced higher than those which are not expected to have higher rankings;
- licensing fees of the first-run broadcasting rights are typically higher than re-run broadcasting rights mainly because first-run broadcasting typically attracts stronger audience attention and more discussion than re-run broadcasting; and

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- licensing fees of the drama series which are expected to be broadcast during prime time are typically priced higher than those which are not 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; (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. During the Track Record Period, the licensing fees of our original drama series (including first-run and re-run) were generally higher than the industry range, and as advised by Frost & Sullivan, this is because (i) our proven track record is highly valued by distribution channels, driving higher-than-average prices; and (ii) we have the ability to develop high viewership drama series which can effectively engage and impact audience and establish audience stickiness and therefore are expected to have high level of popularity.

The gross profit margin of our first-run drama series typically ranges from approximately 20% to 45% during the Track Record Period depending on the total investment, genre, the distribution channels, broadcasting schedules, prevailing market price, and its budget control, among many other factors as disclosed in the revised Prospectus, except for “Novoland: Eagle Flag episodes” (九州縹緲錄) which recorded a relatively low gross profit margin primarily due to (i) the large scale of the project, and (ii) the genre of this drama series as a costume and fantasy drama series which generally incurs higher cost for make-ups, costumes, production sets and post-production, especially the special effects.

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.

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, the 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.



### SALES AND MARKETING

We establish cooperative relationships with our customers primarily through the efforts of our sales and marketing department.

To better distribute our drama series to online video platforms and TV channels, we visit our existing and potential customers on a regular basis to introduce our drama series projects. For example, we maintain close communications with customers and introduce summary of script and highlights in drama series to potential customers as early as when the scripts outlines are created. We believe that these frequent opportunities to meet with our existing and potential customers have provided us with abundant opportunities to maintain and foster fruitful business relationships, and in the meantime, closely monitor the market trends in different regions in China.

In addition, to enhance the audience exposure of our drama series, we usually formulate the relevant promotion and marketing plans for our drama series and engage specialized marketing agencies, who are Independent Third Parties, to implement such promotion and marketing plans. The third-party marketing agencies generally promote our drama series on new media and/or online social platforms. We formulate the promotion and marketing strategy of each drama series based on a number of factors, including (i) the drama series content; (ii) distribution channel; and (iii) the target audience. For example, we publish behind-the-scene clips and trailer on social media platforms and short video platforms to attract audience attention. We also initiate discussion topics relating to our drama series on social media platforms and invite actors to interact with audience through live-streaming to increase audience engagement.

The marketing and promotion activities of a drama series generally begin prior to filming activities and may last for several months after its initial broadcasting. For 2019, 2020 and 2021, and the three months ended March 31, 2021 and 2022, our marketing expenses for marketing and promotional activities amounted to RMB96.6 million, RMB118.4 million, RMB85.1 million, RMB9.7 million and RMB34.3 million, respectively.

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### AWARDS AND RECOGNITIONS

During the Track Record Period, we have received recognition for the quality and popularity of our drama series. Some of the significant awards and recognition we have received are set forth below.

Award/Recognition	Award Year	Awarding Institution/Authority	Recipient
TV Programs Going Global Outstanding Contribution Enterprise Award for the year 2018 (2018年電視節目走出去突出貢獻企業)	2019	CCPPD & NRTA (中國共產黨中央委員會宣傳部 & 中華人民共和國國家廣播電視總局)	Shanghai Linmon
The 2019-2020 National Key Enterprise of Cultural Exports (2019-2020年度國家文化出口重點企業)	2019	MOFCOM & CCPPD & MOF & MCT & NRTA (中華人民共和國商務部 & 中國共產黨中央委員會宣傳部 & 中華人民共和國財政部 & 中華人民共和國文化和旅游部 & 中華人民共和國國家廣播電視總局)	Shanghai Linmon
The 25th Shanghai TV Festival International Communication Award (第25屆上海電視節國際傳播獎)	2019	STVF Organizing Committee & Magnolia Award of the 25th Shanghai TV Festival (上海電視節組織委員會 & 第二十五屆上海電視節白玉蘭獎)	A Love for Separation (小別離)
Outstanding Television Series Award in the 30th China Golden Eagle TV Art Festival (第30屆中國電視“金鷹獎”優秀電視劇獎)	2020	CFLAC & CTAA (中國文學藝術界聯合會 & 中國電視藝術家協會)	A Little Reunion (小歡喜)

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<b>Award/Recognition</b>	<b>Award Year</b>	<b>Awarding Institution/Authority</b>	<b>Recipient</b>
Outstanding Modern Television Series Award at the 32nd Flying Apsaras Award (第32屆電視劇“飛天獎”優秀電視劇獎)	2020	NRTA (中華人民共和國國家廣播電視總局)	A Little Reunion (小歡喜)
2020 Chinese TV Series Selections (《2020年度中國電視劇選集》)	2020	NRTA (中華人民共和國國家廣播電視總局)	Hunting (獵狐)
2020 Chinese TV Series Selections (《2020年度中國電視劇選集》)	2020	NRTA (中華人民共和國國家廣播電視總局)	Nothing but Thirty (三十而已)
The 2021-2022 National Key Enterprise of Cultural Exports (2021-2022年度國家文化出口重點企業)	2021	MOFCOM & CCPPD & MOF & MCT & NRTA (中華人民共和國商務部 & 中國共產黨中央委員會宣傳部 & 中華人民共和國財政部 & 中華人民共和國文化和旅游部 & 中華人民共和國國家廣播電視總局)	Shanghai Linmon
The 27th Shanghai TV Festival International Communication Awards (第27屆上海電視節國際傳播獎)	2021	STVF Organizing Committee & Magnolia Award of the 27th Shanghai TV Festival (上海電視節組織委員會 & 第二十七屆上海電視節白玉蘭獎)	Nothing but Thirty (三十而已)

**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 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 both 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 CUSTOMERS**

Our customers primarily include top online video platforms and major domestic TV channels in China. 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. In 2019, 2020 and 2021 and three months ended March 31, 2022, revenue attributable to our largest customer amounted to RMB887.8 million, RMB466.7 million, RMB282.0 million and RMB196.6 million, respectively, accounting for approximately 49.5%, 32.7%, 22.6% and 41.8% of our total revenue, respectively.

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The table below sets forth the details of our five largest customers for the periods indicated:

*Year ended December 31, 2019*

Customer	Services provided	Amount of revenue <i>(RMB in millions)</i>	% of total revenue	Background	Commencement of business relationship
Customer A	Licensing of broadcasting rights of original drama series	887.8	49.5%	A group of companies operating one of the top online video platforms headquartered in Beijing. It includes a wholly owned subsidiary of a company which is listed on both the Hong Kong Stock Exchange and the New York Stock Exchange.	2016
Customer B	Licensing of broadcasting rights of original drama series and content marketing services	371.4	20.7%	A group of companies providing online entertainment services headquartered in Beijing, listed on Nasdaq in the U.S. It operates one of the top online video platforms in China.	2016
Customer C	Licensing of broadcasting rights of original drama series	213.0	11.9%	A state-owned radio and television media group located in Hangzhou, Zhejiang Province, founded in 2001. It operates one of the top five TV channels in China.	2015

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Customer	Services provided	Amount of revenue <i>(RMB in millions)</i>	% of total revenue	Background	Commencement of business relationship
Customer D	Licensing of broadcasting rights of original drama series	117.9	6.6%	A group of media companies located in Shanghai, founded since 2001. It operates one of the top five TV channels in China.	2019
Tencent Group	Made-to-order drama series production and content marketing services	79.9	4.5%	A group that develops innovative products and services headquartered in Shenzhen, listed on the Hong Kong Stock Exchange and New York Stock Exchange, founded in 1998. It operates one of the top online video platforms in China.	2015
<b>Total</b>		<b><u>1,670.0</u></b>	<b><u>93.2%</u></b>		

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*Year ended December 31, 2020*

Customer	Services provided	Amount of revenue <i>(RMB in millions)</i>	% of total revenue	Background	Commencement of business relationship
Tencent Group	Licensing of broadcasting rights of original drama series, content marketing services, licensing of broadcasting rights of film and licensing of IP derivative rights	466.7	32.7%	A group that develops innovative products and services headquartered in Shenzhen, listed on the Hong Kong Stock Exchange and New York Stock Exchange, founded in 1998. It operates one of the top online video platforms in China.	2015
Customer A	Licensing of broadcasting rights of original drama series, licensing of broadcasting rights of film and content marketing services	315.5	22.1%	A group of companies operating one of the top online video platforms headquartered in Beijing. It includes a wholly owned subsidiary of a company which are listed on both the Hong Kong Stock Exchange and the New York Stock Exchange.	2016

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Customer	Services provided	Amount of revenue <i>(RMB in millions)</i>	% of total revenue	Background	Commencement of business relationship
Customer B	Licensing of broadcasting rights of original drama series, licensing of broadcasting rights of film and content marketing services	267.1	18.7%	A group of companies providing online entertainment services headquartered in Beijing, listed on Nasdaq in the U.S. It operates one of the top online video platforms in China.	2016
Customer E	Licensing of broadcasting rights of original drama series	130.2	9.1%	A group of companies operating one of the top five TV channel in China and providing film production services located in Changsha, Hunan Province, founded since 2000.	2016
Customer D	Licensing of broadcasting rights of original drama series	79.1	5.5%	A group of media companies located in Shanghai, founded since 2001. It operates one of the top five TV channels in China.	2019
<b>Total</b>		<b><u>1,258.5</u></b>	<b><u>88.1%</u></b>		



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*Year ended December 31, 2021*

Customer	Services provided	Amount of revenue <i>(RMB in millions)</i>	% of total revenue	Background	Commencement of business relationship
Customer B	Licensing of broadcasting rights of original drama series and content marketing services	282.0	22.6%	A group of companies providing online entertainment services headquartered in Beijing, listed on Nasdaq in the U.S. It operates one of the top online video platforms in China.	2016
Customer A	Licensing of broadcasting rights of original drama series and content marketing services	268.1	21.5%	A group of companies operating one of the top online video platforms headquartered in Beijing. It includes a wholly owned subsidiary of a company which are listed on both the Hong Kong Stock Exchange and the New York Stock Exchange.	2016

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Customer	Services provided	Amount of revenue <i>(RMB in millions)</i>	% of total revenue	Background	Commencement of business relationship
Tencent Group	Licensing of broadcasting rights of original drama series, made-to-order drama series production, licensing of IP derivative rights and content marketing services	211.4	16.9%	A group that develops innovative products and services headquartered in Shenzhen, listed on the Hong Kong Stock Exchange and New York Stock Exchange, founded in 1998. It operates one of the top online video platforms in China.	2015
Customer E	Licensing of broadcasting rights of original drama series	132.3	10.6%	A group of companies operating one of the top five TV channel in China and providing film production services located in Changsha, Hunan Province, founded since 2000.	2016
Customer D	Licensing of broadcasting rights of original drama series	75.3	6.0%	A group of media companies located in Shanghai, founded since 2001. It operates one of the top five TV channels in China.	2019
<b>Total</b>		<b><u>969.1</u></b>	<b><u>77.6%</u></b>		

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*Three months ended March 31, 2022*

Customer	Services provided	Amount of revenue <i>(RMB in millions)</i>	% of total revenue	Background	Commencement of business relationship
Customer B	Licensing of broadcasting rights of original drama series	196.6	41.8%	A group of companies providing online entertainment services headquartered in Beijing, listed on Nasdaq in the U.S. It operates one of the top online video platforms in China.	2016
Tencent Group	Licensing of broadcasting rights of original drama series and content marketing services	74.2	15.8%	A group that develops innovative products and services headquartered in Shenzhen, listed on the Hong Kong Stock Exchange and New York Stock Exchange, founded in 1998. It operates one of the top online video platforms in China.	2015

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Customer	Services provided	Amount of revenue <i>(RMB in millions)</i>	% of total revenue	Background	Commencement of business relationship
Customer A	Licensing of broadcasting rights of original drama series and content marketing services	65.5	13.9%	A group of companies operating one of the top online video platforms headquartered in Beijing. It includes a wholly owned subsidiary of a company which are listed on both the Hong Kong Stock Exchange and the New York Stock Exchange.	2016
Customer F	Licensing of broadcasting rights of original drama series	45.8	9.7%	A state-owned radio and television group located in Beijing, founded since 2018. It operates one of the top five TV channels in China.	2015
Customer G	Licensing of broadcasting rights of original drama series	21.9	4.7%	A state-owned TV channel located in Beijing, founded since 2010.	2015
<b>Total</b>		<b><u>404.0</u></b>	<b><u>85.9%</u></b>		

To the knowledge of our Directors, none of our Directors and their respective Associates or any Shareholders holding more than 5% of our issued share capital has any interests in any of our five largest customers as of the Latest Practicable Date, except for Tencent Group, which held approximately 19.8% of the issued share capital of our Company as of the Latest Practicable Date.

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### OUR SUPPLIERS

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, purchase from our largest supplier constituted approximately 7.9%, 10.1%, 17.6% and 14.1% of our total purchase from our suppliers, respectively.

The table below sets forth the details of our five largest suppliers for the periods indicated:

#### *Year ended December 31, 2019*

Supplier	Scope of Services/Goods provided	Purchase amount (RMB in millions)	% of total purchase	Supplier's principal business	Commencement of business relationship
Supplier A	Drama series planning and production services, promotional and marketing services	64.8	7.9%	Drama series production and promotion	2017
Supplier B	Drama series production and post-production services	48.8	5.9%	Drama series production	2017
Supplier C	Artist performance services	42.5	5.2%	Drama series production	2019
Supplier D	Artist performance services	32.2	3.9%	Drama series production	2015
Supplier E	Director services	26.5	3.2%	Drama series production and development	2016
<b>Total</b>		<b><u>214.8</u></b>	<b><u>26.1%</u></b>		

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*Year ended December 31, 2020*

Supplier	Scope of Services/Goods provided	Purchase amount (RMB in millions)	% of total purchase	Supplier's principal business	Commencement of business relationship
Supplier A	Drama series planning services	41.4	10.1%	Drama series production and promotion	2017
Supplier E	Director services	20.2	4.9%	Drama series production and development	2016
Supplier F	Artist performance services	18.4	4.5%	Drama series production	2020
Supplier G	Non-acting services including drama series production supervising services	16.8	4.1%	Drama series production	2015
Supplier H	Artist performance services	15.1	3.7%	Drama series production	2020
<b>Total</b>		<b><u>111.9</u></b>	<b><u>27.3%</u></b>		

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*Year ended December 31, 2021*

Supplier	Scope of Services/Goods provided	Purchase amount (RMB in millions)	% of total purchase	Supplier's principal business	Commencement of business relationship
Supplier I	Drama series planning, filming and production services	162.4	17.6%	Drama series production, distribution and consulting services	2017
Supplier G	Acting services and non-acting services including artistic supervising services, script development services and makeup services	49.1	5.3%	Drama series production	2015
Supplier J	Artist performance services	33.1	3.6%	Drama series production	2021
Supplier E	Director services	31.4	3.4%	Drama series development and production	2016
Supplier K	Director services	31.1	3.4%	Drama series development and production	2015
<b>Total</b>		<b><u>307.1</u></b>	<b><u>33.3%</u></b>		

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*Three months ended March 31, 2022*

Supplier	Scope of Services/Goods provided	Purchase amount (RMB in millions)	% of total purchase	Supplier's principal business	Commencement of business relationship
Supplier L	Artist performance services	13.6	14.1%	Drama series production	2019
Supplier E	Director services	5.0	5.2%	Drama series development and production	2016
Supplier M	Director services	3.8	3.9%	Drama series development and production	2019
Supplier N	Script development services	3.5	3.7%	Drama series development and production	2018
Supplier O	Content marketing services	3.0	3.1%	Online video platform	2016
<b>Total</b>		<b><u>28.9</u></b>	<b><u>30.0%</u></b>		

Due to our project-based business nature, we choose drama series production services providers depending on various factors including the investment amount, genre, filming scale and difficulties, and production cost-efficiency of the relevant drama series. The purchase from our top five suppliers in 2021 were higher than the purchase from our top five suppliers in 2019 and 2020, primarily due to the purchase from our largest supplier in 2021. We chose Supplier I in 2021 because the relevant drama series are modern drama series for which we procured drama series production services from a single supplier to be more cost-effective.

Since our inception and up to the Latest Practicable Date, 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). We paid Supplier G (i) acting services fee of RMB23.1 million for “A Love for Separation” (小別離) in 2015; (ii) acting services fee, drama series production supervising services fee, literature planning services fee and script development services fee of RMB36.6 million, RMB6.6 million, RMB0.5 million and RMB19.6 million, respectively, for “A Little Reunion” (小歡喜) in 2018 and content marketing related services fee of RMB8.8 million for “A Little Reunion” (小歡喜) in 2019; (iii) artistic supervising services fee of RMB16.8 million for “A Little Dilemma” (小舍得) in 2020; and (iv) acting services fee, artistic supervising services fee, script development services fee, makeup services fee and content marketing services fee of RMB19.6 million, RMB15.9 million, RMB9.4 million, RMB0.4 million and RMB1.9 million, respectively, for “Xiaomin’s House” (小敏家) in 2021. The total purchase amount of Supplier G of



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RMB19.6 million for acting services in “Xiaomin’s House” (小敏家) includes purchase amount of RMB18.9 million for acting services provided by Supplier G and RMB0.8 million for acting services provided by another actor managed by Supplier G. The total purchase amount of Supplier G of RMB49.0 million in 2021 includes purchase amount of RMB47.2 million for aforesaid artistic supervising services fee, acting services fee, script development services fee, makeup services fee and content marketing services as well as RMB1.8 million for share of revenue of content marketing services to Supplier G.

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.

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To the knowledge of our Directors, none of our Directors and their respective associates or any Shareholders holding more than 5% of our issued share capital has any interests in any of our five largest suppliers as of the Latest Practicable Date.

### **Salient Terms of Agreements with Major Suppliers**

Our suppliers provide us with services including production services, directing services and performing services. We generally enter into agreements with our suppliers on a project-by-project basis. The salient terms of these agreements are as follows:

- *Details of the drama series:* The agreements generally set out the official or tentative name of the drama series, the expected number of episodes and the length of each episode, the total production budget, the major cast members and the expected production schedule;
- *Allocation of work:* We, or the production service providers, are responsible for providing the relevant scripts and other necessary assistance and overseeing the production process, while the directors and actors are obliged to provide directing and performing services;
- *Service fees and settlement:* Typically a fixed amount of service fee for production service providers, directors and actors to be settled in installments or by one lump sum payment, subject to the terms of the contract;
- *Ownership of IP rights:* We have the full ownership of the copyrights of the creative works, while the production service providers, directors and actors are entitled to rights of remuneration;
- *Termination:* The agreements are terminable under certain circumstances, including, among others, mutual agreement and breach of contract; and
- *Negative publicity (applicable when our suppliers are directors or actors):* We are entitled to seek reimbursement of the amount of service fees we paid to them in the event that any lawsuits, personal misbehaviors, rumors or negative news related to them affected our distribution of the corresponding drama series.

### **OVERLAPPING OF CUSTOMERS AND SUPPLIERS**

During the Track Record Period, (i) Tencent Group procured the broadcasting rights of our original drama series, commissioned the production of made-to-order drama series and procured advertisement production services from us. Some of the entities affiliated to Tencent Group also licensed to us IP adaptation rights of novels and overseas distribution rights of a drama series. Our purchase of the relevant IP adaptation rights from Tencent Group amounted to RMB8.3 million and RMB5.1 million in 2019 and 2020 and our purchase of IP adaptation rights of novels and overseas distribution rights of a drama series from Tencent Group amounted to RMB11.7

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million in 2021; (ii) Customer E, one of our top five customers in 2020 and 2021, also provided us with its contracted actors to act in our drama series as a major cast member in 2021. The relevant service we purchased from Customer E amounted to RMB7.7 million in 2021; and (iii) Customer A, one of our top five customers in 2019, 2020, 2021 and the three months ended March 31, 2022, was also one of our largest supplier (Supplier O) in the three months ended March 31, 2022 as it provided us with advertising spots on its online platforms for our content marketing services in the three months ended March 31, 2022. The relevant services we purchased from Customer A amounted to RMB3.0 million in the three months ended March 31, 2022.

Negotiations of the terms of our sales to and purchases from these overlapping customers and suppliers were conducted on an individual basis and the sales and purchases were neither inter-connected nor contingent upon each other. Our Directors confirmed that all of our sales to and purchases from the overlapping customers and suppliers were conducted in the ordinary course of business under normal commercial terms.

### **CUSTOMER CONCENTRATION AND RELATIONSHIP WITH TENCENT GROUP**

In 2019, 2020 and 2021 and the three months ended March 31, 2022, the percentage of our total revenue attributable to our top five customers amounted to approximately 93.2%, 88.1%, 77.6% and 85.9% of our total revenue, respectively. During the same periods, the percentage of our total revenue attributable to our fifth largest, the largest, third largest and second largest customer in 2019, 2020 and 2021 and the three months ended March 31, 2022, Tencent Group, amounted to approximately 4.5%, 32.7%, 16.9% and 15.8%, respectively. According to Frost & Sullivan, the drama series broadcasting industry involves several major players, including leading online video platforms and major TV channels. Therefore, it is common for drama series production companies to generate a large portion of their income from a small number of online video platforms and major TV channels.

#### **Tencent Group**

Tencent Group has established its own entertainment business ecosystem with full value chain coverage spanning from the investment, production and distribution of video-based content to the operation of broadcasting platforms. In 2021, the revenue of Tencent Group amounted to RMB560.1 billion according to Frost & Sullivan. According to Frost & Sullivan, Tencent Group is a leading market player in the drama series market in China in terms of revenue and the number of produced works in each of the past three years.

Tencent Mobility, a wholly-owned subsidiary of Tencent, is one of our substantial Shareholders. Immediately following the completion of the Global Offering, presuming the Assumptions, Tencent Mobility will then be interested in 18.95% of equity interests of our Company.

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### Cooperation with Tencent Group during the Track Record Period

As our important business partner in various aspects of our business operations, Tencent Group was our largest customer in 2020, and our fifth largest, third largest and second largest customer in 2019 and 2021 and three months ended March 31, 2022, respectively. Our revenue derived from Tencent Group amounted to RMB79.9 million, RMB466.7 million, RMB211.4 million and RMB74.2 million in 2019, 2020 and 2021 and three months ended March 31, 2022, respectively, accounted for approximately 4.5%, 32.7%, 16.9% and 15.8% of our total revenue in the same periods, respectively. We also procured from Tencent Group certain IP adaptation rights in 2019 and 2021 as well as the overseas distribution right of a drama series in 2021. As Tencent Group and our Group both engaged in the production of drama series, there may be potential competition between Tencent Group and us. However, there are no restrictive covenants or equivalent clauses in the agreements we entered into with Tencent Group and its subsidiaries during the Track Record Period and up to the Latest Practicable Date.

The following table sets forth is the revenue breakdown generated from Tencent Group by service during the Track Record Period:

Nature of transactions	Year ended December 31,				Three months ended March 31,			
	2019		2020		2021		2022	
	% of our Group's (RMB in million) total revenue		% of our Group's (RMB in million) total revenue		% of our Group's (RMB in million) total revenue		% of our Group's (RMB in million) total revenue	
Drama series and movies copyrights licensing	–	N/A	450.7	31.6	180.7	14.5	74.0	15.7
Advertisement production and services	4.1	0.2	1.6	0.1	0.5	0.0	0.3	0.1
Music copyrights licensing	–	N/A	2.8	0.2	2.0	0.2	–	N/A
Made-to-order drama series production	73.1	4.1	–	N/A	28.2	2.3	–	N/A
Others	2.7	0.2	11.6	0.8	–	N/A	–	N/A
<b>Total</b>	<b>79.9</b>	<b>4.5</b>	<b>466.7</b>	<b>32.7</b>	<b>211.4</b>	<b>16.9</b>	<b>74.3</b>	<b>15.8</b>

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Revenue generated from Tencent Group fluctuated during the Track Record Period primarily in relation to the number of original drama series and movie we licensed to Tencent Group in each year. Revenue generated from Tencent Group increased significantly from 2019 to 2020 primarily due to the increase in drama series and movie copyrights licensing because we licensed “Nothing but Thirty” (三十而已) and “Monster Run” (怪物先生) to Tencent Group in 2020 but not in 2019, as partially offset by the decrease in revenue from made-to-order drama series in 2020 mainly because we produced “The King’s Avatar” (全職高手) for Tencent Group in 2019 but not in 2020. Revenue generated from Tencent Group decreased significantly from 2020 to 2021 primarily due to the decrease in drama series and movie copyrights licensing as we licensed “Nothing but Thirty” (三十而已) and “Monster Run” (怪物先生) to Tencent Group in 2020 while we only licensed “To Fly with You” (陪你逐風飛翔) to Tencent Group in 2021, as partially offset by the decrease in revenue from made-to-order drama series in 2021 mainly because we produced “Ancient Love Poetry” (千古玦塵) for Tencent Group in 2021 but not in 2020.

The following table sets forth our procurement breakdown from Tencent Group during the Track Record Period:

Nature of transactions	Year ended December 31,				Three months ended March 31,			
	2019		2020		2021		2022	
	% of our Group's total		% of our Group's total		% of our Group's total		% of our Group's total	
	(RMB in purchase million) amount		(RMB in purchase million) amount		(RMB in purchase million) amount		(RMB in purchase million) amount	
Procurement of Literature Works Copyrights	8.3	1.0	5.1	1.2	5.7	0.6	–	N/A
Procurement of the overseas distribution right of a drama series	–	N/A	–	N/A	6.0	0.6	–	N/A
<b>Total</b>	<b>8.3</b>	<b>1.0</b>	<b>5.1</b>	<b>1.2</b>	<b>11.7</b>	<b>1.2</b>	<b>–</b>	<b>N/A</b>

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During the Track Record Period, the revenue contribution from Tencent Group largely depends on our cooperation with Tencent Group in respect of the drama series we produced and their respective production mode. The following table sets forth a list of drama series we cooperated with Tencent Group during the Track Record Period and up to the Latest Practicable Date:

Name of the Drama Series	Production Mode	Time of the Initial Broadcasting	Major Broadcast Channels
The King's Avatar (全職高手)	Made-to-order drama series produced by us upon request by Tencent Group	July 2019	<b>Tencent Video</b>
Novoland: Eagle Flag (九州縹緲錄)	Original drama series jointly invested with Tencent Group	July 2019	Zhejiang TV, Youku
Nothing but Thirty (三十而已)	Original drama series licensed to Tencent Group and produced by us	July 2020	Dragon TV, <b>Tencent Video</b>
Ancient Love Poetry (千古玦塵)	Made-to-order drama series produced by us upon request by Tencent Group	June 2021	<b>Tencent Video</b>
"To Fly with You" (陪你逐風飛翔)	Original drama series licensed to Tencent Group and produced by us	November 2021	Hunan TV, <b>Tencent Video</b>
"Beyond" (超越)	Original drama series licenced to Tencent Group and produced by us	January 2022	CCTV, Dragon TV, Beijing TV, <b>Tencent Video</b> , iQIYI, Youku

### **Mutually beneficial and complementary relationship**

We believe our cooperation with Tencent Group is mutually beneficial and complementary because:

- *We are a drama series company possessing abundant original IP reserve. While Tencent Group delivers our content to its broad audience base and helps us to realize the commercial value of our original IP reserve, we believe maintaining a cooperative relationship with us is also beneficial to Tencent Group. Tencent Group regularly sources external quality content in great volume to supplement its existing content reserve and competes with other leading online video platforms on the volume and quality of the content broadcast. According to Frost & Sullivan, premium content like ours is highly sought after by leading online video platforms as it can help them effectively acquire and retain subscribers. This is evidenced by that fact that online video platforms, including Tencent Group, have entered into pre-sale arrangements with us to secure our drama series in advance. In addition, our*

drama series broadcast on Tencent Group’s online video platform have achieved strong success. For example, our “Nothing but Thirty” (三十而已) ranked the first among all drama series broadcast on Tencent Video in 2020 in terms of view counts.

- *We possess systematic production capabilities.* We have developed systematic methodologies for concept development and script development to ensure consistent generation of quality content. In addition, we have accumulated industry resources to efficiently assemble suitable directors and actors, qualified production studios, as well as external quality control specialists based on their areas of strengths. During the Track Record Period, Tencent Video engaged us to undertake the production of two drama series, namely “The King’s Avatar” (全職高手) and “Ancient Love Poetry” (千古玦塵). While we generated production fee revenue by producing such made-to-order drama series for Tencent Video, we believe such two made-to-order drama series also helped Tencent Video to leverage on our production capabilities to deliver their own IPs to audience in an efficient way.

Based on these advantages, we believe our relationship with Tencent Group will continue to be mutually beneficial and complementary, and the likelihood that our relationship with Tencent Group will materially and adversely change or terminate is low.

### **Future cooperation plan with Tencent Group**

To further leverage our existing cooperation, we have entered into certain continuing connected transactions with Tencent Group to:

- license the online broadcasting rights and distribution rights of our original drama series and movies to Tencent Group;
- produce customized creative advertisements for our drama series to be broadcast on Tencent Video;
- license to Tencent Group, among others, the promotion, distribution, sub-licensing and broadcasting rights of certain music used in our original drama series for which we own copyrights; and
- procure IP adaptation rights of certain literature work from Tencent Group for the production, promotion and distribution of movie and drama series and other commercial works.

See “Connected Transactions” for further details of our continuing connected transactions with Tencent Group which are expected to continue after Listing. Our Directors are of the view that it is unlikely that our relationship with Tencent Group would be terminated or otherwise materially adversely changed, as we believe that our cooperation with Tencent Group are mutually beneficial and complementary.

### Independence from Tencent Group

Having considered the following factors, our Directors believe that we have been and will continue to operate our business independently from Tencent Group:

- As illustrated above, a significant portion of our revenue is derived from the licensing of the broadcasting rights of our original drama series to Tencent Video. Tencent Video, the online video platform operated by Tencent Group, is a market-leading online entertainment service provider in China. Tencent Video has a strong demand for high-quality content generated by professional producers like us. We believe that licensing the copyrights of the drama series and movies produced by us to Tencent Video could be mutually beneficial to both parties by satisfying Tencent Video's demand for high-quality contents as well as enabling us to generate revenue, and it is unlikely that our relationship with Tencent in terms of drama series copyright licensing would be terminated or otherwise materially adversely changed.

In addition, we also developed cooperation with various online platforms other than Tencent, such as domestic online video platforms including iQIYI and Youku and international video platforms as well as TV channels. For example, we have licensed the broadcasting rights of our original drama series, "Xiaomin's Home" (小敏家), to a leading international broadcasting platform and the broadcasting rights of another original drama series, "To Fly with You" (陪你逐風飛翔), to a regional video streaming platform in Hong Kong. In addition, our possession of abundant original IPs allows us to further diversify our revenue streams to unleash the potential for monetization through the provision of content marketing services and the licensing of our original IPs in a broader range of entertainment forms, among others, therefore allowing us to generate additional revenue. We are able to, taking into consideration the nature of the drama series including the theme, the expected popularity and target audience of the drama series and movies, choose the appropriate video platforms to broadcast our original drama series to maximize its commercial value. As such, we believe our strategic cooperation with Tencent Group as illustrated above will not give rise to our reliance on Tencent Group in any material respect.

- There is no overlapping of executive directors or other senior management positions between Tencent Group or its close associates and our Group, and Tencent Group has never been involved in our daily management and operations. Although our non-executive Director, Mr. Sun Zhonghuai, held directorship in certain subsidiaries, business units or their associates under or invested by Tencent, his non-executive role in our Company would not give rise to any material competition issue under Rule 8.10 of the Listing Rules.

Based on the above, we believe that we will be able to function independently from Tencent Group upon Listing as we do not in any material respect rely on Tencent Group in the day-to-day operation of our business.



### INTELLECTUAL PROPERTY

Intellectual property rights are fundamental to our business, and we devote significant time and resources to their development and protection. As of the Latest Practicable Date, we had (i) 276 trademarks, 274 of which are registered in the Mainland, China, 46 are pending approval; (ii) 265 registered copyrights and (iii) 16 registered domain names.

In general, the proprietary rights attached to the content of our original drama series belong to us. As of the Latest Practicable Date, we had broadcast 15 original drama series in the PRC (among which we were the sole copyright owner of 13 of such drama series and the joint copyright owners of two original drama series). As of the Latest Practicable Date, we were also the wholly-owned copyright owner of two original drama series projects which under filming/post-production process in our pipeline. We also acquire third party IP for our further development to adapt to our original IP. As of the Latest Practicable Date, we had a total of 51 IP adaptation rights.

We protect our intellectual property rights through a combination of copyright, trademark and other intellectual property laws, as well as confidentiality and license agreements with our employees, suppliers, partners and others. In general, our employees must enter into a standard employment contract which prohibits the unauthorized disclosure of our confidential information, and we also require our employees to assign to us any inventions related to our business that they develop during the course of employment. Despite our precautions, however, third parties may obtain and use intellectual property that we own or license without our consent. Because of the huge market demand for entertainment content, and due to the easy accessibility of film and television works, during the Track Record Period, our intellectual property rights, like most film and television works on the market, have been infringed by third parties. Typical intellectual property infringement includes (i) pirated drama series or video clips; (ii) unauthorized use of our intellectual property for commercial use, including the name, characters and elements of our drama series; and (iii) unauthorized adaptation of our drama series. Upon such infringement, we usually issue demand letters, file complaints or lawsuits to protect our intellectual property rights. Unauthorized use of our intellectual property by third parties and the expenses incurred in protecting our intellectual property rights from such unauthorized use does not have a material adverse effect on our business and results of operations. See “Risk Factors – Risks Relating to Our Business and Industry – We are subject to risks of piracy and intellectual property infringement” for details.

As advised by our PRC Legal Advisor, we did not have any disputes or pending legal proceedings of intellectual property rights with third parties that may have a material adverse impact on our business during the Track Record Period and up to the Latest Practicable Date.

See “Appendix IV – Statutory and General Information – Intellectual Property Rights” for details of our intellectual property rights.

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### EMPLOYEES

As of March 31, 2022, we had 168 full-time employees, all of whom were based in China, primarily in Beijing and Shanghai.

The following table sets forth a breakdown of our employees by business function as of March 31, 2022:

Department	Number of Employees	Percentage
Content production	43	25.6%
Sales and marketing	78	46.4%
Finance and legal	16	9.5%
Research and development	10	6.0%
Human resources and administration	13	7.7%
Senior management	4	2.4%
Strategy and investment	4	2.4%
<b>Total</b>	<b>168</b>	<b>100.0%</b>

Our content production department comprise of personnel from our production team, script center and film center. As of March 31, 2022, 146 employees had bachelor's degrees or above, accounting for 86.9% of our total employees, and 46 employees had master's degree or above, accounting for 27.4% of our total employees.

We maintain high recruitment standards and we recruit our employees based on a number of factors, including their level of knowledge, years of industry experience, education background and their conformity with our values. We are committed to establishing a competitive and fair remuneration and benefits system. In order to effectively motivate our business development through remuneration incentives and ensure that our employees receive competitive remuneration packages, we continuously refine our remuneration and incentive policies through market research and peers benchmarking. We conduct performance evaluation for our employees semi-annually to provide feedback on their performance. Compensation for our employees typically consists of basic salary, project bonus and year-end bonus. In order to incentivize our Directors, senior management and other employees for their contribution to our Group and to attract and retain suitable personnel to our Group, we adopted the Pre-IPO Share Option Scheme. See "Appendix IV – Statutory and General Information – Pre-IPO Share Option Scheme" for details.

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We provide our employees with basic pension insurance, basic medical insurance, workplace injury insurance, unemployment insurance, maternity insurance and housing providence funds in accordance with applicable PRC laws and regulations. We pay great attention to our employees' welfare, and continually improve our welfare system. We offer employees additional benefits such as annual leave, stipend, supplementary medical insurance, annuity and health examinations, among other things.

We provide regular and specialized trainings tailored to the needs of our employees in different departments. We regularly organize training sessions covering various aspects of our business operations including overall management, project execution and industry know-how. Through these trainings, we help our employees to stay up to date with both industry developments and skills and technologies. We also organize workshops from time to time to discuss specific topics.

During the Track Record Period, we did not have any strikes, protests or other material labor conflicts that may materially affect our business and image. As of the Latest Practicable Date, we had not established any labor union.

### INSURANCE

During the Track Record Period, we purchased group accident insurance, group fixed-term insurance, critical illness rider insurance and supplementary commercial insurance. In line with general market practice, we do not maintain any business interruption insurance, which is not mandatory under PRC laws or relevant foreign laws. We do not maintain key man life insurance, insurance policies covering damages to our network infrastructures or information technology systems or any insurance policies for our properties. We also do not maintain insurance policies against risks relating to the Contractual Arrangements.

During the Track Record Period, we did not make any material insurance claims in relation to our business. See "Risk Factors – Risks Relating to Our Business and Industry – Our limited insurance coverage could expose us to significant costs and business disruption" for details.

### ENVIRONMENTAL, SOCIAL AND CORPORATE GOVERNANCE

We are committed to providing a safe and healthy working environment for our employees. We have established polices and procedures with respect to health and work safety, including safety policies regarding to filming and production, location shooting, fire, detection and management of safety risks and on-site safety risk inspection. We have dedicated personnel to closely monitor and manage occupational health safety matters and implement and update internal safety policies. We also provide safety training to our employees to strengthen their knowledge and awareness on safety and accident prevention. During the Track Record Period and up to the Latest Practicable Date, we had not experienced any material accidents in the course of our operations, nor had we been subject to any material claims for personal or property damages or for health or safety related compensation.

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We believe that our future growth is based on the integration of social values into our business. We are committed to ensuring that environmental, social and corporate governance (“ESG”) has a long-term positive impact on our customers, suppliers and the broader community on which our operations may impact. We are aware of the environmental, social responsibility and climate-related issues that may affect our business. We are committed to complying with ESG listing reporting requirements.

Our ESG strategies and policies include, among others:

- (i) the establishment of a sub-committee of the Board to be responsible for ESG matters after the Listing, which will comprise our chief executive officers, vice president of operations and the supervisor of each department. This committee will set, monitor and implement measures, strategies, and goals related to ESG;
- (ii) the identification and assessment of ESG-related risks, particularly the climate-related risks and impact on our business. In the short term, extreme weather conditions such as flooding, icing and snowing may adversely affect our filming and production process. The delivery of our drama series to our customers may be disrupted and we may be subject to claims to refund a portion or all of our contract liabilities, which may adversely and materially affect our business, results of operations and financial condition. We have implemented measures to adjust filming plans when extreme weather occurs, including, changing the shooting location to cities with fine weather conditions or conducting studio shooting when necessary from time to time. As confirmed by our directors, due to the nature of our business, we do not have other medium or long term environmental, social and climate-related risks or transition risks;
- (iii) environmentally-friendly internal guidance to encourage our employees to reduce carbon emission arising from our business operations. We require all unnecessary air conditioning and electric devices to be turned off to reduce waste of resources.

To the best knowledge of our Directors, we had no non-compliance incidents which materially and adversely affected our business and had not incurred any expenses in relation to the compliance with the relevant environmental laws, regulations and policies during the Track Record Period and up to the Latest Practicable Date.

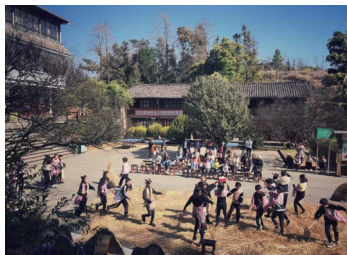
## OUR SOCIAL RESPONSIBILITIES

We are committed to contributing to positive societal impacts, particularly those related to education and public welfare. Our achievements and initiatives in the area of corporate social responsibility include the following:

### Education

We believe in the power of education and strive to bring quality education to less-developed areas in China. For example, our “Linmon Little Drama Club” (柠萌小剧人) social program provides free drama training to elementary and middle school students in Baoshan and Tengchong of the Yunnan province. Since launching in 2019 and up to the Latest Practicable Date, we provided drama-related training to more than 300 students through our “Linmon Little Drama Club” program.

The following is an onsite picture of our “Linmon Little Drama Club” program:



## Public Welfare

We highly value the importance of public welfare for the disadvantaged groups. We are committed to leveraging our influence to assist and remove obstacles for the disadvantaged groups and promote charitable courses. For example, we embedded scenes related to a charity in “Nothing but Thirty” (三十而已) to promote public welfare for female children in rural areas and embedded scenes related to another charity in “Twenty Your Life On” (二十不惑) to promote college students’ volunteer programs and employment. The followings are pictures of embedded scenes in our drama series:



## 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. In addition, in April 2022, more than 300 COVID-19 confirmed cases were recorded in Beijing.

### Our Precautionary Measures

In line with our continuing efforts to provide a safe and healthy working environment to our own employees, we have implemented the following measures in response to the outbreak of COVID-19:

- (i) precautionary measures for our offices:
  - circulating a memorandum to our employees for the purpose of reminding them the importance of good personal and public hygiene, suggesting our staff to monitor body temperature regularly;

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- requiring our employees to report to their supervisors or the human resources staff upon showing symptoms of infection (e.g. cough, shortness of breath), and seek immediate medical consultation;
  - requiring our employees to wear surgical masks and frequently use alcohol hand sanitisers;
  - disinfecting our office frequently, in particular areas with high human contacts, such as conference rooms and pantries; and
  - monitoring and keeping track of the development of the COVID-19 in China, and when necessary, updating the work from home policies, providing flexible working arrangement, and limiting non-essential business travel.
- (ii) precautionary measures for our drama series project sites:
- requiring our employees and third-party production service providers to wear surgical masks and reminding them of good personal and public hygiene when entering the drama series project sites;
  - reminding our employees and third-party production service providers to ensure and maintain a hygienic environment of the drama series project sites; and
  - requiring our employees and third-party production service providers to conduct COVID-19 tests regularly pursuant to local policies.

During the Track Record Period and up to the Latest Practicable Date, the total costs we spent for the precautionary measures and COVID-19 tests were less than RMB80,000. Our Directors are of the view that such costs did not materially and adversely affect our financial position.

### **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. For example, constructing shooting studio in case the filming schedule is disrupted by lockdowns or travel restrictions. 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.

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Nonetheless, due to the Shanghai Outbreak, two of our original drama series projects which were under filming and pre-production were affected. Specifically:

- for the first original drama series which were under filming, we adjusted the shooting location from Shanghai to Shenzhen in May 2022 pursuant to our business contingency plan before entering into any agreements with the relevant local production service providers. Therefore, we have not incurred any actual cost or expect to incur any termination cost. In addition, the services of other services providers including, for example, actors and directors, are not affected as such services providers' provision of services are generally not subject to geographic restrictions. We expect such adjustments will not result in additional production costs as we engaged production service providers in Shenzhen with similar or more favorable pricing terms. We are required to deliver the drama series to our customer before December 31, 2023 pursuant to the relevant agreement and we expect we are able to deliver the drama series before the stipulated date. In addition, such drama series is expected to be broadcast in the fourth quarter of 2022 as we planned originally.
- for the second original drama series, we adjusted the shooting location from Shanghai to Qingdao and we postponed the commencement of filming from April 2022 to July 2022 pursuant to our business contingency plan. To prepare for the filming in Shanghai, we engaged third-party service providers for local services, including filming set decoration services, film studio rental services, accommodation services, and catering services, and we terminated such engagements due to our change of shooting location from Shanghai to Qingdao. As of the Latest Practicable Date, the actual costs and contract termination costs we incurred due to the COVID-19 pandemic amounted to approximately RMB3.7 million. Nonetheless, the services of other services providers including, for example, actors and directors, are not affected as such services providers' provision of services are generally not subject to geographic restrictions. In addition, we expect such adjustments and termination of agreements will not incur significant additional production costs as we plan to engage production service providers in Qingdao with similar or more favorable terms. We are required to deliver the drama series to our customer before June 30, 2024 pursuant to the relevant agreement and we expect we are able to deliver the drama series to our customer before the stipulated date. In addition, such drama series was originally planned to be broadcast in the fourth quarter of 2022 and is now expected to be delayed to be broadcast in the first quarter of 2023.

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 above adjustments did not materially and adversely affect our business operations and financial performance.



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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 in 2019 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.

## PROPERTIES

Our corporate headquarters is located at Shanghai. As of the Latest Practicable Date, we did not own any properties. As of the Latest Practicable Date, we leased 27 properties in the PRC mainly in Beijing and Shanghai, with an aggregate gross floor area of 9,449.1 square meters. Our leased properties in the PRC are primarily used for business and office purposes. The relevant lease agreements have lease expiration dates ranging from September 19, 2022 to January 19, 2042.

Pursuant to the applicable PRC laws and regulations, property lease contracts must be registered with the local counterparts of the Ministry of Housing and Urban-Rural Development of the PRC. As of the Latest Practicable Date, we had not obtained lease registration for certain properties that we leased in China, primarily due to the difficulty of procuring our lessors’ cooperation to register such leases. The registration of such leases will require the cooperation of our lessors. We will take all practicable and reasonable steps to ensure that the unregistered leases are registered. Our PRC Legal Advisor has advised us that

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the lack of registration of the lease contracts will not affect the validity of the lease agreements under PRC laws. Our PRC Legal Advisor has also advised us that a maximum penalty of RMB10,000 may be imposed for non-registration of each lease. See “Risk Factors – We had not obtained lease registration for certain properties” for details.

### LEGAL PROCEEDINGS AND COMPLIANCE

#### Legal Proceedings

We are subject to legal proceedings, disputes and claims that arise in the ordinary course of business. One of the Consolidated Affiliated Entities of our Company, Dongyang Linmon Kaixin, was involved in a legal proceeding brought by a PRC commercial bank (the “**Plaintiff**”) in January 2021 against a movie and drama series production and distribution company (the “**Defendant**”), which is one of our suppliers principally engaged in provision of movie and drama series filming, production and distribution and other relevant services. The Defendant has entered into a loan agreement with the Plaintiff, under which the loan of RMB8 million was secured by its trade receivables from Dongyang Linmon Kaixin for drama series production service provided by the Defendant including planning, site setting, filming and post-production of drama series which was specified in the service agreement entered into between the Defendant and Dongyang Linmon Kaixin. Dongyang Linmon Kaixin was obliged to make the payment in relation to the trade receivables to the bank account designated by the Plaintiff directly. However, the payment was inadvertently made to the Defendant by Dongyang Linmon Kaixin in 2020. In October 2021, the court ordered upon consideration that (i) the Defendant returns the outstanding principal amount of approximately RMB7.88 million and pays the relevant interests to the Plaintiff, and (ii) Dongyang Linmon Kaixin bears the joint liabilities with the Defendant. In November 2021, Dongyang Linmon Kaixin proceeded with an appeal to Shanghai Financial Court. In May 2022, the Shanghai Financial Court dismissed the appeal and upheld the original judgment.

Taking into account of the maximum exposure in relation to the proceedings, we prudently made a provision for the present obligation under the joint liabilities of Dongyang Linmon Kaixin based on the Plaintiff’s request and ruling of the first instance by court. The provision mainly reflected the outstanding principal amount and the relevant interests, amounting to RMB7.9 million and RMB8.6 million as of December 31, 2020 and 2021, which we believe did not and will not have a material adverse effect on our business, financial condition and results of operations. We have maintained active communication with the relevant party regarding the specific enforcement of the aforesaid judgment in order to protect our legal rights and interests and the negotiation was still in progress as of the Latest Practicable Date. We may decide to pursue repayment from the Defendant if any joint liability is born by Dongyang Linmon Kaixin.

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Except as disclosed above, during the Track Record Period and up to the Latest Practicable Date, we had not been and were not a party to any material legal, arbitral or administrative proceedings, and we were not aware of any pending or threatened legal, arbitral or administrative proceedings against us or our Directors that could, individually or in the aggregate, have a material adverse effect on our business, financial condition and results of operations.

### Compliance

We conduct our business mainly in the PRC and are, therefore, subject to the relevant regulations of the PRC. During the Track Record Period and up to the Latest Practicable Date, we had not been and were not involved in any material non-compliance incidents that have led to fines, enforcement actions or other penalties that could, individually or in the aggregate, have a material adverse effect on our business, financial condition and results of operations.

The NRTA 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 minimize such risks, our agreements with actors and directors include a negative publicity clause stating that we are entitled to seek repayment of the amount of service fees we paid to them in the event any lawsuits, personal misbehaviors, rumors or negative news related to them affected our distribution of the relevant drama series.

As confirmed by our Directors, since the issuance of the 2021 NRTA Notice and up to the Latest Practicable Date, the drama series we produced or under production by us do not involve any personnel which were involved in illegal activities or are considered to have committed to immoral acts, except for one drama series “Chronicle of Life” (寂寞空庭春欲晚) co-invested by us as a non-executive producer in 2016, in which Zheng Shuang participated as a major cast member. In August 2021, the NRTA issued the Notice to Strictly Manage Actors and Relevant Institutions (《嚴肅處理違法違規演藝人員和相關機構》). This notice specifically requires all the programs (including drama series) in which Zheng Shuang participated are required to be taken down from all broadcasting channels. As such “Chronicle of Life” (寂寞空庭春欲晚) was taken down by both of the two relevant online video platform customers since then. As “Chronicle of Life” (寂寞空庭春欲晚) was first broadcast in 2016, all revenue from the licensing of such series (including first-run and re-run) had been fully recognized in 2016 after the delivery of the master tape of the drama series pursuant to our revenue recognition policy. The licensing period of “Chronicle of Life” (寂寞空庭春欲晚) granted to all of our customers has expired, except for two online video platform customers (the “**Relevant Customers**”). The

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licensing period of “Chronicle of Life” (寂寞空庭春欲晚) granted to the Relevant Customers was seven years from 2016 to 2023. We used expected value method to estimate the amount of variable consideration for the expected price adjustments and concluded the estimated amount for the price adjustments is not material. See “Financial Information – Critical Accounting Policies and Estimates – Revenue Recognition – (a) Licensing of broadcasting rights of original drama series” for details.

Pursuant to the Relevant Customers’ broadcasting rights licensing agreements with us, in the event the broadcast of the drama series was prohibited, the Relevant Customers may elect to (i) extend the licensing period of other drama series we licensed to them; or (ii) terminate the agreements and require us to reimburse the licensing fees with respect to the remaining licensing period. We proactively negotiated with one customer and granted them with an extended licensing period of another original drama series of us, namely, the “Legend of Fuyao”, from June 17, 2028 to November 22, 2029. As of the Latest Practicable Date, we had not received any feedback from the other customer. We engaged a PRC legal consultant to evaluate the risks of us being subject to reimbursement to the other customer regarding this matter. The PRC legal consultant concluded that (1) the maximum amount of reimbursement we may be subject to with respect to such customer is the licensing fees for remaining licensing period of this drama series and penalties of no more than 30% of the licensing fees for the remaining licensing period and (2) this customer is required to exercise its contractual rights to extend or terminate the agreement by August 2022 (within one year after it became aware of the drama series being taken down from its platform or such right will lapse pursuant to the Civil Codes of the PRC). Accordingly, we estimate that the maximum amount of reimbursement we may be subject to with respect to such customer amount to approximately RMB8.5 million. No provision has been made considering that (i) such amount is immaterial to our overall financial conditions, and (ii) even if the customer requests such reimbursement, our trade receivables due from such customer which was fully impaired in prior years before the Track Record Period can be used by us to offset the reimbursement claimed by such customer, and therefore we do not expect such amount will have any material impact to our cash flows and operating results. As of the Latest Practicable Date, we did not receive any reimbursement requests from the two customers and was not subject to any investigations, lawsuits or legal proceedings in connection with “Chronicle of Life” (寂寞空庭春欲晚). Based on the foregoing, our Directors are of the view that we had not been adversely and materially affected by such matter, nor are we aware of any potential material adverse impacts arising from any alleged or know involvement of key personnel in illegal or immoral acts.

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.

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. In addition, as advised by our PRC Legal Advisor, even in the

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event in which any actors of the dramas 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 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 aforementioned Notice on Further Strengthening the Management of Arts and Their Personnel issued by the NRTA, 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 such 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 aforementioned regulatory changes will not have any material adverse impact on our Group during the Track Record Period and up to the Latest Practicable Date.

### *Past Tax Compliance Self-checks*

We conducted tax compliance self-checks in 2018, 2019 and 2020. The detailed information of the three tax compliance self-checks are set forth below.

#### *2018 Tax Compliance Self-check*

##### Background

In November 2018, with an aim to standardize the local tax filing practice, the local tax administration in Horgos verbally notified us that entities incorporated in Horgos were required to conduct tax compliance self-checks. In response to such requirement, each of our two subsidiaries incorporated in Horgos, namely Horgos Linmon Black Tea and Horgos Linmon, conducted a tax compliance self-check in 2018 for their respective tax filings made since their establishment (the “**2018 Tax Compliance Self-check**”).

In the case of Horgos Linmon Black Tea, after the completion of the 2018 Tax Compliance Self-check, it issued self-check reports dated November 6, 2018 and November 15, 2018, and submitted the same to the local tax administration. As set out in the self-check reports, with respect to Horgos Linmon Black Tea's original drama series production services, due to the difference in timing for the issuance of VAT invoices and for the recognition of revenue with respect to a transaction, there were discrepancies between (i) the aggregate transaction amount on the VAT invoices issued by Horgos Linmon Black Tea and (ii) the total

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revenue shown on its income tax filings. Such difference was mainly due to the fact that Horgos Linmon Black Tea had already recognized the revenue derived from the relevant services but did not issue the corresponding tax invoices or include the revenue corresponding to the unissued invoices as part of its revenue for VAT filing purpose at the time of VAT filings due to inadvertent oversight of the relevant accounting personnel.

In the case of Horgos Linmon, after the completion of the 2018 Tax Compliance Self-check, it issued and submitted a self-check report dated November 21, 2018 to the local tax administration. As set out in the self-check reports, the stamp duty had not been fully paid on a timely basis for certain procurement contracts and technical services contracts entered into by Horgos Linmon, resulting in a stamp duty payment and surcharge for overdue tax payment of RMB0.39 million in total on November 20, 2018. It was also noted that stamp duty of RMB0.27 million had not been fully paid on a timely basis for certain procurement contracts and technical services contracts entered into by Horgos Linmon Black Tea on November 15, 2018.

We believe the findings stated in the 2018 Tax Compliance Self-check were primarily due to the timing difference between the revenue recognition and VAT invoice issuance at the time when the 2018 Tax Compliance Self-check was conducted and due to an inadvertent oversight of the relevant accounting personnel.

### Rectification Measures

Horgos Linmon Black Tea adjusted the tax filing for the difference between (i) the aggregate transaction amount on the VAT invoices issued by Horgos Linmon Black Tea and (ii) the total revenue shown on its income tax filings. Horgos Linmon Black Tea also included the amount of revenue for which it had not issued VAT invoices and re-submitted the adjusted VAT filings for the month ended September 30, 2018 (because our VAT filings made for the month ended September 30, 2018 did not include the relevant amount of revenue for which we should have issued VAT invoices and hence we re-submitted the adjusted VAT filings for the same month) and 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.

In June 2022, we obtained the certifications from the Horgos Economic Development District Tax Administration of the State Tax Administration (國家稅務總局霍爾果斯經濟開發區稅務局) (the “**Horgos Tax Administration**”) confirming that Horgos Linmon Black Tea and Horgos Linmon had no outstanding taxes due as of March 31, 2022. Our PRC Legal Advisor is of the view that the Horgos Tax Administration is the competent tax authority to issue such certifications.

In addition, our PRC Legal Advisor is of the view, and the Joint Sponsors' PRC Legal Advisor concurs, that both the requirement to conduct the 2018 Tax Compliance Self-check and the payment of VAT and surcharges by our Group did not constitute any legal or administrative penalties, and hence, no penalty was imposed by any regulatory authorities, and the likelihood of our Company being penalized for the offences of tax evasion due to the underpayments discovered in the 2018 Tax Compliance Self-check is remote because (i) we conducted the 2018 Tax Compliance Self-check and paid up all the outstanding tax payments and surcharges; and (ii) we have obtained the certifications from the competent tax authority confirming that Horgos Linmon Black Tea and Horgos Linmon had no outstanding taxes due as of March 31, 2022.

### *2019 Tax Compliance Self-check*

#### Background

##### 2010 – 2018

The State Tax Administration issued the Notice on Preferential Policies for Enterprise Income Tax in Kashgar and Horgos Special Economic Development Zones of Xinjiang “關於新疆喀什霍爾果斯兩個特殊經濟開發區企業所得稅優惠政策的通知”) and the Notice on Improving the Catalogue of Enterprise Income Tax Preferences for Key Industries Encouraged by the State for development in Poverty Areas of Xinjiang (“關於完善新疆困難地區重點鼓勵發展產業企業所得稅優惠目錄的通知”) in November 2011 and July 2016, respectively, to boost the economic development of the Horgos, where the development of the culture, tourism, business logistics and high-tech industries are prioritized in Horgos. Companies established in the Horgos Economic Development Zone falling within the scope of afore-said key encouraged industries are entitled to claim a preferential treatment of a five-year EIT exemption.

Horgos Linmon and Horgos Linmon Black Tea were established in 2016 and 2017, respectively, to engage in the investment, production and distribution of drama series. Since the principal businesses of Horgos Linmon and Horgos Linmon Black Tea fall within “radio, film and television production, distribution, transaction, broadcasting, publishing, and derivative development” under the category of cultural services in the key encouraged industries, Horgos Linmon and Horgos Linmon Black Tea can legitimately enjoy the preferential tax treatment in Horgos for five years after the establishment.

On this basis, we intended to transfer our corresponding profits from distribution of certain drama series to Horgos Linmon and Horgos Linmon Black Tea by way of legitimate tax planning arrangements through structuring intra-group transactions, so as to fully enjoy the preferential tax treatment in Horgos. As advised by Frost & Sullivan, the arrangement of setting up a company in Horgos to shift profits into such Horgos-established entity to enjoy the preferential tax treatment became a popular choice in the PRC film and television industry upon the introduction of such favorable government policies.

### After 2018

Since the relevant preferential tax policy had been implemented for a few years, it is witnessed that there has been a rapid growth in the number of companies established in Horgos. In 2018, the Horgos tax authority began to tighten its administration on the application of relevant preferential tax policy by emphasizing on the actual function and risk allocation in the transfer pricing arrangements between the Horgos-established companies and their related parties. The Horgos tax authority thereby notified a large number of film and television culture companies to conduct tax self-check with a focus on transfer pricing issues. This also coincided with the State Tax Administration's tightening its administration to gradually promote better tax supervision over the film and television industry by undertaking self-check and self-correction.

Accordingly, in October 2018, the State Tax Administration issued the Notice to Further Standardize the Tax Order of the Films and Television Industry (《關於進一步規範影視行業稅收秩序有關工作的通知》) (the “**Notice**”). The Notice requires local tax administrations to notify entities and individuals in the film and television industry to conduct tax compliance self-checks. Correspondingly, we conducted a tax compliance self-check (the “**2019 Tax Compliance Self-check**”) in response to the issuance of a tax counselling notice (with the nature not being an administrative penalty or investigation) issued by the Filming and Television Committee of the State Taxation Administration (國家稅務總局影視專項工作組).

Against the background of the tightened tax administration, after reviewing the transactions between Horgos Linmon, Horgos Linmon Black Tea and Shanghai Linmon, we found that, in practice, the actual personnel and capital funding arrangements were not strictly in line with the function and risk arrangements intended under the original tax planning, and thereby deviated from the original tax planning arrangement (the “**Deviations**”) with respect to four of our original drama series, namely “Legend of Fuyao” (扶搖), “Novoland: Eagle Flag” (九州縹緲錄), “Fighter of the Destiny” (擇天記) and “Only Side by Side with You” (南方有喬木). Therefore, we adjusted and corrected the transfer price of the intra-group transactions and voluntarily paid the relevant underpaid taxes and surcharges.

### Details of the Tax Planning Arrangement

According to the contracts entered into among Horgos Linmon, Horgos Linmon Black Tea and Shanghai Linmon (and in the case of co-investment drama series, also with the third-party co-investors) between 2016 to 2018 with respect to the four original drama series, Horgos Linmon and Horgos Linmon Black Tea agreed to contribute the majority of the investment amount as well as to lead the production of the four original drama series, and to lead the distribution of one original drama series. Accordingly, we recorded revenue and cost in proportion to the respective investment contributions of and services contemplated to be provided by Horgos Linmon and Horgos Linmon Black Tea in accordance with the stipulated contractual obligations, and Horgos Linmon and Horgos Linmon Black Tea claimed the preferential tax treatment in Horgos.



#### Details of the Deviations

We planned to and made efforts to arrange our personnel and capital funding in line with the function and risk arrangements intended under the above tax planning but did not achieve the intended purposes due to practical difficulties. As confirmed by our PRC Legal Advisor, as the preferential tax treatment policies in Horgos lacked detailed stipulations as to the requirements on personnel and capital funding arrangements at the time. Our financial staff made the relevant arrangements at that time based on their interpretation of how personnel or capital funding arrangements should be made and did not regard the Deviations as falling short of the requirements under the preferential tax treatment policies in Horgos.

With the tightening of the administration of the preferential tax policies in Horgos, the local tax authorities have imposed more stringent requirements in examining the functions and risks borne by Horgos Linmon and Horgos Linmon Black Tea when carrying out the investment and distribution functions. Upon reviewing the implementation of the relevant tax planning arrangements in light of the stricter interpretation of the relevant policies subsequently applied, we made the relevant tax adjustments given the functions and risks borne by Horgos Linmon and Horgos Linmon Black Tea did not entirely correspond to the profits allocated to them.

Details of the Deviations in respect of the specific aspects of the investment and distribution functions are set out as follows:

(i) Personnel

Since the inception of Horgos Linmon and Horgos Linmon Black Tea, we planned to re-locate certain employees from Shanghai Linmon to Horgos Linmon and Horgos Linmon Black Tea as well as to recruit local employees in Horgos to carry out the investment and distribution of original drama series. However, due to the practical difficulties (including relevant employees' preference to be based in Shanghai and the difficulties to identify and recruit suitable local employees), Shanghai Linmon assigned nine of its employees to Horgos Linmon and Horgos Linmon Black Tea to carry out the investment and distribution of drama series projects. The total staff costs involved were RMB2.9 million, RMB2.3 million, RMB3.5 million and RMB3.9 million, respectively, in 2016, 2017, 2018 and 2019. As advised by our PRC Legal Advisor, such assignment is in compliance with the applicable PRC employment laws and regulations and it is common for parent companies and subsidiary companies to have such employment arrangements in China to enable subsidiaries to have necessary personnel for operation.

The relevant preferential tax policies at Horgos did not stipulate how the personnel arrangements are required to be made in such details, and accordingly, our finance staff, on the basis of their interpretation of the requirements of the policy, did not regard the Deviations as falling short of the requirements in such tax policies. Nevertheless, in light

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of the tightened administration and upon conducting the 2019 Tax Compliance Self-check, it was identified that Shanghai Linmon's employee assignment weakens the position of Horgos Linmon's and Horgos Linmon Black Tea's investment and distribution functions of the relevant original drama series from a transfer pricing perspective.

(ii) Decision-making process

The decision-making process for the operations and management of Horgos Linmon and Horgos Linmon Black Tea were set up independently from the other members of our Group. Horgos Linmon and Horgos Linmon Black Tea have the corporate power and capacity to independently make decisions with regard to the investment, production and distribution of drama series projects, while they are required to follow our Group's internal procedural requirements to report to their parent company in relation to other general corporate matters. Shanghai Linmon has the overarching approval rights as the parent company of Horgos Linmon and Horgos Linmon Black Tea in relation to the general corporate matters. However, certain decision-making processes of Horgos Linmon and Horgos Linmon Black Tea at the relevant time were found not to be evidenced with adequate written proof, which may also affect the strength of the position that all major functions and risks were clearly borne by Horgos Linmon and Horgos Linmon Black Tea.

(iii) Capital funding

Film and television production companies typically finance the investment of drama series or film projects through bank facilities. In line with the industry norm, we intended that Horgos Linmon and Horgos Linmon Black Tea would fund the capital investment for the four original drama series through bank financings. Horgos Linmon applied for a credit facility in 2017 but could not obtain the same as the relevant bank was of the view that the financial performance of Horgos Linmon did not meet the credit facility approval requirement yet.

Therefore, Horgos Linmon and Horgos Linmon Black Tea sought to borrow the investment amount from Shanghai Linmon by way of an intra-group loan. Such intra-group loan is interest-free and was recognized as other receivables on the accounts of Shanghai Linmon and other payables on the accounts of Horgos Linmon and Horgos Linmon Black Tea. As advised by our PRC Legal Advisor, such intra-group loan transactions do not violate the prohibitive provisions of the applicable PRC laws and regulations. However, as Horgos Linmon and Horgos Linmon Black Tea did not enter into any loan agreement with Shanghai Linmon that stipulates the loan interest and the loan term, from a PRC transfer pricing perspective, the relevant original drama series were concluded to be principally funded by Shanghai Linmon, rather than funded by Horgos Linmon and Horgos Linmon Black Tea through intra-group loans. This deviated from the original contemplated function of Horgos Linmon and Horgos Linmon Black Tea under the tax planning scheme to contribute a majority of the capital investment for the relevant original drama series.

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The relevant preferential tax policies at Horgos did not stipulate how the capital funding arrangements are required to be made in such details, and accordingly, our finance staff, on the basis of their interpretation of the policy, did not regard the Deviations as falling short of the requirements in such preferential tax policies at the time. Nonetheless, Horgos Linmon and Horgos Linmon Black Tea have continued to try to and Horgos Linmon successfully obtained banking facilities in 2018, and subsequently made capital investment in “Novoland: Eagle Flag” (九州縹緲錄) using such funds obtained itself through the banking facilities, rather than entirely relying on the funding from Shanghai Linmon.

### Rectification Measures

During the 2019 Tax Compliance Self-check, we reviewed the implementation of the relevant tax planning arrangements in light of the stricter interpretation of the relevant policies subsequently applied and adjusted the profits previously attributed to the relevant functions and risks among our Group entities and paid the relevant underpaid taxes in full following the 2019 Tax Compliance Self-check. Such adjustment and payments were acknowledged by the competent tax authorities. In addition, it was also concluded that the profits from “Novoland: Eagle Flag” (九州縹緲錄) are not required to be adjusted as it was concluded that no adjustments in profits and income taxes have to be made for such drama series. The details of all adjustments made on our Group’s profits and corresponding income taxes based on the relevant functions and risks among Shanghai Linmon, Horgos Linmon and Horgos Linmon Black Tea are set forth below:<sup>(1)</sup>

	<b>Adjustment in profits</b>		<b>Corresponding</b>
<b>Horgos Linmon</b>	<b>Horgos Limon Black Tea</b>	<b>Shanghai Linmon<sup>(1)</sup></b>	<b>adjustment to income taxes</b>
	<i>(RMB'000)</i>		<b>Our Group<sup>(2)</sup></b>
(150,360)	–	150,360	37,590
–	(147,038)	147,038	36,758
	<b>Total</b>	<b>297,398</b>	<b>74,348</b>

#### *Notes:*

- (1) Shanghai Linmon shall be the Group entity to recognize the relevant revenue after adjustment.
- (2) The corresponding income tax adjustment of our Group shall be at 25% (common enterprise income tax rate in PRC) of income recognized in Shanghai Linmon after the adjustment, as the Horgos entities enjoyed tax preference prior to the adjustments.

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**Adjustment in  
Shanghai Linmon's  
deductible tax  
items<sup>(1)</sup>  
(RMB'000)**

Deductible tax items	(10,575)
Corresponding adjustment to income taxes	2,644

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*Note:*

- (1) The RMB10.6 million adjustment shown in the table above represents the amount of adjustment made to the deductible tax items of Shanghai Linmon, and did not have any impact on the income statement or profits of Shanghai Linmon.

The total enterprise income tax of our Group payable upon the 2019 Tax Compliance Self-check, being RMB76.99 million, comprised the corresponding income tax arising from the adjustment in revenue allocated from Horgos Linmon and Horgos Linmon Black Tea to Shanghai Linmon, being RMB74.35 million, and the corresponding income tax arising from a decrease in deductible tax items, being RMB2.64 million. 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 without being subject to any legal or administrative penalties from the competent tax authorities.

### Tax Authority's Confirmations

In August 2021, our PRC Legal Advisors conducted an in-person interview with the relevant officer of the Thirteenth Branch of the Shanghai City Songjiang District Tax Administration of the State Tax Administration (國家稅務總局上海市松江區稅務局第十三所), which is the competent officer and authority for the purposes of tax matters of (among others) Shanghai Linmon as confirmed by our PRC Legal Advisors. Such officer confirmed that (i) they were aware of the 2019 Tax Compliance Self-check; (ii) since inception, Shanghai Linmon had been in compliance with tax payment obligations and no penalties were imposed on Shanghai Linmon and (iii) Shanghai Linmon had not been subject to any investigation from the competent tax authorities.

In March 2022, our PRC Legal Advisors conducted an in-person interview with the relevant officer of the Taxpayer Service Department of the State Tax Administration, which is the competent officer and authority for the purposes of tax matters of (among others) Shanghai Linmon, Linmon Yuexin, Linmon Kaixin, Horgos Linmon and Horgos Linmon Black Tea as confirmed by our PRC Legal Advisors. During the interview:

- (i) the officer was specifically informed of the three tax compliance self-checks (including the 2019 Tax Compliance Self-check) and the transactions that led to the payment of tax and surcharges;

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- (ii) the officer confirms that tax compliance self-checks are not formal investigations or administrative penalties or indicative of tax violations; and
- (iii) the officer also confirms that there will be no investigations or administrative penalties on our Group in the future absent of evidence showing malicious intent. The officer pointed out that a finding that the relevant parties have malicious intent is required to determine if the relevant conduct constitutes tax evasion. The fact that the tax authorities have accepted our Group's conducting of the tax compliance self-checks and subsequent payment of the underpaid taxes and surcharges without further enquiries demonstrates the tax authorities' determination that our Group did not have any malicious intent to evade tax. Absent a finding of malicious intent, our Group's conduct does not constitute tax evasion and therefore there will be no formal investigations or administrative penalties on our Group in the future.

### Directors' View

Our Directors confirm that:

- (i) The Deviations do not constitute fraudulent behavior or tax evasion on the part of Shanghai Linmon, Horgos Linmon and Horgos Linmon Black Tea.

The Directors reasonably believed that it was feasible for Horgos Linmon, Horgos Linmon Black Tea and Shanghai Linmon to carry out legitimate tax planning arrangements and to perform the relevant contracts as agreed for the tax planning purpose: (i) the tax planning arrangement was implemented in a manner which we believed to be consistent with the local practice generally adopted in Horgos without challenges from tax authorities prior to the 2019 Tax Compliance Self-check and our Group intended to and made efforts to actualize the contractual contemplation but could not achieve the intended purposes in the manner originally intended; and (ii) the Deviations did not arise from any fraudulent behavior or malicious intention of tax evasion of our Group, and this is also demonstrated by the fact that no administrative penalties have been imposed on Shanghai Linmon, Horgos Linmon, Horgos Linmon Black Tea as a result of the Deviations by the tax authorities. More importantly, as the preferential tax treatment policies in Horgos lacked detailed stipulations on the requirements on personnel and capital funding arrangements at the time, the relevant finance staff of our Group could only rely on their interpretation of the policy and did not regard the Deviations as falling short of the requirements of the preferential tax treatment policies in Horgos.

Neither Shanghai Linmon nor Horgos Linmon or Horgos Linmon Black Tea provided any false information or conducted fraudulent behavior in entering into contracts with third parties (including service providers, customers or other external parties). In particular, (a) the co-investors of the relevant drama series were aware of the facts that Horgos Linmon or Horgos Linmon Black Tea were the contracting parties contemplated to be responsible for the investment and, in the case of one drama series,

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distribution of the relevant drama series projects. Horgos Linmon or Horgos Linmon Black Tea (as applicable) performed their respective obligations under the relevant contracts through contributing to the investment of the relevant drama series using funds transferred from Shanghai Linmon and through the assignment of employees from Shanghai Linmon; and (b) the production services providers for the relevant drama series were aware of the fact that Horgos Linmon or Horgos Linmon Black Tea were responsible for the production function.

Neither Shanghai Linmon nor Horgos Linmon or Horgos Linmon Black Tea has provided any false information to, concealed information from or deceived the tax authorities in connection with the tax planning arrangements in question as elaborated below.

The relevant officer of the Taxpayer Service Department of the State Tax Administration also confirmed in the interview on March 28, 2022 that tax compliance self-checks are not formal investigations or administrative penalties or indicative of tax violations and the fact that the tax authorities have accepted our Group's conducting of tax compliance self-checks and subsequent payment of the underpaid taxes and surcharges without further enquiries demonstrates the tax authorities' determination that our Group did not have any malicious intent to evade tax.

- (ii) Our Directors were not involved in the actual implementation of the tax planning arrangement in question and were not made aware of any material tax risks with respect to the intragroup transactions.

In practice, the accurate implementation of tax planning arrangements rely in part on there being not only personnel of specialized knowledge in PRC tax laws and practice of transfer pricing, but also an accurate interpretation of the relevant tax policies on the basis of, for example, detailed stipulations in the policies or clear guidance from the authorities otherwise, or the prior experience of the relevant personnel having dealt with similar matters. The initial implementation of the tax planning arrangement, which primarily involved decisions related to the day-to-day operations of our Group (e.g. decisions made on hiring and borrowing of bank loans), was primarily driven by our finance staff.

We had originally planned to follow the tax planning arrangements and had to change how the implementation of the plan was done given the practical difficulties we faced. Given the relevant policies did not stipulate detailed requirements on how personnel or capital funding should be arranged in order to claim the tax preference, the finance staff could only rely on their interpretation of the tax policies to implement the tax planning scheme and reasonably believed that the Deviations would not disqualify Horgos Linmon and Horgos Linmon Black Tea from claiming the preferential tax treatment in Horgos and recorded revenue and cost in proportion to the respective investment contributions of and services contemplated to be provided by Horgos Linmon and Horgos Linmon Black Tea in accordance with the stipulated contractual obligations. On the basis of such belief, the finance staff did not consider the Deviations to pose a

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material tax risk warranting the reporting of the same to our Directors, and, only with the benefit of hindsight and in light of the tightened tax administration, the Deviations were later found in the 2019 Tax Compliance Self-check to not meet the requirements to claim the preferential tax policies.

Also, we believe that, at the time, it was rather common for media companies to establish its subsidiaries in Horgos to benefit from the tax relief and face the same difficulties as Horgos Linmon and Horgos Linmon Black Tea in terms of recruiting local talents in Horgos or their Horgos entities obtaining financing independently, which indicates that it might be a prevalent practice generally within the media industry to carry out the business operations of their Horgos entities in similar manner as that of Horgos Linmon and Horgos Linmon Black Tea, and that our finance staff's interpretation of the policy at the time was also consistent with market practice. In addition, neither the PRC auditors of our Group at the time nor the tax authorities raised any enquiries or challenges over the intragroup transactions arrangement prior to the 2019 Tax Compliance Self-check, which would have otherwise raised the Directors' attention to such arrangements as well.

(iii) It is legitimate and feasible for our Group to utilize the relevant preferential treatment in Horgos through the tax planning arrangement.

- As advised by our Tax Counsel, our Group can enjoy the relevant preferential tax treatments legitimately. The businesses of Horgos Linmon and Horgos Linmon Black Tea fall within “radio, film and television production, distribution, transaction, broadcasting, publishing, and derivative development” under the category of cultural services in the key encouraged industries and no other regulatory requirement need to be fulfilled by our Group.
- There was reasonable basis for our Group to allocate the relevant revenue or cost to Horgos Linmon and/or Horgos Linmon Black Tea in line with the contractual obligations and risks:
  - with respect to production, Horgos Linmon and Horgos Linmon Black Tea engaged third-party production services providers to set up a filming team to complete the shooting and engaged professional service providers to carry out post-production. Moreover, Horgos Linmon and Horgos Linmon Black Tea entered into services agreements with service providers or assumed the obligation to pay the relevant production services providers, pursuant to which Horgos Linmon and Horgos Linmon Black Tea assumed the contractual obligations and risks therein, and incurred the relevant costs and expenses of original drama series production.

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- with respect to distribution of “Fighter the Destiny” (擇天記) in which the distribution function was originally contemplated to be undertaken by Horgos Linmon, Horgos Linmon’s registered business scope include “the production, operation and distribution of radio and television programs”, and it held a license of radio and television program production and operation (廣播電視節目製作經營許可證) at the relevant time. Therefore, Horgos Linmon has been duly qualified to carry out original drama series distribution. Moreover, the relevant joint investment agreements entered into between Horgos Linmon and other co-investors explicitly provide that Horgos Linmon shall act as the distributors of the relevant original drama series. Horgos Linmon also had distribution rights and assumed distribution obligations and risks pursuant to the relevant distribution agreements entered into with online video platforms for such drama series.
- with respect to investment, firstly, Horgos Linmon and Horgos Linmon Black Tea did enter into joint investment contracts with co-investors, pursuant to which Horgos Linmon and Horgos Linmon Black Tea assumed the corresponding contractual obligations and investment risks, and therefore, this could form the basis for the allocation of the relevant profits to Horgos Linmon and Horgos Linmon Black Tea. Secondly, although Horgos Linmon and Horgos Linmon Black Tea could not obtain credit facilities at first, they have continued to try to and Horgos Linmon successfully obtained banking facilities in 2018, and subsequently made capital investment in “Novoland: Eagle Flag” (九州縹緲錄) using such funds it obtained through the banking facilities, rather than entirely relying on the funding from Shanghai Linmon.

Accordingly, there is reasonable basis for our Group to allocate the relevant revenue or cost to Horgos Linmon and/or Horgos Linmon Black Tea from the perspectives of production, distribution and investment at the time of recognition because:

- (a) the preferential tax treatment policies in Horgos did not specify the detailed requirements on personnel and capital funding arrangements, which were the subject of interpretations by the tax authorities in 2019. Also, we believe that, at the time, it was rather common for media companies to establish its subsidiaries in Horgos to benefit from the tax relief and face the same difficulties as Horgos Linmon and Horgos Linmon Black Tea in terms of recruiting local talents in Horgos or their Horgos entities obtaining financing independently, which indicates that it might be a prevalent practice generally within the media industry to carry out the business operations of their Horgos entities in similar manner as that of Horgos Linmon and Horgos Linmon Black Tea.



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- (b) the relevant finance staff of Shanghai Linmon, Horgos Linmon and Horgos Linmon Black Tea did not regard the Deviations as falling short of the requirements under the preferential tax treatment policies in Horgos and therefore recorded the revenue and cost of the relevant Group entities in accordance with the stipulated contractual obligations. Our PRC auditors that audited the financial statements of Shanghai Linmon, Horgos Linmon and Horgos Linmon Black Tea at the time did not raise any issues with respect to such recognition of revenue and cost at the relevant time. More importantly, the recognition of revenue and cost of Shanghai Linmon, Horgos Linmon and Horgos Linmon Black Tea in the respective period did not affect the consolidated financial performance of our Group as to revenue and costs.
- (c) Shanghai Linmon, Horgos Linmon and Horgos Linmon Black Tea made relevant disclosure in their respective tax filings to the relevant tax authorities with respect to the tax planning arrangement in question. Our Group has not concealed information from the tax authorities, while on the contrary, relevant information has been provided to the tax authorities. Our Company also confirms that no misleading information has been submitted to the relevant tax authorities by Shanghai Linmon, Horgos Linmon or Horgos Linmon Black Tea. Our Group was not subject to challenge by any tax authorities in relation to the tax planning arrangement and the Deviations prior to the 2019 Tax Compliance Self-check.
- Our Group has not provided any false information to, concealed information from or deceived the tax authorities in connection with the tax planning arrangements.

We confirm that Horgos Linmon, Horgos Linmon Black Tea and Shanghai Linmon submitted true and accurate information of the intra-group transactions to the relevant tax authorities, which was set out in their respective single entity PRC audited financial statements submitted as part of the tax filing submission. In addition, Horgos Linmon and Horgos Linmon Black Tea also submitted (i) its income, cost and expenses in its annual enterprise income tax filings, (ii) information in relation to employee status and wages paid (if any) in its individual income tax payment record; and (iii) its shareholding relationship with Shanghai Linmon in its tax registration. The local tax authorities also, from time to time, communicate verbally with Horgos Linmon, Horgos Linmon Black Tea and Shanghai Linmon and have the right to request for access to all the relevant contracts, invoices and other related documents and information. To enjoy the tax preferential treatment, Horgos Linmon and Horgos Linmon Black Tea have also filed a list setting out the preferential income tax relief (減免所得稅優惠明細表) in their annual

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enterprise income tax filings each year to the relevant tax authorities. Therefore, based on the information provided through tax filings and tax e-system, Shanghai Linmon, Horgos Linmon and Horgos Linmon Black Tea have in the past submitted all requisite information for their respective tax filings, which included those information that was relevant to the Deviations.

Nevertheless, our Company's conduct with respect to its intragroup transactions was never challenged by any tax authorities before the 2019 Tax Compliance Self-check. Moreover, our Company has not been imposed any administrative penalty arising from or in relation to the relevant adjustment and payment of underpaid taxes as a result of the 2019 Tax Compliance Self-check.

- The Deviations and the payment of underpaid taxes after the 2019 Tax Compliance Self-check would not negate the legitimacy and feasibility of the tax planning arrangement

The transfer pricing arrangements of intra-group transactions fall within the anti-tax avoidance rules of the PRC tax laws. If a company's intra-group transactions comply with the arm's length principle, they will be treated as a legitimate tax planning arrangement, but if they fail to comply with the arm's length principle, they would be determined to be a tax avoidance arrangement in violation of China's transfer pricing rules. According to PRC tax laws, non-compliant transfer pricing arrangements shall be subject to transfer pricing adjustments, which necessitate the payment of additional taxes, but no existing PRC tax laws stipulate that intra-group transactions which violate the arm's length principle would constitute tax evasion or provide that the consequent tax adjustment constitutes an administrative penalty. As further elaborated in the sub-section headed "– Tax Counsel's Analysis, Key Findings and Views", the Tax Counsel has reviewed the intra-group transactions of our Group in relation to the 2019 Tax Compliance Self-check and is of the view that it is unlikely such transactions (as adjusted) would be subject to further transfer pricing adjustment as they were comparable to those under transactions with independent third parties and the overall profit margin of Horgos Linmon and Horgos Linmon Black Tea were comparable to other independent companies in the film and television industry post the adjustment.

In addition, as advised by the Tax Counsel, in practice, a finding that the relevant parties have malicious intent is required for the State Tax Administration to rule that the relevant conduct constitute tax evasion. Our Group planned to and made efforts to arrange the personnel and capital funding in line with the function and risk arrangements intended under the original tax planning scheme, but could not achieve the intended purposes due to the Deviations. The tax planning arrangement in question in relation to the 2019 Tax Compliance Self-check stemmed from a reasonable and legitimate

intention to make use of the preferential tax treatment in Horgos, without an intention to maliciously underpay taxes. Therefore, the Tax Counsel is of the view that our Group's conduct did not fall within any of the three categories of tax evasion behaviors, nor did our Group have the malicious intent to conduct tax evasion. Therefore, the Tax Counsel is of the view that the intra-group transactions in relation to the 2019 Tax Compliance Self-check shall not constitute violations under PRC tax laws that are subject to administrative penalties. In terms of PRC tax practice, the Tax Counsel is not aware of any precedents where PRC tax authorities treated transfer pricing arrangements as tax evasion or imposed administrative penalties thereon.

(iv) Tax compliance self-checks are not formal investigations or indicative of tax evasion.

The PRC tax laws do not prescribe specific procedures applicable to tax compliance self-checks and therefore, a tax compliance self-check is a process that is largely driven by common practice in the PRC. In PRC tax practice, tax compliance self-checks typically refer to a process whereby, with or without the tax authorities' recommendations, taxpayers voluntarily conduct a check on whether there is any non-compliance or inappropriate tax filing issue regarding their tax payments and other tax related matters during a specific period of time, and taxpayers subsequently correct any non-compliance or inappropriate tax filing issues identified.

In practice, in circumstances where the tax compliance self-checks are initiated by the taxpayers based on a tax authority's recommendations, taxpayers would typically receive a verbal notice from the tax authority requesting them to conduct the self-checks. Certain tax authorities would issue a Notice of Tax Matters (《稅務事項通知書》) to notify a taxpayer to conduct the self-check. During the process of the tax compliance self-checks, the tax authorities would not normally specify any specific tax treatment for the potential tax issues or any desired amount of taxes to be paid by the taxpayers upon the self-check. Instead, the taxpayers pay the underpaid taxes (if any) according to the result of their own self-checks.

According to the relevant regulations issued by the State Tax Administration, if taxpayers voluntarily make corrections and pay the underpaid taxes before the tax authorities initiate a tax inspection or examination and the tax authorities do not have any evidence to prove that the taxpayers had an intention of tax evasion, the taxpayers shall not be considered as having conducted tax evasion and the tax authorities shall not impose administrative penalties on the taxpayers.

Tax compliance self-checks have an entirely different nature as compared with the tax authorities' formal investigations such as tax inspections (稅務檢查) or tax examinations (稅務稽查). If the tax authorities initiate tax inspections on taxpayers, the tax authorities shall issue a Notice of Tax Inspection (《稅務檢查通知書》), and the tax authorities' officials shall present their identification documents and the Notice of Tax

Inspection when conducting the on-site tax inspection. If the tax authorities initiate a tax examination of a taxpayer, the relevant personnel at the tax authorities would collect relevant data and information from the taxpayer and make an administrative decision of the tax treatment and/or impose a penalty on the taxpayer by delivering a Decision on Tax Treatment (《稅務處理決定書》), Decision on Tax Administrative Penalty (《稅務行政處罰決定書》), Decision on Not Imposing Tax Administrative Penalty (《不予稅務行政處罰決定書》) or Tax Examination Conclusion (《稅務稽查結論》) and other tax documents to state the results of tax examinations. This process is contrasted with that in a tax compliance self-check, where in the case of a self-check, the collection of the relevant data and information and the assessment of the tax position are driven and completed by the taxpayer itself in accordance with the relevant tax laws and rules, as opposed to by the relevant tax authority, and the documentation issued by the tax authorities (if any) is also different in both cases.

With respect to the 2019 Tax Compliance Self-check conducted by our Group, (i) the relevant members of our Group voluntarily conducted the checks and paid the underpaid taxes and surcharges in full; (ii) the competent tax authorities did not initiate any tax inspection or tax examination procedure against the relevant members of our Group; (iii) the competent tax authorities did not issue any written tax document to any member of our Group; and (iv) the relevant officer of the Taxpayer Service Department of the State Tax Administration also confirmed that there will be no investigations or administrative penalties on our Group in the future as our Group did not have malicious intent to evade tax, and tax compliance self-checks are not formal investigations or administrative penalties or indicative of tax evasion. Therefore, the Tax Counsel is of the view that the likelihood of the tax authorities proceeding to conduct tax investigations or impose administrative penalties under general circumstances is remote.

#### Tax Counsel's Analysis, Key Findings and Views

We engaged an independent tax counsel, King & Wood Mallesons, (the “**Tax Counsel**”) to conduct transfer pricing analysis on the tax planning arrangement and issued an analysis report in September 2021 (the “**Analysis Report**”). The Analysis Report uses the comparable uncontrolled price method to verify whether the production fees paid by Shanghai Linmon to Horgos Linmon and Horgos Linmon Black Tea for the provision of production services satisfied the requirements of independent transactions. The Analysis Report concluded that it is unlikely such production fees would be subject to any further transfer pricing adjustment as a result of violating the requirements of independent transactions as they were comparable to those under transactions with independent third parties. In addition, the Analysis Report used the transactional net margin method to analyse all the relevant transactions among Horgos Linmon, Horgos Linmon Black Tea and Shanghai Linmon. As the transactional net margin method is used to verify the overall profit level of Horgos Linmon and Horgos Linmon Black Tea, it could also support to verify whether the consulting fees paid by Horgos Linmon and Horgos Linmon Black Tea to Shanghai Linmon for the provision of consulting services satisfied the requirements of independent transactions. It was concluded that it is unlikely that such consulting fees would be subject to additional transfer pricing adjustment as a result of

violating the requirements of independent transactions as the average profit margin of Horgos Linmon and Horgos Linmon Black Tea during the relevant periods were not higher than the average profit margin of comparable companies in the film and television industry.

Our Tax Counsel also further evaluated the transfer pricing risks and each of our Group's entities' tax compliance since their inception and up to the end of the Track Record Period or the date of the de-registration of the relevant entities (as the case may be) primarily in relation to VAT, EIT, stamp duty and/or the other applicable taxes and surcharges. The key findings and conclusions of the tax compliance review are that (i) our Group has not engaged in any conduct that would potentially lead to substantive tax issues during the period under review; (ii) the likelihood of our Group being penalized for the offenses of tax evasion due to the underpayments discovered in the 2019 Tax Compliance Self-check is remote; (iii) the Tax Counsel did not identify any substantive tax risks that would have a material impact on our Group's financial performance or business operations; (iv) the Tax Counsel is not aware of any material deficiencies in our Group's internal control measures with respect to the tax compliance aspects of our Group.

Specifically, with respect to the 2019 Tax Compliance Self-check, the Tax Counsel is of the view that (i) the Deviations would not negate our legitimacy to enjoy the preferential tax treatments in Horgos; (ii) as confirmed by our Company and the third-party consultancy service provider engaged by the Horgos Subsidiaries to handle its various administrative matters, the arrangement had been accepted as a common practice without challenges from tax authority at the time prior to the 2019 Tax Compliance Self-check; and (iii) the Deviations are unlikely to lead to any further tax adjustment or penalty.

#### *2020 Tax Compliance Self-check*

##### Background

In 2020, the relevant tax authorities informed us that there were reports suggesting that there had been certain VAT invoice investigations against certain companies in Shanghai, including Shanghai Manjia Electronic Commerce Co., Ltd. (上海滿嘉電子商務股份有限公司) (“**Shanghai Manjia**”), an independent third-party supplier of our Group in 2016 and 2017. We ceased to procure goods and services from Shanghai Manjia primarily as we chose to work with other suppliers due to business considerations. The business scope of Shanghai Manjia included, among other things, the sales of office supplies and goods, and the provision of information technology technical consultation services. To the best of our knowledge, except for the supplier relationship as aforementioned, we had no other relationships with the subsidiaries, shareholders, directors, senior management of Shanghai Manjia or any of their respective associates. We enquired with the local tax authorities for the sake of prudence and the local tax authorities recommended us to conduct a tax compliance self-check on our transactions with Shanghai Manjia (the “**2020 Tax Compliance Self-check**”).

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Each of Linmon Kaixin, Linmon Yuexin and Shanghai Linmon (the “**2020 Self-check Relevant Entities**”), being entities within our Group which had entered into transactions with Shanghai Manjia, conducted a 2020 Tax Compliance Self-check and issued and submitted self-check reports dated November 17, 2020, November 18, 2020 and November 20, 2020, respectively, to the relevant local tax authorities. The contracts entered into between the 2020 Self-check Relevant Entities and Shanghai Manjia provided that Shanghai Manjia shall provide market information services and goods to the 2020 Self-check Relevant Entities between 2016 and 2017 and Shanghai Manjia shall issue invoices with respect to both market information services and goods in a total amount of RMB13.7 million. However, Shanghai Manjia only issued service fee invoices to Shanghai Linmon and Shanghai Linmon recorded the procurement fees to Shanghai Manjia as “administrative expenses – service fee” accordingly in its management account (which would be deductible from its taxable income) in 2016 and 2017. However, during the course of the 2020 Tax Compliance Self-check, it was identified that the transactions with Shanghai Manjia involved the procurement of goods. We believe such inconsistency was primarily due to Shanghai Manjia’s issuance of the wrong invoices and the inadvertent oversight of the relevant accounting personnel.

### Rectification Measures

Taking a prudent stance and considering the procurement was made for goods, which was different from the nature of such procurement stated on the VAT invoices (being for services), the 2020 Self-check Relevant Entities voluntarily made adjustments to take out the deduction from the Relevant Entities’ respective taxable income. Accordingly, each of the 2020 Self-check Relevant Entities adjusted its taxable income in 2016 and 2017 by taking out the original cost deduction from the transactions with Shanghai Manjia, and concluded that we were required to make an additional enterprise income and individual income tax payment of RMB3.46 million and pay a surcharge for overdue tax payment of RMB1.69 million. We paid up all such tax and surcharges by November 24, 2020, which was the date when the last payment was made pursuant to our tax compliance self-checks.

In August 2021, Our PRC Legal Advisor conducted a consultation with the relevant officer of the Thirteenth Branch of Songjiang Tax Administration that is assigned for the supervision of tax matters of Linmon Kaixin and Linmon Yuexin. Such officer confirmed that (i) they are aware of the results of the 2020 Tax Compliance Self-check; and (ii) Linmon Kaixin and Linmon Yuexin had been in compliance with tax payment obligations since their inception. Furthermore, the Songjiang Tax Administration issued written tax matters reports dated August 16, 2021, October 27, 2021, February 24, 2022 and June 20, 2022 confirming that Linmon Kaixin and Linmon Yuexin had not been subject to any administrative penalties during the period from January 1, 2018 to March 31, 2022. As advised by our PRC Legal Advisor, the Thirteenth Branch of Songjiang Tax Administration and the Songjiang Tax Administration are the competent tax authorities for the purpose of tax matters of Linmon Kaixin and Linmon Yuexin and the relevant officers are competent officers to be consulted with. For Shanghai Linmon, we also consulted with the relevant officer of the Thirteenth Branch of Songjiang Tax Administration who confirmed that Shanghai Linmon had been in compliance with tax payment obligations since its inception and obtained written tax matters report from the

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Songjiang Tax Administration confirming Shanghai Linmon had not been subject to any administrative penalties during the period from January 1, 2018 to March 31, 2022. See “– 2019 Tax Compliance Self-check – Rectification Measures” for details.

In September 2021, our PRC Legal Advisor also conducted an interview with a department director of the Shanghai Radio and Television Administration (the “**Shanghai RTA**”), in which the department director confirmed that, for the period between January 1, 2018 and September 14, 2021, being the date of the relevant interview, each of Shanghai Linmon, Linmon Yuexin and Linmon Kaixin has not been subject to any inquiry, administrative investigation, rectification order, penalty or fines as a result of any non-compliance of relevant laws, regulations or other regulatory documents, nor any outstanding complaints or disputes with the Shanghai RTA in respect of its production of TV drama series business operations. Shanghai RTA is mainly responsible for the business guidance and industry supervision of various radio and television institutions in Shanghai. The department director is mainly responsible for guiding the creation and production of radio and television programs, and is also responsible for guiding and supervising the creation, production and broadcasting of documentaries and animations, guiding the development and promotion of online audio-visual program service, and examining and supervising the content of audio-visual programs disseminated through networks and public carriers. As advised by our PRC Legal Advisor, considering that Shanghai Linmon, Linmon Kaixin and Linmon Yuexin are incorporated in Shanghai and engage in drama series production business, Shanghai RTA is the competent authorities to provide such confirmation for Shanghai Linmon, Linmon Kaixin and Linmon Yuexin. In addition, as the interviewee is a department director of the Shanghai RTA, our PRC Legal Advisor is of the view that he is the competent officer to provide such confirmation for Shanghai Linmon, Linmon Kaixin and Linmon Yuexin. As confirmed by our PRC Legal Advisor, as the confirmations given by the interviewee is factual confirmation as to whether Shanghai Linmon, Linmon Yuexin and Linmon Kaixin had been subject to any penalty or fines, such factual confirmations, in view of the duties of the Shanghai RTA and the position of the interviewee, it is concluded that such factual confirmation will not be challenged by higher authorities.

In addition, our PRC Legal Advisor is of the view, and the Joint Sponsors’ PRC Legal Advisor concurs, that neither the 2020 Tax Compliance Self-check nor the payment of tax and surcharges constituted any administrative penalties, and hence, no penalty was imposed by any regulatory authorities, and the likelihood of our Company being penalized for offences of tax evasion due to the underpayments discovered in the 2020 Tax Compliance Self-check is remote considering (i) we voluntarily conducted the 2020 Tax Compliance Self-check despite the fact that there was no mandatory requirement to do so, and voluntarily made adjustments to take out the deduction from the 2020 Self-check Relevant Entities’ respective taxable income; and (ii) we obtained the certifications from the Songjiang Tax Administration confirming that it had no record showing the 2020 Self-check Relevant Entities were subject to any administrative penalties during the period from January 1, 2018 to March 31, 2022 and consulted the relevant competent authorities confirming that the 2020 Self-check Relevant Entities had been in compliance with its tax payment obligations since their inception.

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### *Enhanced Internal Control Measures*

We have strengthened our tax compliance management after the completion of the 2018 Tax Compliance Self-check, the 2019 Tax Compliance Self-check and the 2020 Tax Compliance Self-check with respect to the following aspects, among others:

- We have established a set of tax-related internal control measures to ensure our ongoing compliance, including (i) the tax administration measures, which set forth the daily tax treatment, tax filing procedures, dispute resolution procedures and reporting procedures in case of any tax non-compliance incidents; (ii) sales and payment internal control procedure, which sets forth standard sales and payment processes, including sales budget management, sales expenses management, sales personnel performance appraisal, accounts receivable collection and contingency management as well as code of conduct for marketing; (iii) procurement and supplier management policies which sets forth detailed management processes covering price enquiry and comparison, order processing and acceptance, as well as detailed supplier screening process requiring us to conduct background search and evaluation of our suppliers and maintain and update supplier list from time to time; (iv) transfer pricing management policies as discussed in detail below; and (v) training provided to the relevant tax personnel at our finance and legal department to strengthen their knowledge of the relevant laws and regulations and increase their awareness on tax compliance. In particular, the tax administration measures and the transfer pricing management policies set forth detailed requirements of the tax review, tax payment, tax document management and tax matters in relation to intra-group transactions. We require separation of duties so that the employees who submit tax application documents should be different from those who review such application documents to ensure the review quality. As confirmed by the Internal Control Consultant, our dedicated tax personnel at our finance department are responsible for day-to-day operational tax matters of our Group, and our chief financial officer is responsible for supervising and reviewing the tax management process to ensure the appropriate and timely tax filings and payments;
- With respect to our intra-group transactions, to ensure the appropriate alignment of the contract obligations and actual work performed by a Group entity, we have enhanced our contract management policies requiring the review and approval of contracts by the responsible persons of the relevant operational departments from a day-to-day operational perspective, by our finance manager from the accounting and tax compliance perspective, by our legal manager from the legal compliance perspective and by our senior management from the overall business operation perspective. In addition, to ensure the compliance with the requirements of independent transactions with respect to the pricing basis for intra-group transactions under the PRC Corporate Tax Law, we have established transfer pricing management policies, pursuant to which we are required to price intra-group transactions based on the market prevailing rates, the expected budget and gross margin. In addition, to ensure revenue is recognized correctly under our



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Group, we require that Shanghai Linmon be the designated contracting entity on behalf of our Group when entering into agreements with customers and third-party co-investors and our intra-group transactions to be conducted according to the business substance of, and the actual functions and risks assumed by, the relevant subsidiaries, as well as in compliance with the applicable transfer pricing and tax laws and regulations in China;

- To avoid inaccurate procurement cost recognition, we have enhanced our invoice management policies, requiring our accounting personnel to carefully review and verify the authenticity of the underlying transactions, accuracy and reasonableness of the invoices issued by suppliers on the official websites of the national and local tax authorities and certify each of the invoices received as being so reviewed and verified;
- To further ensure timely and accurate tax payment filings, we have maintained a list setting forth the detailed types, rates and filing cycle of the taxes involved in our daily operations and require our relevant personnel to strictly follow and update the list from time to time. We require our accounting personnel to fill in the tax payment calculation reports on our enterprise resource planning system every month based on the latest requirements under the PRC tax laws, regulations and policies and submit the same for our finance managers' review and approval. In addition, our accounting personnel are required to regularly review our tax payable provisions, tax payables and the taxes actually paid and timely make adjustment accordingly; and
- To ensure accurate and timely VAT invoice issuance and filings, we have standardized the VAT invoice issuance and filing process in our sales and payment internal control procedure. We require our sales personnel to fill in and submit standardized invoice application forms based on the payment terms and contract amounts specified in the relevant agreements to our finance department for review. After the review of the relevant agreements and invoice amount, our finance department authorizes a third party invoice issuance agency to issue VAT invoices accordingly.
- In respect of the verification of the authenticity of the transactions and the accuracy and reasonableness of the invoices issued by suppliers, we have established our supplier invoice management procedure, requiring our accounting personnel to verify the contract amount and payment terms against the issued invoices and verify the authenticity of the transactions and the accuracy of the invoices through online invoice verification system. After the verification, our accounting personnel are required to mark the invoices as "verified invoices" and submit the invoices together with the payment application for finance managers' review and approval.

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- To ensure timely and accurate revenue recognition, we have established the sales and payment internal control procedure to set out a standard management process, including the revenue recognition procedures.
  - o with respect to our licensing of broadcasting rights of original drama series, we typically deliver the master tape of our original drama series to our TV channel and online video platform customers after obtaining the Television Drama Distribution License from the NRTA or completion of the record filing of the drama series with the relevant competent authorities. Our production personnel is responsible for the internal review of the master tape. After passing our internal review, we deliver the master tape to our customers by mail or hand delivery. Our customers typically provide acceptance documents upon the completion of the acceptance (i.e. receipt of the master tape signed or sealed by the technical examination specialist of the customers' platform technical department) and our agreements typically set forth the starting date of the licensing period which usually occurs after the acceptance of the master tape. Upon our fulfilment of such obligations, we recognise revenue in the month (typically at the end of each month due to our accounting period) in which the licensing period commences (i.e. when the drama series are available to the licensee and the licensee is able to use and benefit from the license).
  - o with respect to our content marketing services:
    - pursuant to the agreements with product placement customers, our content marketing team communicates with our customers regarding the details of the product placement scenes, and we obtain customers' preliminary confirmation of our fulfilment of contractual obligations and ascertain the price adjustment (if any) and agree on the total contract amount. Customers typically provide their acceptance notice after the drama series initially broadcasts pursuant to the relevant agreements, and we recognize revenue accordingly (typically at the end of each month due to our accounting period).
    - pursuant to the agreements with our customized creative advertisement customers, our content marketing team sends the advertisement video with watermarks to our customers for review and acceptance. Our customers typically provide their acceptance notices in written form. We recognize revenue in the month (typically at the end of each month due to our accounting period) in which we receive the customers' written acceptance and we ascertain the price adjustment (if any) and agree on the total contract amount with our customers.
    - since integrated marketing campaign involves multiple performance obligations, from which our customers could separately benefit, we deliver the integrated marketing campaign services pursuant to the

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relevant agreements. Our customers typically provide their acceptance notice in written form. We recognize revenue when each of the performance obligation is satisfied. For customized marketing services, we recognize revenue over the relevant service period. For customized marketing products, we recognize revenue in the month when we receive the customers' written acceptance and we ascertain the price adjustment (if any).

- o with respect to our production of made-to-order drama series, we deliver the master tape of the made-to-order drama series to our customers and our customers are responsible for submitting the drama series to the NRTA for review and obtaining the Television Drama Distribution License/completion of the record filing of the drama series with the relevant competent authorities. We obtain the initial broadcasting proof and recognize revenue in the month (typically at the end of each month due to our accounting period) in which the made-to-order drama series initially broadcast.
- We strive to comply with all the latest tax filing requirements applicable to our industry and business from time to time. To this end, we have assigned dedicated legal and accounting personnel to keep track of the developments of the applicable PRC tax laws, regulations and policies on an ongoing basis. We also require the relevant personnel responsible for tax filings to maintain close communications with the competent authorities and actively seek advice and guidance from such authorities to fully understand the latest tax filing requirements. In addition, we also keep record of all the tax filings applications, internal tax management reports, corporate income tax settlement and payment reports and approvals and documents issued by tax authorities for review and inspection from time to time.
- We have engaged a third-party tax expert since May 2020 and will continue to engage them to provide tax advice and support on our daily operations to ensure our tax compliance on an ongoing basis. We have established a protocol setting out a list of matters requiring tax expert's review, including, for example, any intra-group transactions, establishment of any new entities or new business lines.

For details, see “– Risk Management and Internal Control – Risk Management – Legal and Tax Compliance Management”.

In preparation for the Listing, in May 2021, we also engaged an independent internal control consultant (the “**Internal Control Consultant**”) to perform an internal control review (the “**Internal Control Review**”) of our internal control system within the agreed scope which covers, among other things, taxation compliance. During the Internal Control Review, the Internal Control Consultant identified a number of findings in relation to our internal control policies and procedures pursuant to which we have taken the internal control enhancement measures recommended by the internal control adviser. The Internal Control Consultant

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performed a follow-up review on the enhancement measures taken by us in response to the findings and enhancement recommendations from the Internal Control Consultant. For details, see “Business – Internal Control”.

The Internal Control Consultant conducted internal control review pursuant to the relevant technical bulletin AATB1 issued by the Hong Kong Institute of Certified Public Accountants and is not aware of any material deficiencies based on the tested samples during its review period in respect of our Group’s intra-group transactions and supplier invoice management processes.

In particular, the Internal Control Consultant has reviewed the Company’s internal control measures in relation to tax matters as below:

- (1) With respect to the matters subject to 2018 Tax Compliance Self-check:
  - VAT filing: To avoid the difference in timing for the issuance of VAT invoices and for the recognition of revenue with respect to a transaction, at the time of revenue recognition, we require our finance personnel to declare the VAT payable corresponding to the uninvoiced revenue in our enterprise resource planning system based on the total revenue recognized minus the invoiced amount. Upon the review by our chief financial officer, we make tax payments accordingly pursuant to the relevant tax laws and regulations. With respect to the aforementioned process, the Internal Control Consultant conducted sample tests and obtained the samples of our monthly VAT declaration, including the VAT financial data, tax calculation sheets and approval records of our chief financial officer in our enterprise resource planning system for the period, tax declaration record sheet, tax payment certificate, accounting vouchers in our enterprise resource planning system and relevant supporting documents (such as bank remittance receipts), and checked the compliance and timeliness of the VAT filing process; and
  - Stamp duty filings: In the month of transaction or stamp duty payment, our accounting personnel make the relevant stamp duty filing. Upon review by our chief financial officer, we make the tax payment accordingly pursuant to the relevant tax laws and regulations. The Internal Control Consultant conducted sample tests and obtained samples of our monthly stamp duty filings, including the stamp duty financial data in our enterprise resource planning system, tax and fee calculation sheets and approval records of our chief financial officer, tax return records, tax payment certificate, accounting vouchers in our enterprise resource planning system and relevant supporting documents, and verified the compliance and timeliness of the stamp duty filing process;

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- Training: We have provided compliance training relating to the VAT filing and stamp duty filing to the relevant tax personnel at our finance and legal department to strengthen their knowledge of the relevant laws and regulations and our internal control measures and increase their awareness on tax filing compliance.
- (2) With respect to the matters subject to the 2019 Tax Compliance Self-check:
- Business function performed by each Group entities: We established the transfer pricing management policies to ascertain the roles and responsibilities of our Group entities and the pricing standard of intra-group transactions. In addition, we maintain a tax rate list specifying the tax rates applicable to each of our Group entities for our internal reference. In addition, to ensure revenue is recognized correctly under our Group, we require that Shanghai Linmon to be the designated contracting entity on behalf of our Group when entering into agreements with customers and third-party co-investors and our intra-group transactions to be conducted according to the business substance of, and the actual functions and risks assumed by, the relevant subsidiaries, as well as in compliance with the applicable transfer pricing and tax laws and regulations in China. The Internal Control Consultant conducted sample tests and reviewed various types of intra-group transaction agreements and confirmed that the signing parties are in compliance with the transfer pricing management policies; and
  - Fairness of pricing and approval process of intra-group transactions: We require comprehensive consideration of market prevailing rate, project budget and expected gross margin to ensure the fairness of our pricing of the intra-group transaction. Our sales and payment internal control procedure sets forth the details of the pricing process. The Internal Control Consultant has reviewed the procedure, pursuant to which the pricing process policy shall be implemented after Directors' approval. The Internal Control Consultant conducted sample tests and reviewed samples of our intra-group procurement agreements (commissioning the production of drama series), and verified the fairness of the pricing by comparing with the pricing terms in agreements for similar services we entered into with third party suppliers. In addition, we have also established a standard contract review and approval process in our office automation system, requiring all intra-group transactions to be reviewed through the system by our finance, legal, business department and the vice president leading the business departments. The Internal Control Consultant verified the pricing and contract approval process of samples of our intra-group procurement agreements in our office automation system, and confirmed that samples of our agreements have been reviewed and approved by the vice director of our finance, legal, business department and the vice president leading the business departments in accordance with the standard review and approval process;

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- Training: We have provided intra-group transaction compliance training to the relevant personnel at our finance and legal department to strengthen their knowledge of the relevant laws and regulations and our internal control measures and increase their awareness on tax compliance.
- (3) With respect to the matters subject to the 2020 Tax Compliance Self-check:
- Procurement and supplier management policies: We have established the procurement and supplier management policies requiring background search and evaluation to be conducted prior to the procurement. We also maintain supplier files and update such files from time to time to ensure the reasonableness and standardization of suppliers selection and management. The Internal Control Consultant conducted sample tests of the screening process of various types of suppliers conducted by our Group and verified the reasonableness and standardization of the relevant process;
  - Internal review of supplier agreements: Before signing any agreements with suppliers, we require multiple departments to review the terms of the agreements using our office automation system, including our finance and legal department to ensure the reasonableness, sufficiency and compliance with respect to the accounting and legal aspects. The Internal Control Consultant conducted sample tests and reviewed our agreements with suppliers and verified the compliance and timeliness of our internal review process; and
  - Transaction authentication and invoice verification: We have established our supplier invoice management process to ensure the authenticity of the transactions and the accuracy and reasonableness of the invoices issued by suppliers. We require our accounting personnel to verify the contract amount and payment terms against the issued invoices and verify the authenticity of the transactions and the accuracy of the invoices through our online invoice verification system. After the verification, our accounting personnel are required to mark the invoices as “verified invoices” and submit the invoices together with payment application for finance managers’ review and approval. The Internal Control Consultant conducted sample tests and reviewed relevant documents of our payment process (i.e. invoices, bank notes, payment approval documents on our office automation system, contract and invoice verification results). The Internal Control Consultant conducted sample tests and verified that the tax item, tax amount and other information on the sampled supplier invoices are consistent with the terms in the agreements and confirmed the authenticity of the sampled supplier invoice as well as the reasonableness and compliance of the supplier invoice management process;

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- Training: We have provided compliance training relating to procurement and supplier management, transaction authentication and invoice verification to the relevant personnel at our finance and legal department to strengthen their knowledge of the relevant laws and regulations and our internal control measures and increase their awareness on tax compliance.

We confirm that, we have been following such measures to minimize our tax compliance risk since the establishment of the aforementioned enhanced internal control management measures.

### *Conclusions*

Since the 2020 Tax Compliance Self-check, we confirm that the relevant tax authorities have not made any further enquiry with our Group or requested our Group to conduct any follow-up or new tax compliance self-checks.

Our Directors are of the view that the 2018 Tax Compliance Self-check, the 2019 Tax Compliance Self-check and the 2020 Tax Compliance Self-check and the payment of taxes and surcharges are not material or systematic non-compliances considering:

- Our PRC Legal Advisor is of the view that the findings in the tax compliance self-checks are immaterial non-compliance incidents considering the fact that (i) we conducted the tax compliance self-checks and made up all the relevant tax payments and surcharges, and therefore, we had no intention of tax evasion; and (ii) we have taken initiatives to eliminate the consequences and implications of the shortfall in tax payments;
- As advised by our PRC Legal Advisor, such incidents and the tax payments and surcharges do not constitute legal or administrative penalties imposed by the competent tax authorities and no penalty was imposed by any regulatory authorities in respect of the tax compliance self-checks. In addition, we conducted tax compliance self-checks and made up all the relevant tax payments and surcharges and submitted self-check reports to the relevant government authorities. Considering that the relevant government authorities are fully aware of our tax compliance self-checks and did not impose any penalty, our PRC Legal Advisor is of the view that the likelihood of our Company to be penalized for offences of tax evasion due to underpayments discovered in the tax compliance self-checks is remote;
- We have obtained certifications from the competent regulatory authority confirming that Horgos Linmon Black Tea and Horgos Linmon had no outstanding taxes as of March 31, 2022. We have also obtained the certification from the Songjiang Tax Department confirming that it had no record showing Shanghai Linmon and the 2020 Self-check Relevant Entities were subject to any administrative penalties during the period from January 1, 2018 to March 31, 2022. In addition, the relevant officer of the Thirteenth Branch of Songjiang Tax Administration confirmed in a

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consultation that (i) Shanghai Linmon had been in compliance with tax payments with no violations of laws and regulations such as tax payment defaults, tax evasion or tax avoidance since its inception; (ii) Shanghai Linmon had not been subject to any administrative penalties and would not be subject to any administrative penalties; and (iii) Shanghai Linmon had not been subject to any investigation from the competent tax authorities;

- The 2018 Tax Compliance Self-check, the 2019 Tax Compliance Self-check and the 2020 Tax Compliance Self-check are isolated findings and not related to each other; and
- With respect to the 2019 Tax Compliance Self-check, taking into account corresponding adjustments, the Analysis Report confirms that the transactions among Horgos Linmon, Horgos Linmon Black Tea and Shanghai Linmon are unlikely to subject such entities to additional taxes due to the violations of the requirement of independent transaction under the PRC tax laws and regulations.

In addition, we believe the above incidents do not affect our Director's integrity and competency because:

- (i) the 2018 Tax Compliance Self-check and the 2020 Tax Compliance Self-check are both in relation to the daily accounting matters in which our Directors do not directly participate and the findings are due to the inadvertent oversight of the relevant personnel;
- (ii) with regard to the 2019 Tax Compliance Self-check, as elaborated above in “– Directors' View”, our Directors were not involved in the actual implementation of the tax planning arrangement in question and were not made aware of any material tax risks with respect to the intragroup transactions. In addition, we had originally planned to follow the tax planning arrangements and had to change how the implementation of the plan was done given the practical difficulties we faced. Given (1) the relevant policies did not stipulate detailed requirements on how personnel or capital funding should be arranged in order to claim the tax preference, and (2) we believe that, at the time, it was rather common for media companies to establish its subsidiaries in Horgos to benefit from the tax relief and face the same difficulties as Horgos Linmon and Horgos Linmon Black Tea in terms of recruiting local talents in Horgos or their Horgos entities obtaining financing independently our finance staff could only rely on their interpretation of the tax policies to implement the tax planning arrangement at the time and reasonably believed that the Deviations would not disqualify Horgos Linmon and Horgos Linmon Black Tea from claiming the preferential tax treatment in Horgos and recorded revenue and cost in proportion to the respective investment contributions of and services contemplated to be provided by Horgos Linmon and Horgos Linmon Black Tea in accordance with the stipulated contractual obligations. On the basis of such belief, the finance staff did not consider the Deviations to pose a material tax risk warranting the reporting of the same to our



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Directors back then. Especially considering that even the finance staff could not well foresee that the administration would be tightened prior to the 2019 Tax Compliance Self-check, the Directors were unlikely to be aware of the Deviations back then, especially where the finance staff at the time could not have reasonably foreseen the subsequent tightening of the tax administration prior to the 2019 Tax Compliance Self-check. In addition, neither the PRC auditors of our Group nor the tax authorities raised any enquiries or challenges over the intragroup transactions arrangement prior to the 2019 Tax Compliance Self-check, which would otherwise have raised the Directors' attention to such arrangements as well;

- (iii) our PRC Legal Advisor confirmed that our Directors will not be disqualified as a director under the Company Law of the PRC and the risk that our Directors will be penalized for offenses of tax evasion due to underpayments discovered in the tax compliance self-checks is remote because none of the above incidents constituted any legal or administrative penalties, and no penalty was imposed by any regulatory authorities in the tax compliance self-checks, and hence, the likelihood of our Company to be penalized for offences of tax evasion due to underpayments discovered in the tax compliance self-checks is remote; and
- (iv) we have enhanced our relevant internal control measures to ensure on-going compliance of tax matters going forward. We engaged the Tax Counsel primarily to further evaluate each of our Group's entities' tax compliance since their inception and up to the end of the Track Record Period or the date of the de-registration of the relevant entities (as the case may be) primarily in relation to VAT, EIT, stamp duty and/or the other applicable taxes and surcharges. The key findings and conclusions of the tax compliance review are (i) the likelihood of the Group being penalized for the offenses of tax evasion due to the underpayments discovered in the three tax compliance self-checks is remote; (ii) the Tax Counsel did not identify any substantive tax risks that would have a material impact on the Group's financial performance or business operations; and (iii) the Tax Counsel is not aware of any material deficiencies in the Group's internal control measures with respect to the tax compliance aspects of our Group.

Our Directors confirm that, (i) as of the Latest Practicable Date, our Company were not subject to any VAT invoice investigations; (ii) to the best knowledge of our Directors and upon making reasonable enquiry, during the same period, among its counterparties, except for Shanghai Manjia as disclosed above, none of them were the subject of any VAT invoice investigations; and (iii) we had no tax issues since our inception which will pose a material adverse impact on our Group.

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### PRC Legal Advisors' View on the Tax Compliance Self-checks

Our PRC Legal Advisor is of the view that the tax compliance self-checks nor the payment of taxes and surcharges constituted any administrative penalties, and hence, no penalty was imposed by any regulatory authorities, and the likelihood of the Company being penalized for offences of tax evasion due to the underpayments discovered in the three tax compliance checks is remote considering, among others, (i) our Group voluntarily conducted the tax compliance self-checks and paid all underpaid taxes and surcharges; and (ii) our Group obtained the certifications from the competent tax authorities confirming that the relevant entities of our Group had no outstanding taxes or were not subject to any administrative penalties during the relevant periods.

Our PRC Legal advisor is also of the view that the findings in the tax compliance self-checks are immaterial non-compliance incidents because: (i) our Company conducted the tax compliance self-checks and paid up all the outstanding tax payments and surcharges, (ii) the payment of the underpaid taxes and surcharges under the 2018 Tax Compliance Self-check, 2019 Tax Compliance Self-check and 2020 Tax Compliance Self-check do not fall within any of the tax evasion categories under PRC tax laws, (iii) our Company has obtained the certifications from the competent tax authorities confirming that Shanghai Linmon, Linmon Yuexin and Linmon Kaixin had not been subject to any administrative penalties during the period from January 1, 2018 to March 31, 2022; (iv) our Company has obtained the certifications from the competent tax authorities confirming that Horgos Linmon and Horgos Linmon Black Tea had no outstanding taxes due as of March 31, 2022 and (v) our Company consulted the relevant competent authorities confirming that Shanghai Linmon, Linmon Yuexin and Linmon Kaixin had been in compliance with its tax payment obligations since their inception.

### Joint Sponsors' View on the Tax Compliance Self-checks

On the basis of:

- (1) From a legal and regulatory perspective,
  - (a) the regulatory assurance obtained from the State Tax Administration that (i) a tax compliance self-check is a routine exercise of the tax authorities in its exercise of regulatory oversight and is not an administrative penalty, and (ii) if there is no subjective intention to conduct tax evasion, there will not be any penalties imposed and the fact that the tax authorities accept the tax compliance self-check reports and the payment of additional tax and surcharges without any follow-up actions demonstrates the tax authorities' determination that no subjective intention to conduct tax evasion was involved, and regulatory confirmations obtained from the Shanghai City Songjiang District Administration of Tax that a tax compliance self-check is a means for the tax authorities to exercise their regulatory oversight over taxpayers which the authority regards as low-risk;

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- (b) further regulatory confirmations obtained from the Shanghai City Songjiang District Tax Administration of the State Tax Administration that no tax penalty has been imposed on each of Shanghai Linmon, Linmon Yuexin and Linmon Kaixin in respect of the Tax Compliance Self-checks, and from the written certifications issued by the relevant tax authorities in Horgos that each of Horgos Linmon and Horgos Linmon Black Tea was not subject to any outstanding tax liabilities;
  - (c) the Tax Counsel's view that the likelihood of the tax authorities proceeding to tax investigations or further imposing administrative penalties on a taxpayer that has already conducted a tax compliance self-check and adjusted its tax payment accordingly is remote, and that the intra-group transactions relating to the 2019 Tax Compliance Self-check do not constitute "tax evasion" behaviour under PRC tax laws; and
  - (d) the PRC Legal Advisor's view that both the requirements to conduct the tax compliance self-checks and the payment of the underpaid tax, the VAT and the surcharges by our Group did not constitute any administrative penalties under applicable PRC laws and regulations, and hence, no penalty was imposed by any regulatory authorities, and the likelihood of our Company and our Directors being penalized for the offenses of tax evasion due to the underpayments discovered in the tax compliance self-checks is remote and that our Directors will not be disqualified from acting as a director of a PRC company under the PRC laws;
- (2) From the perspective of the underlying transactions subject to the tax compliance self-checks and the circumstances leading to the Deviations,
- (a) discussions with us and the Tax Counsel and the review of documents relating to the transactions we entered into with third party customers and suppliers in respect of the investment, production and distribution of the four original drama series relevant to the 2019 Tax Compliance Self-check, through which the Joint Sponsors noted the policy background behind the tax preference claimed, an indication of our initial commitment towards carrying out the tax planning scheme through Horgos Linmon or Horgos Linmon Black Team undertaking the contractual obligations in the drama series investment, production and distribution processes, and that Horgos Linmon or Horgos Linmon Black Tea was able to meet its contractual obligations pursuant to the terms of the relevant agreements;

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- (b) discussions with us, the Tax Counsel, and relevant third parties service providers and the review of documents with respect to the actual implementation of the aforementioned tax planning scheme, through which the Joint Sponsors noted evidence indicating a positive intention on the part of Horgos Linmon and Horgos Linmon Black Tea to try to carry out the relevant functions as originally planned, and the reasons and circumstances giving rise to the practical difficulties, which eventually led to the Deviations;
  - (c) the fact that the causes of the shortfall in tax payment identified in each of the tax compliance self-checks were unrelated to one another; and
  - (d) discussions with the Tax Counsel in respect of its analysis of the shift in emphasis in the relevant economic and tax policy of the PRC administration, and consequentially, the tightened tax administration, and discussions with a third-party service provider in respect of the change in business environment in Horgos prior to the 2019 Tax Compliance Self-check, which enables the Joint Sponsors to understand the reasonableness of the basis on which the finance personnel interpreted the requirements to claim the tax preference;
- (3) From the perspective of our general tax compliance practices and internal controls,
- (a) the findings of (a) the transfer pricing analysis on the intra-group transactions conducted by the Tax Counsel, in which the Tax Counsel concluded that it is unlikely for such intra-group transactions under analysis to be subject to any further transfer pricing adjustment for being not in line with the “independent transactions” principles, and (b) the tax substantive risk review conducted by the Tax Counsel over the tax practices of the Group entities since their respective dates of establishment and up until the end of the Track Record Period or the date of de-registration of the relevant Group entity, if earlier, in which the Tax Counsel did not identify any substantive tax risks engaged by the Group;
  - (b) the review conducted by the Internal Control Consultant in respect to control processes relevant to the matters that were subject to each instance of tax compliance self-check, and that pursuant to its review, the Internal Control Consultant is not aware of any material deficiencies based on its testing in respect of our intra-group transactions and supplier invoice management processes;
  - (c) the enhanced internal control measures adopted as set out in the above in detail, addressing the particular processes that were relevant to the underpayment of taxes uncovered in the previous instances of tax compliance self-checks, and the Internal Control Consultant having no further recommendation upon its review of, among other things, our tax compliance-related controls; and

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- (d) our continued engagement of a third-party tax expert to provide tax advice and support to aid our continued tax compliance, and our protocol requiring that matters such as any intra-group transactions are to be subject to the tax expert's review, further demonstrating our commitment towards managing our business in a manner consistent with the requirements under relevant tax laws and regulations.
- (4) discussions with us, our PRC Legal Advisor, the Joint Sponsors' PRC legal advisor and the Tax Counsel, and the views of our Directors, the PRC Legal Advisor, the Joint Sponsors' PRC legal advisor and the Tax Counsel as aforementioned.

The Joint Sponsors did not identify any material findings that would contradict the Directors' views that the tax compliance self-checks did not constitute material or systemic non-compliances and would not impugn on the Directors' integrity and competency.

Furthermore, having considered the factors laid out in the above, and in particular, (1) the enhanced internal control measures and policies as adopted by us and set out above, (2) the confirmation by the Internal Control Consultant that it is not aware of any material deficiencies based on its testing in respect of our intra-group transactions and supplier invoice management processes, and (3) that the Internal Control Consultant did not raise any further recommendation in its follow-up review with respect to tax-related internal controls, nothing material has come to the Joint Sponsors' attention that would cast doubt over the adequacy and effectiveness of the enhanced internal control measures, if implemented continuously by us, to prevent recurrence of similar non-compliance.

### LICENSES, APPROVALS AND PERMITS

Our PRC Legal Advisor has advised that during the Track Record Period and up to the Latest Practicable Date, we had obtained all licenses, permits, approvals and certificates necessary to conduct our operations material from the relevant competent government authorities in the PRC, and such licenses, permits, approvals and certificates remained in full effect. The table below sets forth details of our material licenses and permits:

No.	Holder	Name of the License, Approval or Permit	Valid Term
1.	Shanghai Linmon	Permit to Produce or Operate Radio and Television Programs	April 1, 2021 – March 31, 2023
2.	Shanghai Linmon	Television Drama Production Permit (Class A)	April 1, 2021 – March 31, 2023
3.	Shanghai Linmon	Operating Permit for Film Distribution	October 21, 2021 – October 20, 2023

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<b>No.</b>	<b>Holder</b>	<b>Name of the License, Approval or Permit</b>	<b>Valid Term</b>
4.	Linmon Yuexin	Permit to Produce or Operate Radio and Television Programs	April 1, 2021 – March 31, 2023
5.	Horgos Linmon Black Tea	Permit to Produce or Operate Radio and Television Programs	April 1, 2021 – March 31, 2023
6.	Dongyang Linmon Yuexin	Permit to Produce or Operate Radio and Television Programs	April 16, 2021 – March 31, 2023
7.	Linmon Kaixin	Permit to Produce or Operate Radio and Television Programs	April 1, 2021 – March 31, 2023
8.	Dongyang Linmon Kaixin	Permit to Produce or Operate Radio and Television Programs	April 16, 2021 – March 31, 2023
9.	Dongyang Linmon	Permit to Produce or Operate Radio and Television Programs	April 15, 2021 – March 31, 2023
10.	Horgos Linmon	Permit to Produce or Operate Radio and Television Programs	April 1, 2021 – March 31, 2023
11.	Wuren Guanji	Permit to Produce or Operate Radio and Television Programs	April 1, 2021 – March 31, 2023
12.	Shanghai Ningchuan	Permit to Produce or Operate Radio and Television Programs	September 9, 2021 – September 8, 2023
13.	Hainan Linmon	Permit to Produce or Operate Radio and Television Programs	September 14, 2021 – March 31, 2023
14.	Yuri Juzeng	Permit to Produce or Operate Radio and Television Programs	March 1, 2022 – February 29, 2024
15.	Haoyou Benling	Permit to Produce or Operate Radio and Television Programs	July 19, 2022 – July 19, 2024

### **RISK MANAGEMENT AND INTERNAL CONTROL**

#### **Risk Management**

Our business is exposed to various risks and we believe that risk management is essential to our growth and success. Key operational risks faced by us include, among other things, the administration of daily operations, drama series management, financial reporting and recording, compliance with applicable laws and regulations, changes in general market conditions and perceptions of drama series production, investment and distribution, changes in the regulatory environment in the PRC. Please refer to the section headed “Risk Factors” in this prospectus for the disclosures on various risks we face.

We are committed to an effective risk management approach that strictly abides by legal and compliance requirements to achieve reasonable risk-adjusted returns. In particular, we have adopted and implemented risk management policies in various aspects of our business operations such as financial reporting, information system and human resources.

#### ***IP Management***

We pride ourselves in establishing an abundant reserve of IPs. In order to protect our IPs, we enter into agreements with our employees and suppliers (including corporate entities and individuals) requiring them to keep confidential our IPs. We have dedicated personnel to be responsible for the protection of our IP on a daily basis by conducting regular and ad hoc online searches to identify IP infringement activities. We require prompt reporting to our legal department in the event any IP infringement is identified. Our legal department usually issues demand letters, or files complaints or lawsuits to protect our intellectual property rights.

#### ***Budget Control System***

We have a comprehensive budget management system for budget planning, execution and adjustment. For example, our finance department forecasts the financial profitability of our projects to formulate a budget plan. Then we adjust the budget plans according to the schedule and progress of each project in a timely manner. We also review the operational budget execution of our Group every six months and adjust our profit forecasts accordingly. Our senior management will evaluate and adjust the budget plans when significant variances occur.

Specifically, for each drama series and film production project, we establish dedicated production and finance teams to formulate budget plans covering IP procurement, engagement of actors and production crew and purchase of equipment, marketing and promotion services. Our legal department reviews such budget plans to ensure the compliance with the latest PRC laws and regulations. Budget plans will be reviewed and approved by our green-light committee comprising of our four co-founders. In addition, we also require our finance team to monitor project expenditures in accordance with the budget plans to prevent budget over-runs during the filming process.

### *Legal and Tax Compliance Management*

We have implemented a set of policies to monitor our tax-related matters. Specifically:

- We have established a set of tax-related internal control measures to ensure our ongoing compliance, including (i) the tax administration measures, which set forth the daily tax treatment, tax filing procedures, dispute resolution procedures and reporting procedures in case of any tax non-compliance incidents; (ii) the sales and payment internal control procedure, which sets forth standard sales and payment process, including sales budget management, sales expenses management, sales personnel performance appraisal, account receivable collection and contingency management as well as marketing code of conduct; (iii) the procurement and supplier management policies which sets forth the detailed management processes covering price enquiry and comparison, order processing and acceptance; and (iv) the transfer pricing management policies as discussed in detail below;
- With respect to our intra-group transactions, to ensure the appropriate alignment of the contract obligations and actual work performed by a Group entity, we have enhanced our contract management policies requiring the review and approval of contracts by the responsible persons of the relevant operational departments from a day-to-day operational perspective, by our finance manager from the accounting and tax compliance perspective, by our legal manager from the legal compliance perspective and by our senior management from the overall business operation perspective. In addition, to ensure the compliance with the requirements of independent transactions with respect to the pricing basis for intra-group transactions under the PRC Corporate Tax Law, we have established transfer pricing management policies, pursuant to which we are required to price intra-group transactions based on the market prevailing rates, the expected budget and gross margin. In addition, Shanghai Linmon is the designated contracting entity on behalf of our Group when entering into agreements with customers and third-party co-investors and our intra-group transactions to be conducted according to the business substance of, and the actual functions and risks assumed by, the relevant subsidiaries, as well as in compliance with the applicable transfer pricing and tax laws and regulations in China;
- To avoid inaccurate procurement cost recognition, we have enhanced our invoice management policies, requiring our accounting personnel to carefully review and verify the authenticity of the underlying transactions, accuracy and reasonableness of the invoices issued by suppliers on the official websites of the national and local tax authorities and certify each of the invoices received as being so reviewed and verified;



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- To ensure timely and accurate tax payment filings, we have maintained a list setting forth the detailed types, rates and filing cycle of the taxes involved in our daily operations and require our relevant personnel to strictly follow and update the list from time to time. We require our accounting personnel to fill in the tax payment calculation reports on our enterprise resource planning system every month based on the latest requirements under the PRC tax laws, regulations and policies and submit the same for our finance managers' review and approval. In addition, our accounting personnel are required to regularly review our tax payable provisions, tax payables and the taxes actually paid and timely make adjustment accordingly; and
- To ensure accurate and timely VAT invoice issuance and filings, we have standardized the VAT invoice issuance and filing process in our sales and payment internal control procedure. We require our sales personnel to fill in and submit standardized invoice application forms based on the payment terms and contract amounts specified in the relevant agreements to our finance department for review. After the review of the relevant agreements and invoice amount, our finance department authorizes third party invoice issuance agency to issue VAT invoices accordingly.
- To ensure the authenticity of the transactions and the accuracy and reasonableness of the invoices issued by suppliers, we have established our supplier invoice management process, requiring our accounting personnel to verify the contract amount and payment terms against the issued invoices and verify the authenticity of the transactions and the accuracy of the invoices through online invoice verification system. After the verification, our accounting personnel are required to mark the invoices as "verified invoices" and submit the invoices together with the payment application for finance managers' review and approval.
- To ensure the timely revenue recognition, we have established the sales and payment internal control procedure to set out the standard management process, including the revenue recognition procedures.
  - o with respect to our licensing of broadcasting rights of original drama series, we typically deliver the master tape of our original drama series to our TV channel and online video platform customers after our obtaining of the Television Drama Distribution License from the NRTA or completion of the record filing of the drama series with the relevant competent authorities. Our production personnel is responsible for the internal review of the master tape. After passing our internal review, we deliver the master tape to our customers by mail or hand delivery. Our customers typically provide acceptance documents upon the completion of the acceptance (i.e. receipt of the master tape signed or sealed by the technical examination specialist of the customers' platform technical department) and our agreements typically set forth the starting date of the licensing period which usually occurs after the acceptance of the master tape. Upon our fulfilment of such obligations, we recognise revenue in the

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month (typically at the end of each month due to our accounting period) in which the licensing period commences (i.e. when the drama series are available to the licensee and the licensee is able to use and benefit from the license).

- o with respect to our content marketing services:
  - pursuant to the agreements with product placement customers, our content marketing team communicates with our customers regarding the details of the product placement scenes, and we obtain customers' preliminary confirmation of our fulfilment of contractual obligations and ascertain the price adjustment (if any) and agree on the total contract amount. Customers typically provide their acceptance notice after the drama series initially broadcasts pursuant to the relevant agreements, and we recognize revenue accordingly (typically at the end of each month due to our accounting period).
  - pursuant to the agreements with our customized creative advertisement customers, our content marketing team sends the advertisement video with watermarks to our customers for review and acceptance by email. Our customers typically provide their acceptance notices in written form. We recognize revenue in the month (typically at the end of each month due to our accounting period) in which we receive the customers' written acceptance and we ascertain the price adjustment (if any) and agree on the total contract amount with our customers.
  - since integrated marketing campaign involves multiple performance obligations, from which our customers could separately benefit, we deliver the integrated marketing campaign services pursuant to the relevant agreements. Our customers typically provide their acceptance notice in written form. We recognize revenue when each of the performance obligation is satisfied. For customized marketing services, we recognize revenue over the relevant service period. For customized marketing products, we recognize revenue in the month when we receive the customers' written acceptance and we ascertain the price adjustment (if any).
- o with respect to our production of made-to-order drama series, we deliver the master tape of the made-to-order drama series to our customers and our customers are responsible for submitting the drama series to the NRTA for review and obtaining the Television Drama Distribution License/completion of the record filing of the drama series with the relevant competent authorities. We obtain the initial broadcasting proof and recognize revenue in the month (typically at the end of each month due to our accounting period) in which the made-to-order drama series initially broadcast.

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- We strive to comply with all the latest tax filing requirements applicable to our industry and business from time to time. To this end, we have assigned dedicated personnel to keep track of the developments of the applicable PRC tax laws, regulations and policies on an ongoing basis. We also require the relevant personnel responsible for tax filings to maintain close communications with the competent authorities and actively seek advice and guidance from such authorities to fully understand the latest tax filing requirements. In addition, we also keep record of all the tax filings applications, internal tax management reports, corporate income tax settlement and payment reports and approvals and documents issued by tax authorities for review and inspection from time to time.

We are committed to ensure the legal compliance of our operations and have put in place legal compliance measures. Our legal department is primarily responsible to keep track of evolving laws, regulations and policies on an on-going basis, including, for example, national tax policies, regulations on drama series and film production and marketing and promotion. Our legal department, together with other responsible departments, is also responsible to communicate with competent authorities and conduct legal research and studies from time to time and update the management to ensure the legal compliance of our daily operation. In addition, our legal department also provides compliance training to new joiners.

In particular, to ensure our continuous compliance with 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》), our agreements with actors and directors include a negative publicity clause stating that we are entitled to seek reimbursement of the amount of service fees we paid to them in the event any lawsuits, personal misbehaviors, rumors or negative news related to them affected our distribution of the relevant drama series. During the Track Record Period and up to the Latest Practicable Date, we have not been the subject of any review, enquiry or investigation by any PRC regulatory authorities in relation to such notice.

To ensure our continuous compliance with 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》), 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 submit reports disclosing the payments to actors and principal actors for the local competent authorities' review and approval and can only obtain Television Drama Distribution License (國產電視劇發行許可證) after their review and approval.

***Financial Reporting Risk Management***

We have in place a set of accounting policies in connection with our financial reporting risk management, such as financial report management policies, budget management policies, financial statements preparation policies and finance department and staff management policies. We have various procedures in place to implement these accounting policies, and our finance department reviews our management accounts regularly based on such procedures. We also provide regular trainings to our finance department staff to ensure that they understand our accounting policies.

***Information System Risk Management***

We have adopted procedures, such as regular system check, password policy, user authorization review and approval and data back-up, as well as data recovery test, to safeguard our information assets and ensure the proper management of our operational data. We are in the drama series production industry and therefore it is of critical importance for us to prevent leakage during our production process. We require producers' approval for the review of the video clips by any of the production crew and other personnel, including personnel from our finance and legal department, before the official broadcasting. Only when the relevant producers approve such review and our production team adds watermark showing the purpose and date of the review and the identity of the personnel, we will allow the relevant personnel to review the released video clips using our designated secured platforms to ensure confidentiality and prevent leakage. During the Track Record Period and up to the Latest Practicable Date, we did not experience any material information leakage or loss of data.

***Human Resources Risk Management***

We provide regular and specialized training tailored to the needs of our employees in different departments. We have in place an employee handbook approved by our senior management and distributed to all our employees, which contains internal rules and guidelines regarding best commercial practice, work ethics, conflict of interests and corruption. We provide trainings to employees to help them fully understand our guidelines. We also have in place an anti-corruption policy to prevent corruption issues. Our anti-corruption reporting system is made available to all of our staff for anonymous reports to our organization and human resources department and legal department for investigations and further actions.

***Audit Committee Experience and Qualification and Board Oversight***

We have established an audit committee to monitor the implementation of our risk management policies on an ongoing basis to ensure that our internal control system is effective in identifying, managing and mitigating risks involved in our business operations. The audit committee consists of three Directors, namely Ms. Tang Songlian, Mr. Zhang Rong and Ms. Long Yu. For the professional qualifications and experiences of the members of our Audit Committee, see "Directors and Senior Management – Directors." Our legal department is responsible for reviewing the effectiveness of internal controls and reporting to the audit

committee on any issues identified. Members of legal department hold regular meetings to discuss any internal control issues we face and the corresponding measures to implement toward resolving such issues. The legal department reports to the audit committee to ensure that any major issues identified thus are channelled to the committee on a timely basis. The audit committee then discusses the issues and reports to the Board if necessary.

### *Ongoing Measures to Monitor the Implementation of Risk Management Policies*

Our audit committee, legal department and senior management together monitor the implementation of our risk management policies on an ongoing basis to ensure our policies and implementation are effective and sufficient.

### **Internal Control**

In preparation for the Listing, in May 2021, we engaged the Internal Control Consultant to perform an internal control review (the “**Internal Control Review**”) of our internal control system within the agreed scope which covers areas such as corporate governance, risk assessment, financial systems, project management and taxation. During the Internal Control Review, the Internal Control Consultant identified a number of findings in relation to our internal control policies and procedures mainly with respect to internal control monitoring and regulatory compliance policies and systems pursuant to which we have taken the internal control enhancement measures recommended by the Internal Control Consultant, such as enhanced trade receivable, trade payables and long-term assets management policies, strengthened intellectual property rights protection policies, stricter anti-corruption and bribery and anti-money laundering practices and adoption of financial reporting and information disclosure procedures. The Internal Control Consultant performed a follow-up review on the enhancement measures taken by us in response to the findings and enhancement recommendations from the Internal Control Consultant. After considering the implementation of the enhancement measures and the result of such follow-up review, our Directors are satisfied that our internal control system is adequate and effective for our current operational environment.

### *Anti-corruption, Anti-bribery and Anti-money Laundering Policies*

We have in place anti-corruption, anti-bribery and anti-money laundering policies to safeguard against any such activities. The policy explains potential conducts of anti-corruption, anti-bribery and anti-money laundering and the relevant measures. We make our internal reporting channel open and available for our staff to report any corruption acts, and our staff can also make anonymous reports. Our human resources and administrative department will liaise with our legal department to investigate any reported incidents and take appropriate measures.

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## CONTRACTUAL ARRANGEMENTS

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### PRC REGULATORY BACKGROUND

#### Background

Foreign investment activities in the PRC are mainly governed by the Special Management Measures (Negative List) for the Access of Foreign Investment (2020 Version) (《外商投資准入特別管理措施(負面清單)(2020版)》) (the “**Negative List**”), which was promulgated and amended from time to time jointly by the MOFCOM and the NDRC. The Negative List sets forth the industries in which foreign investment is restricted or prohibited. As advised by our PRC Legal Advisor, a summary of our business/operation that is subject to foreign investment restriction in accordance with the Negative List and other applicable PRC laws and on consultations with relevant governmental authorities is set out below (the “**Relevant Businesses**”):

<b>Categories</b>	<b>Our business/operation</b>
Radio and television program production	Shanghai Linmon and certain of its subsidiaries engage in the production of radio and television programs including drama series, and the requisite licenses and permits include the Radio and TV Programs Production and Operation License (廣播電視節目製作經營許可證) and the TV Series Production License (《電視劇製作許可證》) under applicable PRC laws and regulations. According to the Negative List and other applicable PRC laws, foreign investors are prohibited from holding equity interests in any enterprise conducting such business. Such prohibition was confirmed during the interview with the NRTA by our PRC Legal Advisor and the Joint Sponsors’ PRC Legal Advisor in September 2021.

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## CONTRACTUAL ARRANGEMENTS

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### Categories

### Our business/operation

As of the Latest Practicable Date, Shanghai Linmon holds the Radio and TV Programs Production and Operation License issued by the Shanghai Municipal Radio and Television Bureau and the TV Series Production License (Type A) (《電視劇製作許可證(甲證)》) issued by the NRTA. As of the Latest Practicable Date, certain of its subsidiaries, including Linmon Yuexin, Linmon Kaixin, Dongyang Linmon, Dongyang Linmon Kaixin, Dongyang Linmon Yuexin, Horgos Linmon, Horgos Linmon Black Tea, Wuren Guanji, Shanghai Ningchuan, Hainan Linmon and Yuri Juzeng, each holds the Radio and TV Programs Production and Operation License issued by the relevant provincial level radio and television bureaus. Our PRC Legal Advisor is of the view that (i) the NRTA is the competent authority and its officer who attended the interview is a competent person to provide the foregoing confirmation; and (ii) to maintain the business operation of the Consolidated Affiliated Entities engaging in production of radio and television programs in compliance with applicable PRC laws and local governmental authorities' requirement upon Listing, these entities must continue to hold the Radio and TV Programs Production and Operation License and/or the TV Series Production License (Type A) and be controlled by the Company through the Contractual Arrangements.

### Movie distribution

Shanghai Linmon also engages in movie production, promotion and distribution, and is required to obtain the Film Distribution License (電影發行經營許可證) under applicable PRC laws and regulations. According to the Negative List and other applicable PRC laws, foreign investors are prohibited from holding equity interests in any enterprise conducting such business. Such prohibition was confirmed during the interview with the NFA by our PRC Legal Advisor and the Joint Sponsors' PRC Legal Advisor in August 2021.

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## CONTRACTUAL ARRANGEMENTS

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### Categories

### Our business/operation

As of the Latest Practicable Date, Shanghai Linmon holds the Film Distribution License issued by the NFA. Our PRC Legal Advisor is of the view that (i) the NFA is the competent authority and its officer who attended the interview is a competent person to provide the foregoing confirmation; and (ii) to maintain Shanghai Linmon's business operations in movie production, promotion and distribution in compliance with applicable PRC laws and governmental authorities' requirements, Shanghai Linmon must continue to hold the Film Distribution License and be controlled by the Company through the Contractual Arrangements.

As illustrated above, in order to maintain our business operations in compliance with the applicable PRC laws and regulations, the Company, as a foreign investor under the current regulatory regime, has adopted the Contractual Arrangements, which allow the Company to exercise control over the business operations of our Consolidated Affiliated Entities and enjoy all the economic interests derived therefrom. For further details of the limitations on foreign ownership in PRC companies conducting the Relevant Businesses under PRC laws and regulations, see "Regulatory Overview."

### Minority Shareholding Investment held by Shanghai Linmon

In addition to the prohibited business of our Company, Shanghai Linmon also directly holds minority shareholding investments in certain entities in the PRC (the "**Relevant Entities**" and each a "**Relevant Entity**"), which engage in businesses subject to foreign investment prohibition under the applicable PRC laws and regulations.



## CONTRACTUAL ARRANGEMENTS

The table below sets out Shanghai Linmon’s minority shareholding investment in the Relevant Entities and their main businesses as of the Latest Practicable Date:

No.	Name of the Relevant Entity	Interest held by Shanghai Linmon as at the Latest Practicable Date	Principal business pursuant to business license	Whether principal business involves prohibited business under the Negative List
1.	Shanghai Senmeijie Culture Media Co., Ltd. (上海森美介文化傳媒有限公司) (“ <b>Shanghai Senmeijie</b> ”)	20% equity interest	Radio and TV programs production and operation services	Yes
2.	Beijing Ark Reading Technology Co., Ltd. (北京方舟閱讀科技有限公司) (“ <b>Ark Reading</b> ”)	20% equity interest	Online literature platform operation (foreign investment prohibited); radio and TV programs production and operation services through its wholly-owned subsidiary (foreign investment prohibited)	Yes
3.	Xiamen Renma Culture Media Co., Ltd. (廈門人馬文化傳媒有限公司) (“ <b>Xiamen Renma</b> ”)	8% equity interest	Movie production, promotion and distribution	Yes
4.	Beijing Dream Chaser Pictures Limited (北京造夢機影視傳媒有限公司) (“ <b>Dream Chaser Pictures</b> ”)	5% equity interest	Radio and TV programs production and operation services	Yes
5.	Beijing Leyang Film and Television Media Co., Ltd. (北京樂漾影視傳媒有限公司) (“ <b>Beijing Leyang</b> ”)	2.6087% equity interest	Radio and TV programs production and operation services; film production and distribution	Yes
6.	Beijing Wuyuan Culture Media Co., Ltd. (北京五元文化傳媒有限公司) (“ <b>Beijing Wuyuan</b> ”)	1.8879% equity interest	Radio and TV programs production and operation services; film distribution	Yes

### ***Compelling reasons to hold investment in Relevant Entities through Shanghai Linmon***

Our Company has compelling reasons to hold investment interests in the Relevant Entities through Contractual Arrangements. As advised by our PRC Legal Advisor, these entities engage in businesses which are subject to foreign investment prohibition under the Negative List. Our PRC Legal Advisor has advised that, due to foreign investment prohibition, the direct and indirect shareholders of these Relevant Entities or the target companies in which they invested, as applicable, must be controlled by PRC nationals or PRC-incorporated corporations. The transfer of our investment interests in such Relevant Entities from Shanghai Linmon to the WFOE would not be in compliance with the relevant PRC laws and regulations on foreign investment prohibition.

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## CONTRACTUAL ARRANGEMENTS

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### *Immateriality to our Company's financial results and operating status*

The Relevant Entities are immaterial to our Group in terms of their contribution to our Company's financial results and operating status for the following reasons:

- (i) Our Group's investment in the Relevant Entities does not form part of the principal business of our Group. Shanghai Linmon is only a passive minority investor in each of the Relevant Entities and is not involved in their daily operations and management;
- (ii) Our Company's interests in the Relevant Entities are accounted for using equity method accounting or as financial assets at fair value through profit or loss in our Company's consolidated financial statements. The financial results of the Relevant Entities are not consolidated into our Company's consolidated financial statements; and
- (iii) The impact of such investments in the Relevant Entities on our Company's consolidated financial statements is not significant.

Shanghai Linmon recorded a share of profit amounting to RMB2.2 million and a fair value gain amounting to RMB7.4 million from its investments in the Relevant Entities, the net impact of which was RMB9.6 million for the year ended December 31, 2021, accounting for approximately 15.8% of our Group's net profit for the same year. In addition, the investment amounts in the Relevant Entities accounted for approximately 4.3% of our Group's total assets as at December 31, 2021. Accordingly, the impact of such investments in the Relevant Entities on our Company's consolidated financial statements is not significant.

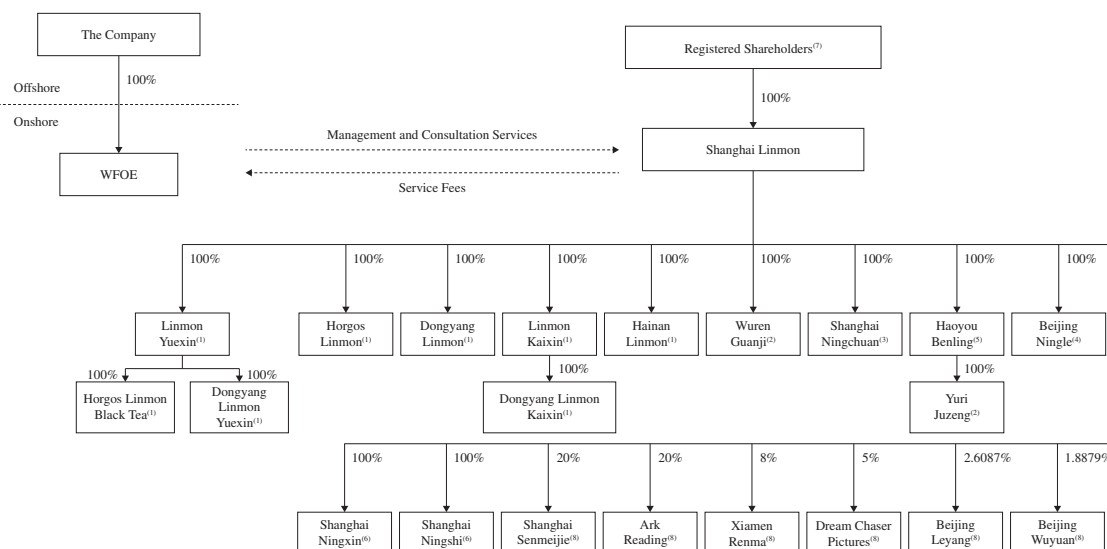
Our Company further undertakes that, in the event that our Company proposes to acquire any business or equity interest in another company involving contractual arrangements, it will only do so in compliance with the Stock Exchange's Guidance Letter HKEX-GL77-14.

# CONTRACTUAL ARRANGEMENTS

## OUR CONTRACTUAL ARRANGEMENTS

### Overview

The following simplified diagram illustrates the flow of economic benefits from our Consolidated Affiliated Entities to our Group stipulated under the Contractual Arrangements, details of which are set out in the sub-section headed “– Our Contractual Arrangements – Summary of the Material Terms under the Contractual Arrangements” in this section:



#### Notes:

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

“.....→” denotes contractual relationship.

- (1) As of the Latest Practicable Date, each of Linmon Yuexin, Linmon Kaixin, Dongyang Linmon, Dongyang Linmon Kaixin, Dongyang Linmon Yuexin, Horgos Linmon, Horgos Linmon Black Tea and Hainan Linmon holds the Radio and TV Programs Production and Operation License, and is principally engaged in radio and TV programs production, operation and distribution businesses. As such, Linmon Yuexin, Linmon Kaixin, Dongyang Linmon, Dongyang Linmon Kaixin, Dongyang Linmon Yuexin, Horgos Linmon, Horgos Linmon Black Tea and Hainan Linmon must continue to hold the Radio and TV Programs Production and Operation License and be controlled by our Company through the Contractual Arrangements to comply with relevant PRC laws and regulations.
- (2) As of the Latest Practicable Date, Wuren Guanji and Yuri Juzeng hold the Radio and TV Programs Production and Operation License and are principally engaged in the shooting and production of mini drama series with media stars or web celebrities (網絡紅人) as the main character, which, according to our PRC Legal Advisor, is subject to foreign investment prohibitions. As such, Wuren Guanji and Yuri Juzeng must continue to hold the Radio and TV Programs Production and Operation License and be controlled by our Company through the Contractual Arrangements to comply with relevant PRC laws and regulations.
- (3) As of the Latest Practicable Date, Shanghai Ningchuan holds the Radio and TV Programs Production and Operation License. It is principally engaged in the shooting and production of (i) product placement advertisements in drama series and (ii) advertisements in the form of mini dramas, which, according to our PRC Legal Advisor, are subject to foreign investment prohibitions. As such, Shanghai Ningchuan must continue to hold the Radio and TV Programs Production and Operation License and be controlled by our Company through the Contractual Arrangements to comply with relevant PRC laws and regulations.

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## CONTRACTUAL ARRANGEMENTS

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- (4) Beijing Ningle intends to engage in radio and TV programs production, operation and distribution businesses and is currently applying for the Radio and TV Programs Production and Operation License. The Company confirms that Beijing Ningle will not commence business operations which is subject to the Radio and TV Programs Production and Operation License before such license is obtained from the relevant provincial level radio and television bureaus.
- (5) As of the Latest Practicable Date, Haoyou Benling holds the Radio and TV Programs Production and Operation License. It is principally engaged in the drama series production businesses, which, according to our PRC Legal Advisor, are subject to foreign investment prohibitions. As such, Haoyou Benling must continue to hold the Radio and TV Programs Production and Operation License and be controlled by our Company through the Contractual Arrangements to comply with relevant PRC laws and regulations.
- (6) Shanghai Ningxin and Shanghai Ningshi are the Company's investment platforms intended for investing in foreign investment restricted or prohibited businesses, e.g., companies engaging in movie, TV programs or drama series production business. As such, Shanghai Ningxin and Shanghai Ningshi must be controlled by our Company through the Contractual Arrangements when making such investment to comply with relevant PRC laws and regulations. As of the Latest Practicable Date, Shanghai Ningxin and Shanghai Ningshi did not invest in any companies and has not commenced business operations. The Company confirms that it will not make any investment in businesses which are not subject to foreign investment restriction or prohibition through Shanghai Ningxin or Shanghai Ningshi.
- (7) As of the Latest Practicable Date, the Registered Shareholders include Mr. Su, Ms. Chen, Ms. Xu and Mr. Zhou (collectively, the "**Individual Registered Shareholders**"), Shanghai Guanhong, Shanghai Guanhan, Shanghai Guoshi, Shanghai Guoyun and Tencent Investment.

Each of Shanghai Guanhong and Shanghai Guanhan is a limited partnership established under the laws of the PRC as an employee share incentive shareholding platform of Shanghai Linmon prior to the Reorganization. After the Reorganization, the relevant interests of the employees in Shanghai Guanhong and Shanghai Guanhan have been reflected in the Options granted to such employees under the Pre-IPO Share Option Scheme. As of the Latest Practicable Date, Mr. Zhou acts as the general partner of Shanghai Guanhong. The only limited partner of Shanghai Guanhong is Shanghai Huazhangtai Enterprise Management Consulting Co., Ltd. (上海花章台企業管理諮詢有限公司), a company wholly owned by Mr. Su. As of the Latest Practicable Date, Ms. Chen acts as the general partner of Shanghai Guanhan. The only limited partner of Shanghai Guanhan is Mr. Zhou.

Each of Shanghai Guoshi and Shanghai Guoyun is a limited partnership established under the laws of the PRC as a supplier share incentive shareholding platform of Shanghai Linmon before and after the Reorganization. After the Reorganization, relevant interests of the suppliers in Shanghai Linmon through Shanghai Guoshi and Shanghai Guoyun have been reflected in the shareholding of Lemontree Friendship. As of the Latest Practicable Date, the largest limited partner of Shanghai Guoshi, Ms. Yang Xijuan, holds 37.2000% of its partnership interests, and no other limited partner holds more than 30% of the partnership interests in Shanghai Guoshi. Mr. Su acts as the general partner of Shanghai Guoshi. As of the Latest Practicable Date, the largest limited partner of Shanghai Guoyun, Mr. Zhang Xiaobo, holds 82.0102% of its partnership interests. Ms. Xu acts as the general partner of Shanghai Guoyun.

Shanghai Guanhong, Shanghai Guanhan, Shanghai Guoshi and Shanghai Guoyun (collectively, the "**Limited Partnership Registered Shareholders**") and the general partners of the Limited Partnership Registered Shareholders have signed the Contractual Arrangements. As advised by our PRC Legal Advisor, based on the Partnership Agreements of each of the Limited Partnership Registered Shareholders and applicable PRC laws and regulations, the limited partners have no right to revoke or invalidate the Contractual Arrangements entered into by the general partners of the Limited Partnership Registered Shareholders.

- (8) Each of the Relevant Entities invests or engages in businesses which are subject to foreign investment prohibition under the Negative List. For details, see "– Minority Shareholding Investment held by Shanghai Linmon".

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## CONTRACTUAL ARRANGEMENTS

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Our Directors believe that the Contractual Arrangements are fair and reasonable because (i) the Contractual Arrangements were freely negotiated and entered into among the WFOE, our Consolidated Affiliated Entities and the Registered Shareholders; (ii) by entering into the Exclusive Consultation and Service Agreement with the WFOE, which is our indirect subsidiary incorporated in the PRC, our Consolidated Affiliated Entities will enjoy better economic and technical support from us, as well as a better market reputation after the Listing, and (iii) a number of other companies use similar arrangements to accomplish the same purpose.

In addition, our Directors are of the view that our Contractual Arrangements are “narrowly tailored” for the following reasons:

- (i) each segment of the Relevant Businesses belongs to a certain business sector that falls within the “prohibited” category under the Negative List; therefore, foreign investment in the Relevant Businesses is strictly forbidden and the Group is required to carry out the Relevant Businesses through the Contractual Arrangements;
- (ii) the relevant licenses, the Film Distribution License and the Radio and TV Programs Production and Operation License (together, the “**Relevant Licenses**”) are required for the businesses that belong to the sector of “film production and distribution companies” or “radio and television program production and operating (including import business) companies”. According to the interviews with the NFA in August 2021 and the NRTA in September 2021, which are the respective competent authorities in charge of applications for the aforementioned licenses, and as confirmed by our PRC Legal Advisor, none of these authorities has accepted any application for the aforementioned licenses made by a wholly foreign-owned enterprise or a sino-foreign equity joint venture, and we are therefore required to carry out our Relevant Businesses through the Contractual Arrangements; and
- (iii) as for the minority equity interests held by Shanghai Linmon in the Relevant Entities, all the Relevant Entities invest or engage in businesses which are subject to foreign investment prohibition under the Negative List. Our PRC Legal Advisor is of the view that, in order to hold the minority interest in the Relevant Entities in compliance with applicable PRC laws and regulations and local governmental authorities’ requirements, the minority interest in the Relevant Entities must be held by our Company through the Contractual Arrangements. In addition, the minority equity interests in the Relevant Entities are immaterial to our Group in terms of their contribution to our Company’s financial results and operating status.

Our PRC Legal Advisor also advised us that there may be substantial uncertainties regarding the interpretation and application of current and future PRC laws and regulations and accordingly, there can be no assurance that the PRC regulatory authorities will not in the future take a view that is contrary to or otherwise different from the above opinion.

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## CONTRACTUAL ARRANGEMENTS

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### Summary of the Material Terms under the Contractual Arrangements

A description of each of the specific agreements that comprise the Contractual Arrangements is set out below.

#### *Exclusive Consultation and Service Agreement*

Pursuant to an exclusive consultation and service agreement dated August 31, 2021 between Shanghai Linmon and the WFOE (the “**Exclusive Consultation and Service Agreement**”), Shanghai Linmon agreed to engage the WFOE as its exclusive provider of technical support, consultation and other services, including the following services:

- providing radio and TV program production-related content creation and research services;
- providing pre-job and on-the-job training services for radio and TV program production-related personnel;
- providing technology development and technology transfer services related to radio and TV program production;
- providing public relations services related to radio and television program production;
- providing market research, study and consulting services related to radio and television program production;
- providing market development and market planning services for radio and television program production;
- providing consulting services for the transfer, lease and disposal of equipment and assets; and
- other relevant services reasonably requested by the Consolidated Affiliated Entities from time to time to the extent permitted under PRC laws.

Under the Exclusive Consultation and Service Agreement, the service fee shall consist of 100% of the total consolidated profit of the Consolidated Affiliated Entities, after deduction of any accumulated deficit of the Consolidated Affiliated Entities in respect of the preceding financial year(s), operating costs, expenses, taxes and other statutory contributions. Notwithstanding the foregoing, if the WFOE considers the determination mechanism of service fees in operation no longer applicable due to certain reasons, the WFOE may propose in writing to adjust the determination mechanism of service fees, and Shanghai Linmon shall negotiate with the WFOE within 10 working days after the date of the WFOE’s written request for

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## CONTRACTUAL ARRANGEMENTS

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adjustment of the determination mechanism of service fees. If Shanghai Linmon does not reply within 10 working days after receiving the above adjustment request, Shanghai Linmon shall be deemed to have acquiesced to such adjustment. The WFOE shall calculate the service fees on a quarterly basis.

In addition, absent the prior written consent of the WFOE, during the term of the Exclusive Consultation and Service Agreement, with respect to the services subject to the Exclusive Consultation and Service Agreement, the Consolidated Affiliated Entities shall not directly or indirectly accept any consultation or services provided by any third party. The WFOE may assign its rights and obligations under the Exclusive Consultation and Service Agreement to a third party as it deems necessary, and the WFOE is only required to notify Shanghai Linmon in writing about such assignment and no approval from Shanghai Linmon is required for such assignment.

The Exclusive Consultation and Service Agreement also provide that the WFOE has the exclusive proprietary rights to and interests in any and all intellectual property rights developed or created by the Consolidated Affiliated Entities during the performance of the Exclusive Consultation and Service Agreement.

The validity period of the Exclusive Consultation and Service Agreement shall start from the execution date and it shall remain effective for 10 years unless terminated by the WFOE. Upon expiration, the Exclusive Consultation and Service Agreement shall be automatically extended for 10 years unless the WFOE indicates otherwise.

### *Exclusive Option Agreement*

Pursuant to the exclusive equity transfer option agreement dated August 31, 2021 among Shanghai Linmon, the WFOE and the Registered Shareholders (the “**Exclusive Option Agreement**”), the WFOE has been granted an irrevocable, unconditional and exclusive right to require the Registered Shareholders to transfer any or all their equity interests in Shanghai Linmon to the WFOE and/or any third party designated by it, in whole or in part at any time and from time to time. Shanghai Linmon has covenanted that:

- without the prior written consent of the WFOE, it shall not in any manner supplement, change or amend its articles of association, increase or decrease its registered capital, or change the structure of its registered capital in any other manner;
- it shall maintain its corporate existence in accordance with good financial and business standards and practices, obtain and maintain all necessary government licenses and permits by prudently and effectively operating their business and handling its affairs;

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## CONTRACTUAL ARRANGEMENTS

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- without the prior written consent of the WFOE, it shall not, at any time following the date when the Exclusive Option Agreement came into effect, sell, transfer, pledge or dispose of in any manner any assets, business, legitimate or beneficial interest in the income of Shanghai Linmon, or permit the creation of any other security interest thereon;
- without the prior written consent of the WFOE, it shall not incur, inherit, guarantee or allow any debt to exist, except for payables incurred in the normal or ordinary course of business not generated from loans, and payables already disclosed to and approved by the WFOE in writing;
- it shall always operate all of its businesses during the ordinary course of business to maintain its asset value and refrain from any action/omission that may adversely affect its operating status and asset value;
- without the prior written consent of the WFOE, it shall not execute any material contract with a value of more than RMB1,000,000, except contracts executed in the ordinary course of business;
- without the prior written consent of the WFOE, it shall not provide any person with any loan or guarantee for any third-party debt;
- it shall provide the WFOE with information on its business operations and financial condition at the request of the WFOE;
- without the prior written consent of the WFOE, it shall not cause or permit itself to merge, consolidate with, acquire or invest in any third party;
- it shall immediately notify the WFOE of the occurrence or possible occurrence of any litigation, arbitration or administrative proceedings relating to its assets, business or revenue;
- to maintain the ownership by Shanghai Linmon of all of its assets, it shall execute all necessary or appropriate documents, take all necessary or appropriate actions and file all necessary or appropriate complaints or raise necessary and appropriate defences against all claims;
- without the prior written consent of the WFOE, it shall not in any manner distribute profits or dividends to its shareholders, provided that upon the request of the WFOE, it shall immediately distribute all distributable profits to its shareholders; and
- unless otherwise mandatorily required by PRC laws, it shall not be dissolved or liquidated without prior written consent by the WFOE.



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In addition, the Registered Shareholders have covenanted that:

- without the prior written consent of the WFOE, they shall not in any manner supplement, change or amend its articles of association, increase or decrease its registered capital, or change the structure of its registered capital in any other manner;
- without the prior written consent of the WFOE, they shall not sell, transfer, pledge or dispose of in any other manner their legal or beneficial interest in Shanghai Linmon, or allow the encumbrance thereon of any security interest, except for the Equity Pledge Agreement;
- they shall procure that the general meeting of shareholders of Shanghai Linmon shall not approve the sale, transfer, pledge or otherwise dispose of its legal or beneficial interest in Shanghai Linmon, or allow the encumbrance thereon of any security interest without the prior written consent of the WFOE, except for the Equity Pledge Agreement;
- they shall procure that the general meeting of shareholders of Shanghai Linmon shall not approve any merger or combination of Shanghai Linmon with, or acquisition of, or investment in any third party without the prior written consent of the WFOE;
- they shall immediately notify the WFOE of the occurrence or possible occurrence of any litigation, arbitration or administrative proceedings relating to their equity interests in Shanghai Linmon;
- to maintain the ownership of their equity interests in Shanghai Linmon, they shall execute all necessary or appropriate documents, take all necessary or appropriate actions and file all necessary or appropriate complaints or raise necessary and appropriate defences against all claims;
- to appoint any person designated by the WFOE as a director of Shanghai Linmon at the request of the WFOE;
- to unconditionally and immediately transfer their purchased shares to the WFOE or a designated person at any time upon request by the WFOE;
- if the dissolution or liquidation of Shanghai Linmon is required by PRC law, at the request of the WFOE and subject to PRC law, all remaining assets of Shanghai Linmon after deduction of settlement or liquidation expenses, employees' salaries, social insurance premiums, statutory compensation and taxes payable and settlement of other debts will be transferred to the WFOE or any other entity or person designated by the WFOE at the lowest price permitted by PRC law. Upon receipt of the consideration paid by the WFOE and/or any other entity or person designated by

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## CONTRACTUAL ARRANGEMENTS

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the WFOE, the shareholders of Shanghai Linmon shall return such consideration to the WFOE or any other entity or person designated by the WFOE in a manner consistent with the PRC laws and regulations;

- to strictly comply with the provisions of the Exclusive Option Agreement and other agreements entered into by the parties jointly or separately, effectively perform all obligations under such agreements and refrain from any act/omission that would affect the validity and enforceability of such agreements. If any of their rights in Shanghai Linmon remain in respect of the equity interest under the Exclusive Option Agreement, such rights shall not be exercised by them unless instructed in writing by the WFOE; and
- they irrevocably undertake that they shall be jointly and severally liable for the obligations under the Exclusive Option Agreement.

The validity period of the Exclusive Option Agreement shall start from the execution date and it shall remain effective for 10 years. Upon expiration, the Exclusive Option Agreement shall be automatically extended for 10 years unless the WFOE indicates otherwise. If the term of operation (including any extensions) of the WFOE or Shanghai Linmon expires during the above term or is otherwise terminated, the Exclusive Option Agreement shall terminate upon such party's termination.

### *Equity Pledge Agreement*

Pursuant to the equity pledge agreement dated August 31, 2021 entered into among the WFOE, Shanghai Linmon and each of the Registered Shareholders (the “**Equity Pledge Agreement**”), the Registered Shareholders agreed to pledge all their respective equity interests in Shanghai Linmon that they own, including any interest or dividend paid for the shares, to the WFOE as a security interest to guarantee the performance of contractual obligations by the pledgor and/or Shanghai Linmon and all compensation liability to the pledgee arising from the invalidation, revocation or termination of the Exclusive Consultation and Service Agreement, the Exclusive Option Agreement and/or the Proxy Agreement.

The pledge in respect of Shanghai Linmon takes effect upon the completion of change of registration with the relevant market regulation administration and shall remain valid (1) until after all the contractual obligations of the Registered Shareholders and Shanghai Linmon under the relevant Contractual Arrangements have been fully performed and all the outstanding debts of the Registered Shareholders and Shanghai Linmon under the relevant Contractual Arrangements have been fully paid, or (2) until such time as the WFOE and/or the designated person decide to purchase all the equity interests in Shanghai Linmon held by the Registered Shareholders pursuant to Exclusive Option Agreement as permitted under the laws of the PRC, and the equity interests in Shanghai Linmon have been legally transferred to the WFOE and/or the designated person, and the WFOE and/or the designated person can legally engage in the business of Shanghai Linmon, whichever is earlier.

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## CONTRACTUAL ARRANGEMENTS

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In the event of default (as defined in the Equity Pledge Agreement), the WFOE shall give a notice of default to the shareholders of Shanghai Linmon upon exercise of the pledge rights. The WFOE may exercise its right to dispose of the pledge at the same time as the notice of default is given or at any time after the notice of default is given. The WFOE shall have the right to sell or otherwise dispose of the pledged shares under the Equity Pledge Agreement in accordance with the legal procedures. If the WFOE decides to exercise the pledge right, the Registered Shareholders of Shanghai Linmon undertake to transfer all their shareholders' rights to the WFOE. In addition, the WFOE has the right to discount all or part of the shares under this agreement in accordance with legal procedures, or to receive priority compensation from the price of auction and sale of the equity interest under the Equity Pledge Agreement.

The equity pledge registrations under the Equity Pledge Agreement as required by the relevant laws and regulations have been completed in accordance with the Equity Pledge Agreement and PRC laws and regulations.

### *Proxy Agreement*

Pursuant to the proxy agreement dated August 31, 2021 entered into among the WFOE, Shanghai Linmon and the Registered Shareholders (collectively, the “**Proxy Agreement**”), pursuant to which, each of the Registered Shareholders irrevocably appointed the persons designated by the WFOE (including but not limited to Directors of the WFOE's parent company, our Company, and their successors and liquidators replacing the Directors but excluding those who are non-independent or who may give rise to conflict of interests) as its attorneys-in-fact to exercise on its behalf, any and all right that it has in respect of its equity interests in Shanghai Linmon, including without limitation:

- to attend shareholders' meetings of Shanghai Linmon and to execute relevant written resolutions on behalf of such Registered Shareholder;
- to exercise any rights granted to Registered Shareholders pursuant to Shanghai Linmon's articles of association or relevant laws and regulations, including but not limited to the shareholders' voting rights, the right to sell or transfer or pledge or dispose of all or any part of the shareholders' equity interests of Shanghai Linmon, and approve Shanghai Linmon filing the documents with the relevant company registry; and
- to act as the authorized representative of the Registered Shareholders of Shanghai Linmon, designate and appoint the legal representative, chairman, directors, supervisors, general manager and other senior managers of Shanghai Linmon. The Registered Shareholders of Shanghai Linmon further agree that they will replace the designated authorized representative at any time pursuant to the requirement of WFOE.

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### *Spouse undertakings*

The spouse of the Individual Registered Shareholders, where applicable, has signed an undertaking (collectively, the “**Spouse Undertakings**”) to the effect that, among others, the shares of Shanghai Linmon held and to be held by the corresponding Individual Registered Shareholder do not fall within the scope of communal properties, and he or she waives any rights or interests that may be granted to him or her under the applicable laws, and he or she undertakes not to claim such rights or interests.

The spouse of the Individual Registered Shareholders, where applicable, has also consented to the Exclusive Consultation and Service Agreement, the Exclusive Option Agreement, the Equity Pledge Agreement and the Proxy Agreement. Our PRC Legal Advisor is of the view that (i) the above arrangements provide protection to our Group even in the event of death or divorce of any relevant Individual Registered Shareholders; and (ii) the death or divorce of such shareholder would not affect the validity of the Contractual Arrangements, and the WFOE can still enforce its right under each of the agreements under the Contractual Arrangements (the “**Structured Contracts**”) against the Individual Registered Shareholders.

### *Other key terms thereunder*

#### *Dispute resolution*

Each of the agreements under the Contractual Arrangements contains a dispute resolution provision. Pursuant to such provision, in the event of any dispute arising from the performance of or relating to the Contractual Arrangements, any party has the right to submit the relevant dispute to the Shanghai International Economic and Trade Arbitration Commission (“**SHIAC**”) for arbitration, in accordance with the then effective arbitration rules. The arbitration shall be conducted in Shanghai. The arbitration award shall be final and binding on all parties. The dispute resolution provisions also provide that subject to the requirements under PRC laws, the arbitral tribunal may award remedies over the shares or assets of our Consolidated Affiliated Entities or injunctive relief (e.g., limiting the conduct of business, limiting or restricting transfer or sale of shares or assets) or order the winding up of our Consolidated Affiliated Entities; any party may apply to the courts of the PRC, Hong Kong, the Cayman Islands (being the place of incorporation of our Company) and the places where the principal assets of our Consolidated Affiliated Entities are located for interim remedies or injunctive relief.

However, our PRC Legal Advisor has advised that the arbitral tribunal may not grant such injunctive relief, nor may it be able to order the winding up of our Consolidated Affiliated Entities pursuant to the current PRC laws. In addition, interim remedies or enforcement order granted by overseas courts such as Hong Kong and the Cayman Islands may not be recognizable or enforceable in the PRC. Even if the above-mentioned provisions may not be enforceable under PRC laws, the remaining provisions of the dispute resolution clauses are legal, valid and binding on the parties to the agreement under the Contractual Arrangements.

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## CONTRACTUAL ARRANGEMENTS

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As a result of the above, in the event that the Consolidated Affiliated Entities or the Registered Shareholders or the other individuals stated above breach any of the Contractual Arrangements, we may not be able to obtain sufficient remedies in a timely manner, and our ability to exert effective control over our Consolidated Affiliated Entities and conduct our business could be materially and adversely affected. See “Risk Factors – Risks Relating to our Contractual Arrangements.”

### *Succession*

The provisions set out in the Contractual Arrangements are also binding on the successors of the Registered Shareholders, as if the successors were signing parties to the Contractual Arrangements and any breach by the successors would be deemed to be a breach of the Contractual Arrangements. Under the PRC Civil Code (《中華人民共和國民法典》), the statutory successors include the spouse, children, parents, brothers, sisters, paternal grandparents and the maternal grandparents. In case of a breach, the WFOE can enforce its rights against the successors. Pursuant to the Contractual Arrangements, any inheritor of the Registered Shareholders shall inherit any and all rights and obligations of the Registered Shareholders under the Contractual Arrangements as a result of their loss of capacity, death, bankruptcy (if applicable), divorce (if applicable), or under any other circumstance which would affect the exercise of their equity interest in Shanghai Linmon, as if the inheritor was a signing party to such Contractual Arrangements.

Based on the foregoing, our PRC Legal Advisor is of the view that (i) the Contractual Arrangements provide protection to the Group even in the event of loss of capacity, death, bankruptcy (if applicable), or divorce (if applicable) of the Registered Shareholders; and (ii) the loss of capacity, death, bankruptcy (if applicable) or divorce (if applicable) of the Registered Shareholders would not affect the validity of the Contractual Arrangements, and the WFOE may enforce its rights under the Contractual Arrangements against the successors of such shareholders.

### *Potential conflict of interest*

To ensure our effective control over the Consolidated Affiliated Entities, we have implemented measures to protect against the potential conflicts of interest between our Company and the Registered Shareholders. Pursuant to the Exclusive Option Agreement, the WFOE has the right to require the Registered Shareholders to transfer any or all their equity interests in Shanghai Linmon to the WFOE or its designated third party. Under the Proxy Agreement, each of the Registered Shareholders appointed the persons designated by the WFOE (excluding non-independent persons or persons who may give rise to conflicts of interests) as their attorney-in-fact to exercise its rights in respect of its equity interests in Shanghai Linmon. Furthermore, under the Spouse Undertakings, spouses of the Individual Registered Shareholders undertook that (i) any equity interests of their spouses in Shanghai Linmon do not fall within the scope of their community properties and he or she will not claim any Individual Registered Shareholders’ equity interests and corresponding assets in Shanghai Linmon; (ii) he or she will sign all necessary documents and take all necessary acts to ensure

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## CONTRACTUAL ARRANGEMENTS

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the proper performance of the Contractual Arrangements; (iii) any rights attached to the shares of Shanghai Linmon (including but not limited to inheritance rights, income rights, disposal rights, voting rights, share transfer rights, share pledge rights, etc.) is not inheritable property of the Individual Registered Shareholders of Shanghai Linmon and their spouses; (iv) in the event that he or she obtains any equity interests in Shanghai Linmon from his or her spouse, such equity interests shall be pledged, sold or disposed of in the manner specified by Shanghai Linmon in accordance with the Contractual Arrangements, and he or she shall comply with the obligations of his or her spouse as a shareholder of Shanghai Linmon under the Contractual Arrangements; and (v) the expiration or unenforceability of the above undertakings do not affect the validity of the Contractual Arrangements. Based on the foregoing, our Directors are of the view that the measures we have adopted are sufficient to mitigate the risks associated with potential conflicts of interest between our Group and the Registered Shareholders and that these measures are sufficient to protect our Group's interest in the Consolidated Affiliated Entities.

### *Loss sharing*

Under the relevant PRC laws and regulations, none of our Group and the WFOE is expressly legally required to share the losses of, or provide financial support to, our Consolidated Affiliated Entities. Further, each of our Consolidated Affiliated Entities is a limited liability company and shall be solely liable for its own debts and losses with assets and properties owned by it. The WFOE intends to continuously provide to or assist our Consolidated Affiliated Entities in obtaining financial support when deemed necessary. In addition, given that our Group mainly conducts its business operations in the PRC through the Consolidated Affiliated Entities, and that their financial position and results of operations are consolidated into our Group's financial statements under the applicable accounting principles, our Company's business, financial position and results of operations would be adversely affected if our Consolidated Affiliated Entities suffer losses.

However, as provided in the Exclusive Option Agreement, without the prior written consent of the WFOE, Shanghai Linmon shall not, among others, (i) sell, transfer, pledge or dispose of in any manner any of their assets; (ii) execute any material contract with a value of more than RMB1,000,000, except those entered into in the ordinary course of business; (iii) provide any person with any loan or guarantee for any third-party debt; (iv) incur, inherit, guarantee or allow any debt that is not incurred in the ordinary course of business; (v) enter into any consolidation or merger with any third party, or being acquired by or invest in any third party; (vi) increase or decrease its registered capital, or alter the structure of its registered capital in any other manner, or amend its articles of association; (vii) conduct any act or act of omission that may adversely affect its operating status or value of assets; (viii) distribute any profits or dividends to the Registered Shareholders; or (ix) liquidate or dissolve. Therefore, due to the relevant restrictive provisions in the agreements, the potential adverse effect on the WFOE and our Company in the event of any loss suffered from the Consolidated Affiliated Entities can be limited to a certain extent.

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## CONTRACTUAL ARRANGEMENTS

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### *Liquidation*

Pursuant to the Exclusive Option Agreement, in the event of a mandatory liquidation required by the PRC laws, at the request of the WFOE and subject to the PRC law, all remaining assets of Shanghai Linmon after deduction of settlement or liquidation expenses, employees' salaries, social insurance premiums, statutory compensation and taxes payable and settlement of other debts will be transferred to the WFOE or any other entity or person designated by the WFOE at the lowest price permitted by PRC law. Upon receipt of the consideration paid by the WFOE and/or any other entity or person designated by the WFOE, the shareholders of Shanghai Linmon shall return such consideration to the WFOE or any other entity or person designated by the WFOE in a manner consistent with the PRC laws and regulations.

### *Insurance*

The Company does not maintain an insurance policy to cover the risks relating to the Contractual Arrangements.

### *Company's confirmation*

As of the Latest Practicable Date, the Company had not encountered any interference or encumbrance from any PRC governmental authorities in operating its businesses through the Consolidated Affiliated Entities under the Contractual Arrangements.

### **Circumstances under which we will adjust or unwind the Contractual Arrangements**

We will adjust or unwind (as the case maybe) the Contractual Arrangements as soon as practicable in respect of the operation of the Relevant Business to the extent permissible and we will directly hold the maximum percentage of ownership interests permissible under relevant PRC laws and regulations if the relevant government authority accepts applications for the Relevant Licenses made by sino-foreign equity joint ventures or wholly-owned foreign investment entities under relevant PRC laws and regulations.

### **LEGALITY OF THE CONTRACTUAL ARRANGEMENTS**

Based on the above, our PRC Legal Advisor is of the opinion that the Contractual Arrangements are designed to minimize the potential conflict with relevant PRC laws and regulations and that upon the execution of the Contractual Arrangements:

- (a) all parties to each of the Contractual Arrangements have obtained all necessary approvals and authorisations to execute and perform the Contractual Arrangements and each of the Structured Contracts is binding on the parties thereto;

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## CONTRACTUAL ARRANGEMENTS

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- (b) pursuant to Articles 146, 153 and 154 of the PRC Civil Code, a contract is void if the civil juristic act: (i) is performed by a person and another person based on a false expression of intent; (ii) is in violation of the mandatory provisions of laws or administrative regulations, unless such mandatory provisions do not lead to invalidity of such a civil juristic act; (iii) offends the public order or good morals; or (iv) is conducted through malicious collusion between a person who performs the act and a counterparty thereof and thus harms the lawful rights and interests of another person. The execution and performance of the Contractual Arrangements does not fall within any of the circumstances under which a contract may become null and void pursuant to the PRC Civil Code;
- (c) none of the Contractual Arrangements violates any provisions of the articles of association of our Consolidated Affiliated Entities or the WFOE;
- (d) the parties to each of the Contractual Arrangements are not required to obtain any approvals or authorisations from the PRC governmental authorities, except that:
  - a. the exercise of the option by our WFOE or its designee of its rights under the Exclusive Option Agreement to acquire all or part of the equity interests in Shanghai Linmon is subject to the approvals of filing with and/or registrations with the PRC governmental authorities;
  - b. any share pledge contemplated under the Equity Pledge Agreement are subject to the registration with competent local administration bureau for market regulation; and
  - c. the arbitration awards/interim remedies provided under the dispute resolution provision of the Contractual Arrangements shall be recognized by PRC courts before compulsory enforcement; and
- (e) each of the Contractual Arrangements is valid, legal and binding under PRC laws, except for the following provision regarding dispute resolution: the Contractual Arrangements provide that any dispute shall be submitted to the SHIAC for arbitration, in accordance with the then effective arbitration rules. The arbitration shall be conducted in Shanghai. The dispute resolution provisions also provide that subject to the requirements under PRC laws, the arbitral tribunal may award remedies over the shares or assets of our Consolidated Affiliated Entities or injunctive relief (e.g., limiting the conduct of business, limiting or restricting transfer or sale of shares or assets) or order the winding up of our Consolidated Affiliated Entities; any party may apply to the courts of the PRC (being the place of incorporation of our Consolidated Affiliated Entities), Hong Kong, the Cayman Islands (being the place of incorporation of our Company), and the places where the principal assets of our Consolidated Affiliated Entities are located for interim



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## CONTRACTUAL ARRANGEMENTS

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remedies or injunctive relief. However, our PRC Legal Advisor has advised that the interim remedies or enforcement order granted by overseas courts such as those of Hong Kong and the Cayman Islands may not be recognisable or enforceable in the PRC.

Notwithstanding the foregoing, the respective representatives of our PRC Legal Advisor and the Joint Sponsors' PRC Legal Advisor consulted with an officer at the TV drama department of the NRTA and an officer at the marketing department of the NFA, in September and August 2021, respectively. During the consultations, the above governmental authorities confirmed that the Contractual Arrangements would not be challenged or subject to penalty by the relevant authorities for violation of any PRC laws or regulations. Our PRC Legal Advisor also advised us that (i) both the NRTA and the NFA are competent government authorities for the Company's Relevant Businesses and are competent to interpret the relevant PRC laws, regulations and rules for the industry in which our Company operates the Relevant Businesses and make the above-mentioned oral confirmations; (ii) each of the officers from the NRTA and the NFA were competent persons to provide the foregoing confirmations respectively; and (iii) based on such consultations, the adoption of the Contractual Arrangements is unlikely to be deemed ineffective or invalid under the applicable PRC laws and regulations. Our PRC Legal Advisor is of the view that the adoption of the Contractual Arrangements does not constitute a breach of the relevant laws and regulations.

Based on the above analysis and advice from our PRC Legal Advisor, the Directors are of the view that the adoption of the Contractual Arrangements is unlikely to be deemed ineffective or invalid under the applicable PRC laws and regulations.

### ACCOUNTING ASPECTS OF THE CONTRACTUAL ARRANGEMENTS

#### **Consolidation of financial results of Consolidated Affiliated Entities**

Under the Exclusive Consultation and Service Agreement, it was agreed that, in consideration of the services provided by the WFOE, Shanghai Linmon shall pay service fees to the WFOE. The service fees shall equal to approximately 100% of the total consolidated profit of the Consolidated Affiliated Entities, after deduction of any accumulated deficit of the Consolidated Affiliated Entities in respect of the preceding financial year(s), operating costs, expenses, taxes and other statutory contributions. The WFOE has the right to periodically receive or inspect the accounts of the Consolidated Affiliated Entities.

In addition, under the Exclusive Option Agreement, the WFOE has absolute contractual control over the distribution of dividends or any other amounts to the Registered Shareholders as the WFOE's prior written consent is required before any distribution can be made.

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## CONTRACTUAL ARRANGEMENTS

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As a result of the Contractual Arrangements among our WFOE, Shanghai Linmon and the Registered Shareholders, our WFOE is able to effectively control, recognize and receive substantially all the economic benefit of the business and operations of the Consolidated Affiliated Entities. Accordingly, the Consolidated Affiliated Entities are treated as controlled structured entities of our Company and consolidated by our Company. The basis of consolidating the results of the Consolidated Affiliated Entities is disclosed in Note 2.1 to the Accountant's Report set out in Appendix I.

### DEVELOPMENT IN THE PRC LEGISLATION ON FOREIGN INVESTMENT

#### The Foreign Investment Law

The Foreign Investment Law of the PRC (《中華人民共和國外商投資法》) (the “**FIL**”) was adopted at the Second Session of the Thirteenth National People's Congress of the PRC on March 15, 2019 and came into force on January 1, 2020. The FIL replaced the former foreign investment legal foundation in the PRC consisting of three laws: the Sino-Foreign Equity Joint Venture Enterprise Law, the Sino-Foreign Cooperative Joint Venture Enterprise Law and the Wholly Foreign-Invested Enterprise Law. On December 26, 2019, the State Council released the Implementation Rules to the Foreign Investment Law of the PRC (《中華人民共和國外商投資法實施條例》) (the “**FIL Implementing Regulations**”), which took effect on January 1, 2020. For details of the FIL and the FIL Implementing Regulations, see “Regulatory Overview – Regulations in Relation to Foreign Investment.”

#### Impact and consequences of the FIL

Conducting operations through contractual arrangements has been adopted by many PRC-based companies, including us, to obtain and maintain necessary licenses and permits in the industries that are currently subject to foreign investment restrictions or prohibitions in the PRC. The FIL, unlike the discussion draft of the proposed Foreign Investment Law of the People's Republic of China (《中華人民共和國外國投資法(草案徵求意見稿)》) published in January 2015 by MOFCOM, does not explicitly prohibit or restrict a foreign investor to rely on contractual arrangements to control the majority of its business that is subject to foreign investment restrictions or prohibitions in the PRC. Notwithstanding the above, the FIL stipulates that foreign investment includes “investment by foreign investors through such other methods under laws, administrative regulations or provisions prescribed by the State Council.” There is the possibility that future laws, administrative regulations or provisions prescribed by the State Council may regard contractual arrangements as a form of foreign investment, at which time it will be uncertain whether our Contractual Arrangements would be deemed in violation of foreign investment laws and regulations and how our Contractual Arrangements would then be handled by relevant PRC authorities. Therefore, there is no guarantee that our Contractual Arrangements, and the business of our Consolidated Affiliated Entities, will not be materially and adversely affected in the future due to changes in PRC Laws. See “Risk Factors – Risks Relating to our Contractual Arrangements” for further details of risks relating to the FIL. In any event, we will take reasonable steps in good faith to seek compliance with the FIL.

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## CONTRACTUAL ARRANGEMENTS

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### COMPLIANCE WITH THE CONTRACTUAL ARRANGEMENTS

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

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

## CONNECTED TRANSACTIONS

Upon Listing, transactions between members of our Company and our connected persons will constitute connected transactions or continuing connected transactions of our Company under Chapter 14A of the Listing Rules.

### SUMMARY OF OUR CONNECTED PERSONS

The following table sets forth the connected persons of our Company which have entered into continuing connected transactions framework agreements with the Company and the nature of their relationship with our Group.

Connected Person	Connected Relationship
Shenzhen Tencent Computer Systems Company Limited (深圳市騰訊計算機系統有限公司) (“ <b>Tencent Computer</b> ”)	Tencent Computer is a subsidiary of Tencent, the parent company of our substantial shareholder Tencent Mobility. Therefore, Tencent Computer is a connected person of our Company.
Tencent Music Entertainment Technology (Shenzhen) Co., Ltd. (騰訊音樂娛樂科技(深圳)有限公司) (“ <b>TME Shenzhen</b> ”)	TME Shenzhen is a subsidiary of Tencent Music Entertainment Group (listed on New York Stock Exchange, stock code: TME) (“ <b>TME Group</b> ”), which is a subsidiary of Tencent. Therefore, TME Shenzhen is a connected person of our Company.

### SUMMARY OF OUR CONTINUING CONNECTED TRANSACTIONS

Nature of transactions	Applicable		Waiver sought	Proposed annual cap for the year ending December 31,		
	Listing Rules			2022	2023	2024
<i>(RMB in thousands)</i>						
<b>Continuing Connected Transactions with the Represented Tencent Group</b>						
<b>Non-exempt continuing connected transactions</b>						
1. Drama Series and Movies Copyrights Licensing Framework Agreement	14A.34 14A.35 14A.36 14A.53 14A.105		Announcement, circular and independent Shareholders’ approval requirements	432,500	1,273,600	1,322,700
2. Advertisements Production Services Framework Agreement	14A.34 14A.35 14A.76 14A.105		Announcement requirement	3,400	8,000	9,100
3. Music Copyrights Licensing Framework Agreement	14A.34 14A.35 14A.76 14A.105		Announcement requirement	2,000	6,000	6,000

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## CONNECTED TRANSACTIONS

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Nature of transactions	Applicable		Proposed annual cap for the year ending December 31,		
	Listing Rules	Waiver sought	2022	2023	2024
<i>(RMB in thousands)</i>					
<b>Continuing Connected Transactions with the Represented Tencent Group</b>					
<b>Contractual Arrangements</b>					
4. Contractual Arrangements	14A.34 14A.35 14A.36 14A.49 14A.52-59 14A.71 14A.105	Announcement and independent Shareholders' approval requirements, the requirement of setting an annual cap and the requirement of limiting the term of the Contractual Arrangements to three years or less	N/A	N/A	N/A

### I. Continuing Connected Transactions with the Represented Tencent Group

#### *Non-exempt continuing connected transactions*

##### 1. *Drama Series and Movies Copyrights Licensing Framework Agreement*

###### ***Parties***

Our Company; and

Tencent Computer

###### ***Principal terms***

We entered into a drama series and movies copyrights licensing framework agreement with Tencent Computer (for itself and on behalf of the group members of Tencent Group, excluding China Literature Limited, TME Group and their subsidiaries (the “**Represented Tencent Group**”)) (the “**Drama Series and Movies Copyrights Licensing Framework Agreement**”) on July 21, 2022, pursuant to which our Company shall license the online broadcasting rights and distribution rights of our original drama series and movies to the Represented Tencent Group, and the Represented Tencent Group shall pay licensing fees to our Company.

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## CONNECTED TRANSACTIONS

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Separate underlying agreements will be entered into between the parties to set out the detailed terms, including details of the drama series and movies, term of license, scope of license and exclusivity, broadcasting schedule, licensing fee and milestone payment schedules, based on the principles and within the parameters provided under the Drama Series and Movies Copyrights Licensing Framework Agreement.

The initial term of the Drama Series and Movies Copyrights Licensing Framework Agreement will commence on the Listing Date and expire on December 31, 2024.

### *Reasons/benefits of the transactions*

We commenced producing our original drama series and licensing the related copyrights of these original drama series to major TV channels and online video platforms upon our inception. Substantially all our original drama series are broadcast on both TV channels and various online video platforms. In addition, we also engage in the production and distribution of movies. Tencent Video, the online video platform operated by the Represented Tencent Group, is a market-leading online entertainment service provider in China and its platform features popular original content, as well as a comprehensive selection of professionally produced and partner-generated content. We started to license the broadcasting rights of our original drama series to Tencent Video in 2015 and our self-produced movies in 2020. As such, the broadcasting rights licensing arrangements under the Drama Series and Movies Copyrights Licensing Framework Agreement are in the ordinary and usual course of our business.

According to Frost & Sullivan, the number of web series broadcast by Tencent Video, including the web series that are produced by Tencent Video or directly purchased by it from third-party companies or produced by third-party companies that are commissioned by Tencent Video, reached 101, 97 and 110 in 2019, 2020 and 2021, respectively. As such, Tencent Video has a massive demand for high-quality content generated by professional producers like us. By entering into the Drama Series and Movies Copyrights Licensing Framework Agreement, we believe we can enhance our distribution network and business relationship with the Represented Tencent Group, which has been a major player in content distribution market with sizeable procurement budgets for drama series and movies. Besides, we believe that licensing the copyrights of the drama series and movies produced by us to Tencent Video could be mutually beneficial to both parties by satisfying Tencent Video's demand for high-quality content as well as enabling us to generate revenue. In addition, the prices and terms offered by our Company to the Represented Tencent Group are no more favorable than those offered to our other customers which are Independent Third Parties, hence the licensing arrangements under this Drama Series and Movies Copyrights Licensing Framework Agreement are profitable and are in the interests of the Company and our Shareholders as a whole.

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## CONNECTED TRANSACTIONS

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### *Pricing policy*

The licensing fees we charge the Represented Tencent Group shall be determined after arm's-length negotiation between the parties with reference to the prevailing market price and various commercial factors, including the overall market conditions and trends, the total investment amount, the scope of license and exclusivity, the broadcasting schedules, the theme, the expected popularity and target audience base of the drama series and movies, as well as our target profit margin. However, given that each of the drama series and movies 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 purchase prices of the copyrights of the drama series or the movies, which will be subject to arm's-length negotiations between the relevant parties.

The aforesaid pricing policies are no more favorable than those available to our other independent customers.

### *Historical amounts*

For the three years ended December 31, 2021 and the three months ended March 31, 2022, the revenue generated by our Group from licensing drama series and movies to the Represented Tencent Group were nil, RMB450.7 million, RMB180.7 million and RMB74.0 million, respectively.

### *Annual caps*

The following table sets forth the proposed annual caps under the Drama Series and Movies Copyrights Licensing Framework Agreement:

	<b>Proposed annual caps for the year ending December 31,</b>		
	<b>2022</b>	<b>2023</b>	<b>2024</b>
	<i>(RMB in thousands)</i>		
Revenue to be generated by our Group from licensing drama series and movies to the Represented Tencent Group	432,500	1,273,600	1,322,700

### *Basis of caps*

When estimating the annual caps, our Directors have taken into consideration the following factors, including:

- (i) during the Track Record Period, the revenue generated by our Group from licensing drama series and movies to the Represented Tencent Group mainly depended on the number of drama series we produced and licensed to the

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## CONNECTED TRANSACTIONS

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Represented Tencent Group. Our original drama series “Nothing but Thirty” (三十而已) and “To Fly with You” (陪你逐風飛翔) were licensed to the Represented Tencent Group in 2020 and 2021, respectively. For further details, see “Business – Customer Concentration and Relationship with Tencent Group – Cooperation with Tencent Group during the Track Record Period”;

- (ii) considering our overall growth of business and long term and mutually beneficial relationship with the Represented Tencent Group, the Group has further entered into drama series and movies copyrights licensing agreements with the Represented Tencent Group for the licensing of online broadcasting rights and distribution rights of our original drama series and movies to broadcast on its platforms. As such, it is expected that there will be an increase in the revenue to be generated by our Group from licensing drama series and movies to the Represented Tencent Group for the three years ending December 31, 2024 as compared with the historical transaction amounts for such transactions, and the proposed annual caps are mainly estimated based on the unperformed contractual amounts under such existing agreements. As of the Latest Practicable Date, the Company has entered into agreements with the Represented Tencent Group for the licensing of online broadcasting rights and distribution rights of certain of our original drama series and movies, the licensing fees for which will account for 100%, no less than 85% and no less than 25% of the proposed annual caps for the three years ending December 31, 2024, respectively;
- (iii) the estimated number of our original drama series and movies to be licensed to the Represented Tencent Group in the next three years;
- (iv) the estimated number of episodes of each of our pipeline drama series for copyrights licensing to the Represented Tencent Group; and
- (v) the estimated rating of our pipeline drama series and movies for copyrights licensing to the Represented Tencent Group and the corresponding prevailing market price range per episode of the drama series and the movies.

### ***Listing Rules implications***

In respect of the transactions under the Drama Series and Movies Copyrights Licensing Framework Agreement, as the highest applicable percentage ratio for the three years ending December 31, 2024 calculated for the purpose of Chapter 14A of the Listing Rules is expected to exceed 5%, such transactions will, upon Listing, constitute continuing connected transactions of the Company subject to the annual reporting requirements under Rules 14A.49 and 14A.71 of the Listing Rules, the announcement requirements under Rule 14A.35 of the Listing Rules and the independent Shareholders’ approval requirement under Rule 14A.36 of the Listing Rules.



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## CONNECTED TRANSACTIONS

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### 2. *Advertisements Production Services Framework Agreement*

#### *Parties*

Our Company; and

Tencent Computer

#### *Principal terms*

We entered into a customized creative advertisement production framework agreement (the “**Advertisements Production Services Framework Agreement**”) with Tencent Computer (for itself and on behalf of the Represented Tencent Group) on July 21, 2022, pursuant to which our Company shall produce made-to-order customized creative advertisement for our drama series to be broadcast on the Represented Tencent Group’s platforms, in exchange for production service fees payable by the Represented Tencent Group. More specifically, the Represented Tencent Group entrusts our Company in creating advertisements script, providing the scenes and props, shooting, producing and delivering the advertisements film upon their request.

Separate underlying agreements will be entered into between the parties to set out the detailed terms, including content and details of the customized creative advertisements, broadcasting schedule, production service fee and milestone payment schedules based on the principles and within the parameters provided under the Advertisements Production Services Framework Agreement. The definitive terms of each of such underlying agreements will be determined on a case-by-case basis and on fair and reasonable basis after arm’s-length negotiation between the parties.

The initial term of the Advertisements Production Services Framework Agreement will commence on the Listing Date and expire on December 31, 2024.

#### *Reasons/benefits for the transaction*

Video platforms (including Tencent Video) usually sell customized creative advertisement spots in the drama series broadcast on them to generate promotion fees. Tencent Video is a market-leading video platform in China and its platform features popular content that can reach broad audience. Therefore, Tencent Video attracts a large number of business partners who intend to promote their brands on Tencent Video platform. To satisfy the demands of Tencent Video for customized creative advertisement production, we provide customized creative advertisement production service to Tencent Video regarding our original drama series. Including customized creative advertisements when broadcasting our drama series is able to increase the commercial value of such series and enhances the potential of our drama series to attract investment as well as broadcasting resources in the future. At the same time, the Represented Tencent Group could promote the brand and influence of their business partners for broadcasting the customized creative advertisements in our relevant drama series.

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## CONNECTED TRANSACTIONS

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As such, the advertisements production arrangements under the Advertisements Production Services Framework Agreement are in the ordinary and usual course of our business and are in the interests of the Company and our Shareholders as a whole.

### *Pricing policy*

The production service fees we charge the Represented Tencent Group shall be determined based on negotiations between the parties on a cost-plus basis taking into consideration our target profit margin for the production services we provide and 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, the commercial ability to attract advertisement of the online video platform and our production expenses.

The aforesaid pricing policies are no more favorable than those available to our other independent counterparties.

### *Historical amounts*

For the three years ended December 31, 2021 and the three months ended March 31, 2022, the revenue generated by our Group from the production of the customized creative advertisements for the Represented Tencent Group were RMB4.1 million, RMB1.6 million, RMB0.5 million and RMB0.2 million, respectively.

### *Annual caps*

The following table sets forth the proposed annual caps under the Advertisements Production Services Framework Agreement:

	<b>Proposed annual caps for the year ending December 31,</b>		
	<b>2022</b>	<b>2023</b>	<b>2024</b>
	<i>(RMB in thousands)</i>		
Revenue to be generated by our Group from the production of the customized creative advertisements for the Represented Tencent Group	3,400	8,000	9,100

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## CONNECTED TRANSACTIONS

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### *Basis of caps*

When estimating the annual caps, our Directors have taken into consideration the following factors, including:

- (i) during the Track Record Period, the revenue contribution from production of the customized creative advertisements for the Represented Tencent Group largely depended on our cooperation with the Represented Tencent Group in respect of the drama series we produced and their respective production modes. For further details of the drama series upon which we cooperated with the Represented Tencent Group during the Track Record Period, see “Business – Customer Concentration and Relationship with Tencent Group – Cooperation with Tencent Group during the Track Record Period”;
- (ii) considering our overall growth of business and long term and mutually beneficial relationship with the Represented Tencent Group, the Group has further entered into drama series and movies copyrights licensing agreements with the Represented Tencent Group for the licensing of online broadcasting rights and distribution rights of certain of our original drama series to broadcast on its platforms, and it is expected that we will produce made-to-order customized creative advertisements for the above drama series. As such, it is expected that there will be an increase in the revenue to be generated by our Group from the production of customized creative advertisements for the Represented Tencent Group for the three years ending December 31, 2024 as compared with the historical transaction amounts for these transactions;
- (iii) the estimated number of our original drama series to be broadcast on the Represented Tencent Group’s platforms in the near future; and
- (iv) the estimated rating of our pipeline drama series and the expected demand for the customized creative advertisement production service from the Represented Tencent Group during the term of the Advertisements Production Services Framework Agreement.

### *Listing Rules implications*

In respect of the transactions under the Advertisements Production Services Framework Agreement, as the highest applicable percentage ratio for the three years ending December 31, 2024 calculated for the purpose of Chapter 14A of the Listing Rules is expected to exceed 0.1% but less than 5%, such transactions will, upon Listing, constitute continuing connected transactions of the Company subject to the annual reporting requirements under Rules 14A.49 and 14A.71 of the Listing Rules and the announcement requirements under Rule 14A.35 of the Listing Rules.

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## CONNECTED TRANSACTIONS

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### 3. *Music Copyrights Licensing Framework Agreement*

#### *Parties*

Our Company; and

TME Shenzhen

#### *Principal terms*

We entered into a music copyrights licensing framework agreement with TME Shenzhen (the “**Music Copyrights Licensing Framework Agreement**”) on September 29, 2021, pursuant to which we shall license TME Shenzhen and/or its associates, among others, to promote, distribute, sublicense and broadcast certain music used in our original drama series for which we own copyrights, and TME Shenzhen and/or its associates shall pay to our Company a prepaid licensing fee and royalties calculated as certain percentage shares of the revenue with respect to the music licensed by us. TME Shenzhen and/or its associates may broadcast such music on all of its platforms, including its websites, apps and game products for the purpose of online streaming, downloading, online karaoke, polyphonic ringtones, etc.

Separate underlying agreements will be entered into between the parties to set out the detailed terms, including details of the music played in our original drama series, term of license, scope of license, broadcasting platforms, formats and products involved and the corresponding revenue sharing percentage of our Company based on the principles and within the parameters provided under the Music Copyrights Licensing Framework Agreement. The definitive terms of each of such underlying agreements will be determined on a case-by-case basis and on a fair and reasonable basis after arm’s-length negotiation between the parties.

The initial term of the Music Copyrights Licensing Framework Agreement will commence on the Listing Date and expire on December 31, 2024.

#### *Reasons/benefits of the transactions*

We started to cooperate with Tencent Music on the licensing of music copyrights in 2020. One core part of our business is producing original drama series, and for some drama series we may own the full copyrights of the music played therein. Licensing the related broadcasting rights of this music to professional music platforms enables us to generate profits from such copyrights. In addition, the promotion of music played in our original drama series, as one of the common methods for the advertisement and promotion of the drama series, is able to increase the influence and commercial value of our drama series, which could further enhance the potential of our drama series to attract investment as well as broadcasting resources in the future. TME Group is a market-leading online music entertainment service provider in China and its music-related platforms feature

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## CONNECTED TRANSACTIONS

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popular music content and have an extensive user base globally. As such, the broadcasting licensing arrangements under the Music Copyrights Licensing Framework Agreement are in the ordinary and usual course of our business and are in the interests of the Company and our Shareholders as a whole.

### *Pricing policy*

The prepaid licensing fees we charge TME Shenzhen and/or its associates, as well as the revenue sharing percentage of the royalties shall be determined after arm's-length negotiation between the parties with reference to the prevailing market price and various commercial factors, including the overall market conditions and trends, the drama series in which the music is played, such as its rating, popularity and theme, the amount of music in each drama series, the scope of license, as well as the expected popularity and target audience base of the music played in our drama series. The royalties will be charged based on the revenue generated by TME Shenzhen from different monetization methods of the music licensed by us, including through album or single-song purchases, membership subscriptions, advertisements, virtual gifting and the broadcast of music on the Karaoke or live streaming platforms.

The aforesaid pricing policies are no more favorable than those available to other Independent Third Parties.

### *Historical amounts*

For the three years ended December 31, 2021 and the three months ended March 31, 2022, the revenue generated by our Group from licensing the music played in our drama series to TME Shenzhen and/or its associates were nil, RMB2.8 million, RMB2.0 million and nil, respectively.

### *Annual caps*

The following table sets forth the proposed annual caps under the Music Copyrights Licensing Framework Agreement:

	<b>Proposed annual caps for the year ending December 31,</b>		
	<b>2022</b>	<b>2023</b>	<b>2024</b>
	<i>(RMB in thousands)</i>		
Revenue to be generated by our Group from licensing the music played in our drama series to TME Shenzhen and/or its associates	2,000	6,000	6,000

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## CONNECTED TRANSACTIONS

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### *Basis of caps*

When estimating the annual caps, our Directors have taken into consideration the following factors, including:

- (i) the unperformed contractual amounts under the existing music copyrights licensing agreements we have entered into with TME Shenzhen and/or its associates;
- (ii) as we expect growth in the number of original drama series produced by us, the estimated number of the original drama series in which our Company shall have copyrights in the near future is expected to increase along with the overall growth of our business for the three years ending December 31, 2024; and
- (iii) the estimated popularity and corresponding prevailing market price of the music to be played in the original drama series in our pipeline.

### *Listing Rules implications*

In respect of the transactions under the Music Copyrights Licensing Framework Agreement, as the highest applicable percentage ratio for the three years ending December 31, 2024 calculated for the purpose of Chapter 14A of the Listing Rules is expected to exceed 0.1% but less than 5%, such transactions will, upon Listing, constitute continuing connected transactions of the Company subject to the annual reporting requirements under Rules 14A.49 and 14A.71 of the Listing Rules and the announcement requirements under Rule 14A.35 of the Listing Rules.

## II. Contractual Arrangements

### 4. Contractual Arrangements

#### *Background*

As disclosed in the section headed “Contractual Arrangements” in this prospectus, due to regulatory restrictions on foreign ownership in Relevant Businesses in the PRC, we conduct a portion of our business through our Consolidated Affiliated Entities in the PRC. We do not hold any equity interests in our Consolidated Affiliated Entities which are held by Mr. Su, Ms. Chen, Ms. Xu, Mr. Zhou, Tencent Investment, Shanghai Guanhong, Shanghai Guanhan, Shanghai Guoshi and Shanghai Guoyun. The Contractual Arrangements enable us to (i) receive substantially all of the economic benefits from our Consolidated Affiliated Entities in consideration for the services provided by Shanghai Ninghe to the Consolidated Affiliated Entities; (ii) exercise effective control over our Consolidated Affiliated Entities; and (iii) hold an exclusive option to purchase all or part of the equity interests in Consolidated Affiliated Entities when and to the extent permitted by PRC laws.

See the section headed “Contractual Arrangements” in this prospectus for further detailed terms of the Contractual Arrangements.

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## CONNECTED TRANSACTIONS

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### *Listing Rules implications*

The transactions contemplated under the Contractual Arrangements constitute continuing connected transactions of our Company under the Listing Rules upon Listing as each of the Registered Shareholders is a connected person of the Group.

Our Directors (including the independent non-executive Directors) are of the view that the Contractual Arrangements and the transactions contemplated therein are fundamental to our Group's legal structure and business, that such transactions have been and will be entered into in the ordinary and usual course of business of our Group, are on normal commercial terms and are fair and reasonable and in the interests of our Group and our Shareholders as a whole. Accordingly, notwithstanding that the transactions contemplated under the Contractual Arrangements and any new transactions, contracts and agreements or renewal of existing transactions, contracts and agreements to be entered into, among others, by any of our Consolidated Affiliated Entities and any member of our Group ("**New Intergroup Agreements**" and each of them, a "**New Intergroup Agreement**") technically constitute our continuing connected transactions under Chapter 14A of the Listing Rules, our Directors consider that, given that our Group is placed in a special situation in relation to the connected transactions rules under the Contractual Arrangements, it would be unduly burdensome and impracticable, and would add unnecessary administrative costs to our Group if such transactions are subject to strict compliance with the requirements set out under Chapter 14A of the Listing Rules, including, among others, the annual reporting requirement under Rules 14A.49 and 14A.71 of the Listing Rules, the announcement requirement under Rule 14A.35 of the Listing Rules, the independent Shareholders' approval requirement under Rule 14A.36 of the Listing Rules and the requirement of limiting the term of the Contractual Arrangements to three years or less under Rule 14A.52 of the Listing Rules.

### INTERNAL CONTROL MEASURES

In order to ensure that the terms under relevant framework agreements for the continuing connected transactions are fair and reasonable, or no less favorable than terms available to or from Independent Third Parties, and are carried out under normal commercial terms, we have adopted the following internal control procedures:

- we have adopted and implemented a management system on connected transactions. Under such system, the Audit Committee under the Board is responsible for conducting reviews on compliance with relevant laws, regulations, our Company's policies and the Listing Rules in respect of the continuing connected transactions. In addition, the Audit Committee under the Board, the Board and various other internal departments of the Company (including but not limited to the finance department and compliance and legal department) are jointly responsible for evaluating the terms under framework agreements for the continuing connected transactions, in particular, the fairness of the pricing policies and annual caps under each agreement;

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## CONNECTED TRANSACTIONS

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- the Audit Committee under the Board, the Board and various other internal departments of the Company also regularly monitor the fulfilment status and the transaction updates under the framework agreements. In addition, the management of the Company also regularly reviews the pricing policies of the framework agreements;
- our independent non-executive Directors and auditors will conduct annual review of the continuing connected transactions under the framework agreements and provide annual confirmation to ensure that in accordance with Rules 14A.55 and 14A.56 the Listing Rules the transactions are conducted in accordance with the terms of the agreements, on normal commercial terms and in accordance with the relevant pricing policies;
- when considering service fees for the services to be provided to our Company by the above connected persons or the service fees for the services to be provided by our Company to the above connected persons, our Company will constantly research into prevailing market conditions and practices and make reference to the pricing and terms between our Company and Independent Third Parties for similar transactions, to make sure that the pricing and terms offered by the above connected persons from mutual commercial negotiations (as the case may be), are fair, reasonable and are no less favorable than those offered to Independent Third Parties; and
- when considering any renewal or revisions to the framework agreements after Listing, the interested Directors and Shareholders shall abstain from voting on the resolutions to approve such transactions at Board meetings or Shareholders' general meetings (as the case may be), and our independent non-executive Directors and independent Shareholders have the right to consider if the terms of the non-exempt continuing connected transactions (including the proposed annual caps) are fair and reasonable, and on normal commercial terms and in the interests of our Company and our Shareholders as a whole. If the independent non-executive Directors' or independent Shareholders' approvals cannot be obtained, we will not continue the transactions under the framework agreement(s) to the extent that they constitute non-exempt continuing connected transactions under Rule 14A.35 of the Listing Rules.

### **WAIVERS GRANTED BY THE STOCK EXCHANGE**

As the above non-exempt continuing connected transactions are expected to be carried out on a recurring basis, our Directors consider that strict compliance with the aforesaid announcement and independent Shareholders' approval requirements will be impractical, and such requirements would lead to unnecessary administrative costs and create an onerous burden on us. Accordingly, we have applied to the Stock Exchange, and the Stock Exchange has granted us, pursuant to Rule 14A.105 of the Listing Rules, waivers from strict compliance with the announcement and independent Shareholders' approval requirements under Rule



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## CONNECTED TRANSACTIONS

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14A.35 and Rule 14A.36 of the Listing Rules in case of the Drama Series and Movies Copyrights Licensing Framework Agreement, the announcement requirement under Rule 14A.35 of the Listing Rules in respect of the transactions under the Advertisements Production Services Framework Agreement and the Music Copyrights Licensing Framework Agreement, provided that the total amount of transactions for each of the three years ending December 31, 2024 will not exceed the relevant proposed annual caps as set out above. The independent non-executive Directors and auditors of the Company will review whether the transactions under the non-exempt continuing connected transactions have been entered into pursuant to the principal terms and pricing policies under the relevant agreements as disclosed in this section. The confirmation from our independent non-executive Directors and our auditors will be disclosed annually according to the requirements of the Listing Rules.

In the event of any future amendments to the Listing Rules imposing more stringent requirements than those applicable as of the Latest Practicable Date on the continuing connected transactions referred to in this section, we will take immediate steps to ensure compliance with such new requirements within a reasonable time.

### **The Contractual Arrangements**

In respect of the Contractual Arrangements, our Company has applied to the Stock Exchange for, and the Stock Exchange has granted to our Company, a waiver from strict compliance with (i) the announcement and independent Shareholders' approval requirements under Rule 14A.105 of the Listing Rules, (ii) the requirement of setting an annual cap for the transaction under the Contractual Arrangements under Rule 14A.53 of the Listing Rules and (iii) the requirement of limiting the term of the Contractual Arrangements to three years or less under Rule 14A.52 of the Listing Rules, for so long as our Shares are listed on the Stock Exchange, subject, however, to the following conditions:

***(a) No change without independent non-executive Directors' approval***

No change to the Contractual Arrangements (including with respect to any fees payable to Shanghai Ninghe thereunder) will be made without the approval of our independent non-executive Directors.

***(b) No change without independent Shareholders' approval***

Save as described in paragraph (d) below, no change to the agreements governing the Contractual Arrangements will be made without the independent Shareholders' approval. Once independent Shareholders' approval of any change has been obtained, no further announcement or approval of the independent Shareholders will be required under Chapter 14A of the Listing Rules unless and until further changes are proposed. The periodic reporting requirement regarding the Contractual Arrangements in the annual reports of our Company (as set out in paragraph (e) below) will, however, continue to be applicable.

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## CONNECTED TRANSACTIONS

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***(c) Economic benefit flexibility***

The Contractual Arrangements shall continue to enable our Company to receive the economic benefits derived by the Consolidated Affiliated Entities through (i) our Company's option (if and when so allowed under the applicable PRC laws) to acquire all or part of the entire equity interests and assets at a consideration which shall be the higher of (a) a nominal price or (b) the lowest price as permitted and applicable PRC laws, (ii) the business structure under which the profit generated by the Consolidated Affiliated Entities is substantially retained by our Company, such that no annual cap shall be set on the amount of service fees payable to Shanghai Ninghe by the Consolidated Affiliated Entities under the Exclusive Consultation and Service Agreement, and (iii) our Company's right to control the management and operation of, as well as the substance control of, all of the voting rights of the Consolidated Affiliated Entities.

***(d) Renewal and reproduction***

On the basis that the Contractual Arrangements provide an acceptable framework for the relationship between our Company and our subsidiaries in which our Company has a direct shareholding, on the one hand, and the Consolidated Affiliated Entities, on the other hand, that framework may be renewed and/or reproduced upon the expiry of the existing arrangements or in relation to any existing or new wholly foreign-owned enterprise or operating company (including branch company) engaging in the same business as that of our Company which our Company might wish to establish when justified by business expediency, without obtaining the approval of the Shareholders, on substantially the same terms and conditions as the existing Contractual Arrangements. The directors, chief executive or substantial shareholders of any existing or new wholly foreign-owned enterprise or operating company (including branch company) engaging in the same business as that of our Company which our Company may establish will, upon renewal and/or reproduction of the Contractual Arrangements, however, be treated as connected persons of our Company and transactions between these connected persons and our Company other than those under similar contractual arrangements shall comply with Chapter 14A of the Listing Rules. This condition is subject to relevant PRC laws, regulations and approvals.

***(e) Ongoing reporting and approvals***

We will disclose details relating to the Contractual Arrangements on an ongoing basis as follows:

- The Contractual Arrangements in place during each financial period will be disclosed in our Company's annual reports and accounts in accordance with the relevant provisions of the Listing Rules.
- Our independent non-executive Directors will review the Contractual Arrangements annually and confirm in our Company's annual reports for the relevant years that (i) the transactions carried out during such year have been entered into in accordance

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## CONNECTED TRANSACTIONS

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with the relevant provisions of the Contractual Arrangements, (ii) no dividends or other distributions have been made by the Consolidated Affiliated Entities to the holders of its equity interests which are not otherwise subsequently assigned or transferred to our Company, and (iii) any new contracts entered into, renewed or reproduced between our Company and the Consolidated Affiliated Entities during the relevant financial period under paragraph (d) above are fair and reasonable, or advantageous to our Shareholders, so far as our Company is concerned and in the interests of our Company and our Shareholders as a whole.

- Our Company's auditor will carry out review procedures annually on the transactions, pursuant to the Contractual Arrangements, and will provide a letter to our Directors with a copy to the Stock Exchange confirming that the transactions have received the approval of our Directors, have been entered into in accordance with the relevant Contractual Arrangements, and that no dividends or other distributions have been made by our Consolidated Affiliated Entities to the holders of its equity interests which are not otherwise subsequently assigned or transferred to our Company.
- For the purpose of Chapter 14A of the Listing Rules, and in particular the definition of "connected person", our Consolidated Affiliated Entities will be treated as our Company's subsidiaries, and at the same time, the directors, chief executives or substantial shareholders of the Consolidated Affiliated Entities and their respective associates will be treated as connected persons of our Company (excluding, for this purpose, the Consolidated Affiliated Entities), and transactions between these connected persons and our Company (including, for this purpose, the Consolidated Affiliated Entities), other than those under the Contractual Arrangements, will be subject to requirements under Chapter 14A of the Listing Rules.
- Our Consolidated Affiliated Entities will undertake that, for so long as the Shares are listed on the Stock Exchange, the Consolidated Affiliated Entities will provide our Company's management and our Company's auditor full access to its relevant records for the purpose of our Company's auditor's review of the connected transactions.
- In addition, we have also applied to the Stock Exchange for, and the Stock Exchange has granted a waiver pursuant to Rule 14A.105 of the Listing Rules from strict compliance with (i) the announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the transactions contemplated in any New Intergroup Agreements (as defined above), (ii) the requirement of setting an annual cap for the fees payable by/to any member of our Company to/from our Consolidated Affiliated Entities in any New Intergroup Agreements, and (iii) the requirement to limit the term of any New Intergroup Agreement to three years or less, for so long as Shares are listed on the Stock Exchange. The waiver is subject to the condition that the Contractual Arrangements subsist and that the Consolidated Affiliated Entities will continue to be treated as our

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## **CONNECTED TRANSACTIONS**

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Company's subsidiaries, but their directors, chief executives or substantial shareholders of the Consolidated Affiliated Entities and their associates will be treated as connected persons of our Company (excluding, for this purpose, the Consolidated Affiliated Entities), and transactions between these connected persons and our Company (including, for this purpose, our Consolidated Affiliated Entities), other than those under the Contractual Arrangements, will be subject to requirements under Chapter 14A of the Listing Rules. We will comply with the applicable requirements under the Listing Rules, and will immediately inform the Stock Exchange if there are any changes to these continuing connected transactions.

In the event of any future amendments to the Listing Rules imposing more stringent requirements than those applicable as of the Latest Practicable Date on the continuing connected transactions referred to in this section, we will take immediate steps to ensure compliance with such new requirements within a reasonable time.

### **CONFIRMATION BY DIRECTORS**

The Directors (including independent non-executive Directors) are of the view that the non-exempt continuing connected transactions have been and will continue to be carried out in our ordinary and usual course of business of the Company and on normal commercial terms that are fair and reasonable and in the interests of the Company and our Shareholders as a whole; and that the proposed annual caps for the non-exempt continuing connected transactions are fair and reasonable and in the interests of the Company and our Shareholders as a whole.

The Directors (including the independent non-executive Directors) of our Company are of the view that the Contractual Arrangements and the transactions contemplated therein have been entered into and will be entered into during our ordinary and usual course of business on normal commercial terms or better, and are fair and reasonable and are in the interests of the Company and our Shareholders as a whole. The Directors are of the view that with respect to the terms of the relevant agreements underlying the Contractual Arrangements, which are of a duration of longer than three years, is a justifiable and normal business practice for Contractual Arrangements of this type to be of such duration to ensure that (i) the financial and operational policies of the Consolidated Affiliated Entities can be effectively controlled by Shanghai Ninghe; (ii) Shanghai Ninghe can obtain the economic benefits derived from the Consolidated Affiliated Entities, and (iii) any possible leakages of assets and values of the Consolidated Affiliated Entities can be prevented, on an uninterrupted basis.

### **CONFIRMATION BY THE JOINT SPONSORS**

The Joint Sponsors have (i) reviewed the relevant documents and information provided by the Company in relation to the above continuing connected transactions; (ii) obtained necessary representations and confirmation from the Company and the Directors; and (iii) participated in the due diligence and discussion with the management of the Group. Based on the above, the Joint Sponsors are of the view that the non-exempt continuing connected transactions set out above have been and will continue to be carried out in the ordinary and usual course of business of the Company and on normal commercial terms which are fair and

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## CONNECTED TRANSACTIONS

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reasonable and in the interests of the Company and our Shareholders as a whole; and that the proposed annual caps of the non-exempt continuing connected transactions are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Joint Sponsors are also of the view that with respect to the terms of the relevant agreements underlying the Contractual Arrangements, which is of a duration of longer than three years, is a justifiable and normal business practice for the Contractual Arrangements of this type to ensure that (i) the financial and operational policies of the Consolidated Affiliated Entities can be effectively controlled by Shanghai Ninghe; (ii) Shanghai Ninghe can obtain the economic benefits derived from the Consolidated Affiliated Entities, and (iii) any possible leakages of assets and values of the Consolidated Affiliated Entities can be prevented, on an uninterrupted basis.

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## DIRECTORS AND SENIOR MANAGEMENT

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### OVERVIEW

The Board currently consists of nine Directors, amongst whom four are executive Directors, two are non-executive Directors and three are independent non-executive Directors. The Board is responsible, and has the general authority, for the management and operation of the Company. Our Directors are appointed for a term of three years and are eligible for re-election upon expiry of their term of office.

Our senior management, who are also executive Directors of our Company, are responsible for the management of day-to-day operations of the Company.

### DIRECTORS AND SENIOR MANAGEMENT

The following table shows the key information of our Directors as of the Latest Practicable Date. All of our Directors meet the qualification requirements under the Listing Rules for their positions.

Name	Age	Date of joining the Group	Date of appointment as Director	Position	Responsibility	Relationship with other Directors and senior management
Mr. Su Xiao (蘇曉)	51	July 2014	June 10, 2021	Executive Director, chairman of the Board and president	Responsible for the Group's overall strategic planning, financial and talent management and government public affairs	None
Ms. Chen Fei (陳菲)	41	September 2014	June 10, 2021	Executive Director and chief executive officer	Responsible for the Group's strategy and organization innovation and full chain management, including product positioning planning and distribution and marketing	None

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## DIRECTORS AND SENIOR MANAGEMENT

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Name	Age	Date of joining the Group	Date of appointment as Director	Position	Responsibility	Relationship with other Directors and senior management
Ms. Xu Xiao'ou (徐曉鷗)	49	September 2014	June 10, 2021	Executive Director and vice president	Responsible for intellectual property development, script development and production	None
Mr. Zhou Yuan (周元)	43	July 2014	June 10, 2021	Executive Director and vice president	Responsible for film business, overseas business, capital operation, commercialization and innovative business	None
Mr. Sun Zhonghuai (孫忠懷)	49	July 2018	August 31, 2021	Non-executive Director	Providing professional advice to the Board	None
Mr. Zhang Rong (張嶸)	37	January 2021	August 31, 2021	Non-executive Director	Providing professional advice to the Board	None
Ms. Long Yu (龍宇)	49	December 2020	September 24, 2021	Independent non-executive Director	Supervising and offering independent judgment to the Board	None
Mr. Jiang Changjian (蔣昌建)	56	December 2020	September 24, 2021	Independent non-executive Director	Supervising and offering independent judgment to the Board	None
Ms. Tang Songlian (唐松蓮)	40	January 2021	September 24, 2021	Independent non-executive Director	Supervising and offering independent judgment to the Board	None

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## DIRECTORS AND SENIOR MANAGEMENT

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The following table shows the key information of our senior management:

Name	Age	Date of joining the Group	Date of appointment as senior management	Position	Responsibility	Relationship with other Directors and senior management
Mr. Su Xiao (蘇曉)	51	July 2014	June 10, 2021	Executive Director, chairman of the Board and president	Responsible for the Group's overall strategic planning, financial and talent management and government public affairs	None
Ms. Chen Fei (陳菲)	41	September 2014	June 10, 2021	Executive Director and chief executive officer	Responsible for the Group's strategy and organization innovation and full chain management, including product positioning planning and distribution and marketing	None
Ms. Xu Xiao'ou (徐曉鷗)	49	September 2014	June 10, 2021	Executive Director and vice president	Responsible for intellectual property development, script development and production	None
Mr. Zhou Yuan (周元)	43	July 2014	June 10, 2021	Executive Director and vice president	Responsible for film business, overseas business, capital operation, commercialization and innovative business	None

### DIRECTORS

#### Executive Directors

**Mr. Su Xiao (蘇曉)**, aged 51, was appointed as a Director of the Company on June 10, 2021 and was re-designated as an executive Director, chairman of the Board and the president of the Company on September 24, 2021, primarily responsible for the Group's overall strategic planning, financial and talent management and government public affairs. Mr. Su has been serving as the executive director since July 2014 and has been serving as the chairman of the board of Shanghai Linmon since September 2014. Mr. Su has approximately 25 years of experience in media industry and management. He held several positions with Shanghai Education Television Station (上海教育電視台), a TV station focusing on production and broadcasting of educational TV programs, including deputy director of the news department and deputy station director from July 1996 to May 2005. He served in Shanghai Media Group



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## DIRECTORS AND SENIOR MANAGEMENT

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Limited (“SMG”) (上海東方傳媒集團有限公司) (formerly known as “上海文廣新聞傳媒集團”), a media group focusing on production and distribution of radio and TV programs and investment management, from 2005 to 2014 and held positions successively as (i) the deputy director of Shanghai Lifestyle Channel (上海生活時尚頻道), responsible for content production and management of the channel, (ii) the deputy director and the director of the drama centre, responsible for the management of procurement and programming of drama series on the TV channels of SMG, (iii) the deputy director of Shanghai Dragon Television (東方衛視), responsible for the management of procurement and programming of drama series of Shanghai Dragon Television, and (iv) the general manager of SMG Pictures (上海尚世影業有限公司), responsible for overall operation and management.

Mr. Su obtained a bachelor’s degree in Chinese language and literature education in July 1993 and a master’s degree in literature and art of the Department of Chinese Language and Literature in June 1996, respectively, from Shanghai Normal University (上海師範大學) in the PRC.

**Ms. Chen Fei (陳菲)**, aged 41, was appointed as a Director of the Company on June 10, 2021 and was re-designated as an executive Director and the chief executive officer of the Company on September 24, 2021, primarily responsible for the Group’s strategy and organization innovation and full chain management, including product positioning planning and distribution and marketing. She has been serving in Shanghai Linmon as a director since September 2014, and as the president since June 2019. Ms. Chen has approximately 18 years of experience in the planning, production and marketing of TV series. She served in SMG from 2003 to 2014, assuming positions successively as (i) the director of the procurement department of the drama centre from 2009 to 2010 and the deputy director of the drama centre from 2010 to 2013, responsible for the procurement of film and drama series copyrights for all SMG channels, and (ii) deputy general manager of SMG Pictures from 2013 to 2014, responsible for its distribution and agency services business.

Ms. Chen graduated from Fudan University (復旦大學) in the PRC with a bachelor’s degree in administrative management in July 2003. She obtained a master’s degree in business administration from China Europe International Business School (中歐國際工商學院) in the PRC in August 2015. Ms. Chen was awarded as one of the “Most Influential People of the Year” (年度影響力人物) by Southern Weekly in December 2020, was awarded as one of the “Leading Talents in Radio, Television and Online Audiovisual Industry” (全國廣播電視和網絡視聽行業領軍人才) by the NRTA in June 2021, and was named as one of the “30 Most Influential Women in Business of the Year in China” (中國30位最具影響力商界木蘭) by the China Entrepreneur Magazine in April 2021.

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## DIRECTORS AND SENIOR MANAGEMENT

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**Ms. Xu Xiao'ou (徐曉鷗)**, aged 49, was appointed as a Director of the Company on June 10, 2021 and was re-designated as an executive Director and vice president of the Company on September 24, 2021, primarily responsible for intellectual property development, script development and production. She has been serving in Shanghai Linmon as a director since September 2014, and as an executive vice president of Shanghai Linmon since October 2014. Ms. Xu has approximately 16 years of experience in TV series producing. She served at the Radio and Television Station of Shanghai (上海廣播電視台) from 2006 to 2014 and held positions successively as the director of the planning department of the drama centre of SMG and a deputy general manager in SMG Pictures, responsible for drama series script planning and production.

Ms. Xu obtained a master's degree in journalism from Fudan University in the PRC in June 2011, and a master's degree in business administration from China Europe International Business School in the PRC in October 2015. Ms. Xu was recognized as a Level Two Screenwriter (二級編劇) by the Shanghai Art Series Senior Professional Technical Position Qualification Review Committee (上海市藝術系列高級專業技術職務任職資格審定委員會) in December 2011.

Ms. Xu has received multiple awards for her achievements in media industry, including "Top 10 TV Series Producers" by the China Radio and Television Association in August 2012, "Producer of the Year" by the China Television Drama Production Industry Association in December 2019, "Innovation Pioneer of the Year" by New Weekly in November 2020, and "Leading Talents in Radio, Television and Online Audiovisual Industry" (全國廣播電視和網絡視聽行業領軍人才) by the NRTA in June 2021.

**Mr. Zhou Yuan (周元)**, aged 43, was appointed as a Director of the Company on June 10, 2021 and was re-designated as an executive Director and vice president of the Company on September 24, 2021, primarily responsible for film business, overseas business, capital operation, commercialization and innovative business. He served as a supervisor of Shanghai Linmon from July 2014 to October 2014, and has been serving in Shanghai Linmon as a director and an executive vice president since October 2014. Mr. Zhou has approximately 18 years of experience in capital operation and commercialization in media industry, investment and information system analysis. He served as an information system analyst at the headquarters of The Michelin Group in France, a company focusing on tyre manufacturing, from September 2003 to February 2007, worked at Michelin (China) Investment Co., Ltd. (米其林(中國)投資有限公司), a company focusing on investment in the tyre industry and other relevant industries, from March 2007 to May 2009, and worked at the strategic investment department of SMG from April 2011 to March 2014, responsible for strategy research of SMG's entertainment segment, and strategy formulation and financing of SMG Pictures.

Mr. Zhou obtained a bachelor's degree in international economics, currency and finance in 2001, and a master's degree in information system communication engineering and management in November 2003 from the University of Toulouse in France. He also obtained a master's degree in business administration from China Europe International Business School in the PRC in September 2011.

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## DIRECTORS AND SENIOR MANAGEMENT

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### Non-executive Directors

**Mr. Sun Zhonghuai** (孫忠懷), aged 49, was appointed as a director on August 31, 2021, and re-designated as a non-executive Director of the Company on September 24, 2021, primarily responsible for providing professional advice to the Board. Mr. Sun has 19 years of experience in media industry and management. He joined Tencent in July 2003 and currently serves as Vice President of Tencent and CEO of Tencent On-line Video Business Unit. Mr. Sun is responsible for the operation and management of Tencent On-line Video Business Unit, which mainly comprises Tencent Video, Application Treasure, among other businesses, and aims at creating high-quality video content to meet users' video entertainment needs.

Mr. Sun obtained an Executive Master of Business Administration degree from Renmin University of China (中國人民大學) in June 2009.

**Mr. Zhang Rong** (張嶸), aged 37, was appointed as a director on August 31, 2021 and re-designated as a non-executive Director of the Company on September 24, 2021, primarily responsible for providing professional advice to the Board. Mr. Zhang has been a director of the private equity investment department at Hony Capital (弘毅投資), a firm focusing on the management of private equity investment, real estate investment, venture capital, hedge funds, and public equity funds, since May 2012, responsible for equity investments in the media and culture sectors. Mr. Zhang has approximately 10 years of experience in investment. He worked as an analyst at J.P. Morgan Securities (Asia Pacific) Limited, a company mainly engaged in corporate and investment bank related activities, from February 2011 to December 2011.

Mr. Zhang graduated from the University of Toronto in Canada with a bachelor's degree in science in June 2008. He obtained a master's degree in economics from the University of Southern California in the United States in May 2010.

### Independent Non-executive Directors

**Ms. Long Yu** (龍宇), aged 49, was appointed as an independent non-executive Director of the Company on September 24, 2021, primarily responsible for supervising and offering independent judgment to the Board. Ms. Long has been serving as the founding and managing partner of BAI Capital since 2021. She has been a member of Bertelsmann Group Management Committee since 2011, responsible for advising and supporting the board of directors on major issues relevant to strategy formulation and development of Bertelsmann SE & Co. KGaA ("**Bertelsmann Group**"). She is also currently a governing council member of China Venture Capital and Private Equity Association, a trade group representing the venture capital and private equity investment industry in Greater China. In addition, Ms. Long has been serving as a director, responsible for providing independent judgment to the board since January 2016, and was a member of the audit committee, responsible for periodically reviewing the critical accounting policies from January 2016 to November 2021, of Tapestry Inc. (a company listed on the New York Stock Exchange, stock code: TPR), a New York-based house of modern luxury accessories and lifestyle brands whose portfolio includes Coach, Stuart Weitzman and Kate Spade. Ms. Long has also been serving as a director and a member of the audit committee,

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## DIRECTORS AND SENIOR MANAGEMENT

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responsible for providing independent judgment to the board and periodically reviewing the critical accounting policies, of LexinFintech Holdings Ltd. (a company listed on the Nasdaq Stock Market, stock code: LX), an online and offline consumption platform and a technology-driven service provider, since August 2020; a director and the chairman of the nominating and corporate governance committee, responsible for making recommendations on the frequency and structure of board meetings and monitoring the functioning of the committees of the board since July 2021, and a member of the audit committee, responsible for periodically reviewing the critical accounting policies since March 2022, of Nio Inc. (a company listed on the New York Stock Exchange (stock code: NIO), the Hong Kong Stock Exchange (stock code: 9866) and the Singapore Exchange (stock code: NIO)), a company focusing on designing, developing, manufacturing and selling premium smart electric vehicles.

Ms. Long has approximately 17 years of experience in media industry and investment. She joined Bertelsmann Group, an international media, services and education company, via the Bertelsmann Entrepreneurs Program in 2005, responsible for business development and strategy of Fremantle Media and new media investments and growth initiatives of Random House Ventures under the Bertelsmann brand. She served as a principal at Bertelsmann Digital Media Investments, an investment fund focusing on early stage investments in innovative companies in the technology and media sectors, from January 2007 to December 2007, responsible for the screening of equity investment targets, conducting industry research and due diligence investigations, deal execution and exit management. She acted as the chief executive officer responsible for overall management of Bertelsmann China Corporate Center, a center focusing on providing investment management and advisory services, marketing and promotion services, staff training and management services and financial management services for the Bertelsmann Group and as the founding and managing partner responsible for screening of equity investment targets, overall project investment, post-investment management and exit management of Bertelsmann Asia Investments, an investment fund focusing on investments in retail, social/media/content, new technology/enterprise services, China-based international companies and financial technology sectors, from 2008 to 2020. Ms. Long served in Bitauto Holdings Limited (a company listed on the New York Stock Exchange, stock code: BITA), a company focusing on providing internet content and marketing services and transaction services for China's automotive industry, as (i) a director from 2008 to 2011, responsible for providing professional advice to the board, and (ii) an independent director from 2011 to 2020, responsible for providing independent judgment to the board. She also served in China Distance Education Holdings Limited (a company formerly listed on the New York Stock Exchange, and delisted on March 29, 2021), a company engaged in providing online education in China, as (i) a director from 2008 to 2012, responsible for providing professional advice to the board, and (ii) an independent director from 2012 to 2021, responsible for providing independent judgment to the board. She served as a director of iClick Interactive Asia Group Limited (a company listed on the Nasdaq Stock Market, stock code: ICLK), a company focusing on providing digital marketing, data analysis, software development and data-driven enterprise solutions, from February 2011 to September 2018, a director of Mogu Inc. (a company listed on the New York Stock Exchange, stock code: MOGU), a company offering fashion, beauty, and lifestyle products and accessories through its online platform, from October 2012 to December 2018, and a director of TuanChe Limited (a company listed on the

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## DIRECTORS AND SENIOR MANAGEMENT

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Nasdaq Stock Market, stock code: TC), a company focusing on operating an omni-channel automotive marketplace in China, from September 2013 to November 2019, responsible for providing professional advice to the board.

Ms. Long received a master's degree in business administration from Stanford Graduate School of Business in the United States in June 2005. Ms. Long is an active member of the World Economic Forum's Young Global Leaders Advisory Council and is also a member of its Global Agenda Council on the Future of Media, Entertainment and Information. She was also a member of the Stanford Graduate School of Business Advisory Council from May 2015 to May 2021.

**Mr. Jiang Changjian (蔣昌建)**, aged 56, was appointed as an independent non-executive Director of the Company on September 24, 2021, primarily responsible for supervising and offering independent judgment to the Board. Mr. Jiang has approximately 24 years of experience in political science, international politics, mass media and foreign policy. He has held positions with the School of International Relations and Public Affairs of Fudan University in the PRC since July 1997 and has been serving as an associate professor since November 2001, responsible for lecturing of international relations. He has also been serving as an independent non-executive director responsible for providing independent judgment to the board of Sanxiang Impression Co., Ltd. (三湘印象股份有限公司) (a company listed on the Shenzhen Stock Exchange, stock code: 000863), a company mainly engaged in cultural and tourist business and green technology real estate business, since May 2018. He was a postdoctoral researcher and a Fulbright Scholar at Yale University in the United States from August 1998 to August 1999, and served as a visiting scholar at Columbia University in the United States from March 2012 to June 2012. He served as an independent non-executive director of BGI Genomics Co., Ltd. (深圳華大基因股份有限公司) (a company listed on the Shenzhen Stock Exchange, stock code: 300676), a company focusing on providing genomics services, from June 2015 to June 2021 and an independent non-executive director of Suzhou Etron Technologies Co., Ltd. (蘇州易德龍科技股份有限公司) (a company listed on the Shanghai Stock Exchange, stock code: 603380), a company focusing on providing electronics manufacturing services, from August 2015 to August 2021, responsible for providing independent judgment to the board.

Mr. Jiang obtained a master's degree in international politics from Fudan University in the PRC in April 1994, and obtained a doctoral degree in politics theory from the same university in June 1997. Mr. Jiang won the championship of the first "International College Debate Competition" in August 1993 and received the "best debater" award.

**Ms. Tang Songlian (唐松蓮)**, aged 40, was appointed as an independent non-executive Director of the Company on September 24, 2021, primarily responsible for supervising and offering independent judgment to the Board. Ms. Tang has approximately 13 years of experience in accounting and management. She has been a professor of the Department of Business Administration of the School of Management of Donghua University (東華大學) in the PRC since January 2022, responsible for research and lecturing of accounting. She held positions with the Department of Accounting of the Business School of East China University

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## DIRECTORS AND SENIOR MANAGEMENT

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of Science and Technology (華東理工大學) in the PRC, including a lecturer from July 2009 to July 2011, and an associate professor from September 2011 to December 2021, responsible for research and lecturing of accounting. She was a visiting scholar at The City University of New York in the United States from September 2014 to September 2015. She has also been serving as an independent non-executive director of Shanghai Everjoy Health Group Co., Ltd. (上海悅心健康集團股份有限公司) (a company listed on the Shenzhen Stock Exchange, stock code: 002162), a company engaged in the building materials business, medical services business, elderly services business and real estate leasing, since April 2017, an independent non-executive director of Shanghai Yaoji Technology Co., Ltd. (上海姚記科技股份有限公司) (a company listed on the Shenzhen Stock Exchange, stock code: 002605), a company engaged in mobile game business and design, manufacture and distribution of playing cards since April 2020, and an independent non-executive director of Shanghai No.1 Pharmacy Co., Ltd. (上海第一醫藥股份有限公司) (a company listed on the Shanghai Stock Exchange, stock code: 600833), a company engaged in drug retail and wholesale since June 2022.

Ms. Tang obtained a bachelor's degree and a master's degree in accounting from Hunan University (湖南大學) in the PRC in June 2003 and December 2005, respectively. She obtained a doctoral degree in accounting from Shanghai Jiao Tong University (上海交通大學) in the PRC in December 2009. Ms. Tang has been a Chinese Certified Public Accountant recognized by the Hunan Provincial Institute of Certified Public Accountants since December 2009, and holds the Professional Qualification of Independent Director issued by the Shanghai Stock Exchange in January 2016.

Ms. Tang was awarded Shanghai Pujiang Talent (上海市浦江人才) by the Shanghai Municipal Bureau of Human Resources and Social Security in August 2016 and was selected as a "National Accounting Leading (Backup) Talent (academics)" (全國會計領軍(後備)人才(學術類)) by the Accounting Society of China (中國會計學會) of the PRC in December 2017. She was also selected as a participant of the Young Talent Incubation Program (青年英才培育計劃) organized by East China University of Science and Technology in July 2019.

Save as disclosed above, none of our Directors held any directorship in public companies, the securities of which are listed on any securities market in Hong Kong or overseas in the last three years immediately preceding the date of this prospectus. Save as disclosed herein, to the best knowledge, information and belief of the Directors having made all reasonable inquiries, there are no other matters with respect to the appointment of the Directors that need to be brought to the attention of our Shareholders and there is no information relating to our Directors that is required to be disclosed pursuant to Rule 13.51(2)(a) to (v) of the Listing Rules.

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## DIRECTORS AND SENIOR MANAGEMENT

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### SENIOR MANAGEMENT

**Mr. Su Xiao (蘇曉)**, is an executive Director, chairman of the Board and the president of our Company. For details of the biography of Mr. Su, see “– Executive Directors”.

**Ms. Chen Fei (陳菲)**, is an executive Director and the chief executive officer of our Company. For details of the biography of Ms. Chen, see “– Executive Directors”.

**Ms. Xu Xiao’ou (徐曉鷗)**, is an executive Director and vice president of our Company. For details of the biography of Ms. Xu, see “– Executive Directors”.

**Mr. Zhou Yuan (周元)**, is an executive Director and vice president of our Company. For details of the biography of Mr. Zhou, see “– Executive Directors”.

### JOINT COMPANY SECRETARIES

**Ms. Li Zhen (李楨)**, aged 32, was appointed as a joint company secretary of our Company on September 24, 2021. She has been serving as the director of the capital and strategy department since June 2017 and the board secretary of Shanghai Linmon since July 2021. Ms. Li has approximately nine years’ experience in investment management and corporate governance matters. She worked consecutively as an analyst and an associate director at UBS Securities Co., Ltd., a fully licensed securities firm focusing on securities brokerage, securities investment consultancy and securities underwriting and sponsoring, from July 2012 to May 2015, responsible for providing services with respect to corporate mergers and acquisitions, financing and IPO. She served as an assistant to the chief executive officer of CRP-Fanya Investment Consultants (Beijing) Limited (華興泛亞投資顧問(北京)有限公司), a subsidiary of China Renaissance Holdings Limited (a company listed on the Stock Exchange of Hong Kong Limited, stock code: 1911) (“**CR Holdings**”) focusing on investment advisory, financial consultancy, business consultancy and market information consultancy, from June 2015 to August 2016, responsible for assisting the chief executive officer in external business development and internal affairs management, and an associate at the investment banking division of China Renaissance Securities (China) Co., Ltd. (華興證券有限公司), another subsidiary of CR Holdings focusing on securities brokerage, securities investment consultancy and securities underwriting and sponsoring, from September 2016 to May 2017, responsible for providing services for corporate mergers and acquisitions, financing and IPO.

Ms. Li obtained a bachelor’s degree of management (major in accounting) from Renmin University of China in the PRC in July 2011.

**Ms. Szeto Kar Yee Cynthia (司徒嘉怡)**, aged 41, was appointed as one of the joint company secretaries of our Company on September 24, 2021. Ms. Szeto is currently a manager of the listing services department of TMF Hong Kong Limited, a world-leading independent professional services provider focusing on providing specialised, business-critical financial

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## DIRECTORS AND SENIOR MANAGEMENT

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and administrative services. She is mainly responsible for providing corporate secretarial and compliance services to companies listed on The Stock Exchange of Hong Kong Limited. Ms. Szeto has over 12 years of professional and in-house experience in the company secretarial field.

Ms. Szeto obtained a bachelor's degree of arts in language studies with business from The Hong Kong Polytechnic University in Hong Kong, the PRC in November 2004, and a master's degree of science in professional accounting and corporate governance from the City University of Hong Kong in Hong Kong, the PRC in July 2012. She is an associate member of The Hong Kong Chartered Governance Institute (formerly known as The Hong Kong Institute of Chartered Secretaries) and the Chartered Governance Institute (formerly known as The Institute of Chartered Secretaries and Administrators) in the United Kingdom.

### COMPETING INTEREST

As at the Latest Practicable Date, Mr. Sun Zhonghuai, our non-executive Director, also holds directorship in certain other companies, i.e. Shanghai Youhug Media Co., Ltd. (上海耀客傳媒股份有限公司), “**Youhug Media**” and Linghe Culture Media (Shanghai) Co., Ltd. (靈河文化傳媒(上海)有限公司), “**Linghe Media**”, which are principally engaged in drama series production.

Our Directors are of the view that, even though there is overlap between our principal business and those of Youhug Media and Linghe Media, on the basis that Mr. Sun Zhonghuai 1) acts as an investor designated director holding a non-executive position in each of Youhug Media and Linghe Media and 2) is not involved in the daily operation and management of these companies, the directorships held by Mr. Sun Zhonghuai in Youhug Media and Linghe Media would not give rise to any material competition issue under Rule 8.10 of the Listing Rules.

Saved as disclosed herein, none of our Directors or any of their respective associates had interests in any other companies as at the Latest Practicable Date that may, directly or indirectly, compete with our business and would require disclosure under Rule 8.10 of the Listing Rules.

### BOARD COMMITTEES

In accordance with relevant PRC laws, regulations, the Articles of Association and the corporate governance practice prescribed in the Hong Kong Listing Rules, we have formed three board committees, namely the Audit Committee, the Nomination Committee and the Remuneration Committee.



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## DIRECTORS AND SENIOR MANAGEMENT

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### **Audit Committee**

We have established an audit committee (the “**Audit Committee**”) in compliance with Rule 3.21 of the Listing Rules and with written terms of reference in compliance with the Corporate Governance Code set out in Appendix 14 to the Listing Rules. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control system of the Group, review and approve connected transactions and to advise the Board. The Audit Committee consists of three members, Ms. Tang Songlian, Mr. Zhang Rong and Ms. Long Yu. Ms. Tang Songlian currently serves as the chairman of the Audit Committee and is appropriately qualified as required under Rules 3.10(2) and 3.21 of the Listing Rules.

### **Nomination Committee**

We have established a nomination committee (the “**Nomination Committee**”) in compliance with the Corporate Governance Code set out in Appendix 14 to the Listing Rules. The primary duties of the Nomination Committee are to make recommendations to our Board regarding the appointment of Directors and Board succession. The Nomination Committee will also consider the candidate(s)’ ability to devote sufficient time to fulfil the duties of the Directors and members of the special committees of the Board and consider the candidate(s) of independent non-executive director(s)’ ability to devote sufficient time to the Board if the candidate(s) will be holding his/her seventh (or more) listed company directorships. The Nomination Committee consists of three members, including Mr. Su Xiao, Ms. Long Yu and Mr. Jiang Changjian. Mr. Su Xiao currently serves as the chairman of the Nomination Committee.

### **Remuneration Committee**

We have established a remuneration committee (the “**Remuneration Committee**”) in compliance with Rule 3.25 of the Listing Rules and with written terms of reference in compliance with the Code on Corporate Governance set out in Appendix 14 to the Listing Rules. The primary duties of the Remuneration Committee are to review and make recommendations to the Board regarding the terms of remuneration packages, bonuses and other compensation payable to our Directors and senior management. The Remuneration Committee consists of three members, including Ms. Long Yu, Mr. Su Xiao and Mr. Jiang Changjian. Ms. Long Yu currently serves as the chairman of the Remuneration Committee.

### **BOARD DIVERSITY POLICY**

We have adopted a board diversity policy which sets out the approach to achieve diversity of the Board. Our Company recognizes and embraces the benefits of having a diverse Board and sees increasing diversity at the Board level, including gender diversity, as an essential element in maintaining the Company’s competitive advantage and enhancing its ability to attract, retain and motivate employees from the widest possible pool of available talent. We currently have five male and four female Directors. Pursuant to the board diversity policy, in reviewing and assessing suitable candidates to serve as a director of the Company, the

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## DIRECTORS AND SENIOR MANAGEMENT

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nomination committee will consider a number of aspects, including but not limited to gender, age, cultural, educational background, professional qualifications, skills, knowledge, and industry and regional experience. Pursuant to the board diversity policy, the nomination committee will discuss periodically and, when necessary, agree on the measurable objectives for achieving diversity, including gender diversity, on the Board and recommend them to the Board for adoption.

### COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

For details of the service contracts and appointment letters that we have entered into with our Directors, see “Appendix IV – Statutory and General Information – C. Further Information about our Directors – 1. Particulars of Directors’ service contracts and appointment letters.”

The aggregate amount of remuneration incurred for our Directors in respect of the three years ended December 31, 2019, 2020 and 2021 and the three months ended March 31, 2022 were RMB9,139,000, RMB8,676,000, RMB9,244,000 and RMB3,626,000, respectively. Further information on the remuneration of each Director during the Track Record Period is set out in Accountants’ Report in Appendix I to this prospectus.

Under the arrangements currently in force, the aggregate amount of remuneration (excluding any discretionary bonus which may be paid) payable by our Group to our Directors for the financial year ending December 31, 2022 is expected to be approximately RMB14.62 million.

For the three years ended December 31, 2019, 2020 and 2021 and the three months ended March 31, 2022, the aggregate amount of the remuneration incurred for the five highest paid individuals of our Group, including the Directors, were RMB10,421,000, RMB9,894,000, RMB10,766,000 and RMB4,677,000, respectively. Further details on the remuneration of the five highest paid individuals during the Track Record Period are set out in Accountants’ Report in Appendix I to this prospectus.

During the Track Record Period, no remuneration was paid to any Director or any of the five highest paid individuals of our Group as an inducement to join or upon joining our Group. No compensation was paid to or receivable by any Director or any of the five highest paid individuals during the Track Record Period for the loss of any office in connection with the management of the affairs of any member of our Group. None of our Directors waived any emoluments during the Track Record Period.

Save as disclosed above, no other payments have been paid or are payable in respect of the Track Record Period to our Directors by our Group.

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## DIRECTORS AND SENIOR MANAGEMENT

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### PRE-IPO SHARE OPTION SCHEME

In order to incentivize our employees and consultants for their contribution to our Group and to attract and retain suitable personnel to our Group, we adopted the Pre-IPO Share Option Scheme. For further details, see “Appendix IV – Statutory and General Information – D. Pre-IPO Share Option Scheme”.

### COMPLIANCE ADVISER

We have appointed Somerley Capital Limited as our Compliance Adviser pursuant to Rule 3A.19 of the Listing Rules. The Compliance Adviser will provide us with guidance and advice as to compliance with the Listing Rules and applicable Hong Kong laws. Pursuant to Rules 3A.23 of the Listing Rules, the Compliance Adviser will advise the Company in certain circumstances and/or matters, including:

- (a) before the publication of any regulatory announcement, circular, or financial report;
- (b) where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;
- (c) where we propose to use the proceeds of the Global Offering in a manner different from that detailed in this prospectus or where the business activities, development or results of the Group deviate from any forecast, estimate or other information in this prospectus; and
- (d) where the Stock Exchange makes an inquiry to the Company regarding unusual movements in the price or trading volume of its listed securities or any other matters in accordance with Rule 13.10 of the Listing Rules.

### CORPORATE GOVERNANCE CODE

The Company is committed to achieving high standards of corporate governance with a view to safeguarding the interests of our Shareholders. To accomplish this, the Company intends to comply with the corporate governance requirements under the Corporate Governance Code and Corporate Governance Report set out in Appendix 14 to the Hong Kong Listing Rules after the Listing.

Our Directors recognize the importance of incorporating elements of good corporate governance in the management structures and internal control procedures of our Group to achieve effective accountability. Our Company intends to comply with all code provisions in the Corporate Governance Code as set out in Appendix 14 to the Listing Rules after the Listing except for Code Provision A.2.1 of the Corporate Governance Code, which provides that the roles of chairman of the board and chief executive officer should be separate and should not be performed by the same individual.

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## DIRECTORS AND SENIOR MANAGEMENT

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The roles of chairman of the Board and president of our Company (similar to the chief executive officer position as defined in the Listing Rules taking responsibility for the overall management of the Company) are currently performed by Mr. Su Xiao. In view of Mr. Su's substantial contribution to our Group since our establishment and his extensive experience, we consider that having Mr. Su acting as both our chairman and president will provide strong and consistent leadership to our 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 and president after the Listing, and therefore currently do not propose to separate the functions of chairman and president.

While this would constitute a deviation from Code Provision A.2.1 of the Corporate Governance Code, the Board believes that this structure will not impair the balance of power and authority between the Board and the management of our Company, given that: (i) there are sufficient checks and balances in the Board, as a decision to be made by our Board requires approval by at least a majority of our Directors, and our 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 he acts for the benefit and in the best interests of our Company and will make decisions for our Group accordingly; and (iii) the balance of power and authority is ensured by the operations of the Board which comprises experienced and high-calibre individuals who meet regularly to discuss issues affecting the operations of our Company. Moreover, the overall strategic and other key business, financial, and operational policies of our Group are made collectively after thorough discussion among all of our Board members and senior managers. The Board will continue to review the effectiveness of the corporate governance structure of our Group in order to assess whether separation of the roles of chairman of the Board and president is necessary.

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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### OVERVIEW

As of the Latest Practicable Date, our Co-founders, Mr. Su, Ms. Chen, Ms. Xu and Mr. Zhou, through their respective wholly-owned offshore holding companies (including Lemontree Evergreen, Lemontree Harvest, Free Flight, Faye Free, MEOO Limited, A&O Investment, Z&N Investment and Linmon Run (collectively, “**Founders SPVs**”)), indirectly held approximately 20.60%, 9.56%, 9.56% and 6.55% of the issued share capital of our Company, respectively.

On August 17, 2020, our Co-founders entered into the Concert Party Agreement, pursuant to which each of them confirmed that (1) since July 25, 2014, our Co-founders had communicated thoroughly before the shareholders’ meetings of Shanghai Linmon and act in concert by aligning their votes at the shareholders’ meetings of Shanghai Linmon; (2) Mr. Su had and will continue to take the lead, and Ms. Chen, Ms. Xu and Mr. Zhou had supported and will continue to support Mr. Su in this regard by following Mr. Su’s decisions in relation to the exercise of their voting rights at the meetings of the shareholders of Shanghai Limon; and (3) such act in concert arrangement will continue so long as they remain interested, directly or indirectly, in the shares of Shanghai Linmon, regardless of any form of reorganization of the shares of Shanghai Linmon. As such, our Co-founders will act in concert aligning their vote in the Company.

In light of such act in concert arrangement, as of the Latest Practicable Date, Mr. Su, Ms. Chen, Ms. Xu and Mr. Zhou, through the Founders SPVs, together indirectly hold and are entitled to exercise the voting rights attaching to approximately 46.27% of our total issued share capital, and Mr. Su, Ms. Chen, Ms. Xu, Mr. Zhou and each of the Founders SPVs are considered as a group of Controlling Shareholders for the purpose of the Listing Rules.

Immediately following the completion of the Global Offering presuming the Assumptions, Mr. Su, Ms. Chen, Ms. Xu and Mr. Zhou will control, through the Founders SPVs, in aggregate of approximately 44.33% of the voting power at general meetings of our Company and will remain as a group of our Controlling Shareholders.

### DISCLOSURE UNDER RULE 8.10 OF THE LISTING RULES

Each of our Controlling Shareholders confirms that, as of the Latest Practicable Date, he, she or it 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.

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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### INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Having considered the following factors, our Directors are satisfied that we are capable of carrying on our business independently from our Controlling Shareholders and their close associates after the Listing.

#### Management Independence

Our business is managed and conducted by our Board and senior management. Upon Listing, our Board will consist of nine Directors comprising four executive Directors, two non-executive Directors and three independent non-executive Directors. For more information, see “Directors and Senior Management.” Notwithstanding that our executive Directors, namely Mr. Su, Ms. Chen, Ms. Xu and Mr. Zhou, are our Controlling Shareholders, our Directors are of the view that our Company is capable of maintaining management independence due to the following reasons:

- (a) each Director is aware of his or her fiduciary duties as a Director which require, among other things, that he or she acts for the benefit and in the interest of our Company and does not allow any conflict between his/her duties as a Director and his/her personal interests;
- (b) we have three independent non-executive Directors and certain matters of our Company must always be referred to the independent non-executive Directors for review;
- (c) in the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective associates, the interested Director(s) is/are required to declare the nature of such interest before voting at the relevant Board meetings of our Company in respect of such transactions;
- (d) our Board has a balanced composition of executive Directors, non-executive Directors and independent non-executive Directors which ensures the independence of the Board in making decisions affecting our Company. Specifically: (a) our independent non-executive Directors are not associated with the members of the Controlling Shareholders or their respective associates; (b) our independent non-executive Directors account for no less than one-third of the Board; and (c) our independent non-executive Directors individually and collectively possess the requisite knowledge and experience, and all of them have experience as independent directors of listed companies and will be able to provide professional and experienced advice to our Company. In conclusion, the Directors believe that our independent non-executive Directors are able to bring impartial and sound judgment to the decision-making process of our Board and protect the interest of our Company and our Shareholders as a whole; and

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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- (e) we have adopted a series of corporate governance measures to manage conflicts of interest, if any, between our Group and our Controlling Shareholders which would support our independent management. See “– Corporate Governance Measures” in this section for further information.

Based on the above, our Directors are satisfied that they are able to perform their managerial roles in our Company independently, and our Directors are of the view that we are capable of managing our business independently from the Controlling Shareholders after the Listing.

### **Operational Independence**

We have full rights to make business decisions and to carry out our business independently from our Controlling Shareholders and their respective associates. On the basis of the following reasons, our Directors consider that our Company will continue to be operationally independent from our Controlling Shareholders and their respective associates after the Listing:

- (a) we are not reliant on trademarks owned by our Controlling Shareholders, or by other companies controlled by our Controlling Shareholders;
- (b) we are the holder of all relevant licenses material to the operation of our business;
- (c) we have independent access to our customers and suppliers;
- (d) we have sufficient capital, facilities, equipment and employees to operate our business independently from our Controlling Shareholders;
- (e) we have our own administrative and corporate governance infrastructure, including our own accounting, legal and human resources departments; and
- (f) none of our Controlling Shareholders or their respective associates have any interests in any business which competes or is likely to compete with the business of our Group.

Based on the above, our Directors believe that we are able to operate independently from our Controlling Shareholders.

### **Financial Independence**

We have independent internal control and accounting systems. We also have an independent finance department responsible for discharging the treasury function. We are capable of obtaining financing from third parties, if necessary, without reliance on our Controlling Shareholders.

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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As of the Latest Practicable Date, we did not have any outstanding loans granted or guaranteed by any of our Controlling Shareholders to us.

Based on the above, our Directors are of the view that we are capable of carrying on our business independently from, and do not place undue reliance on, our Controlling Shareholders and their respective close associates after the Listing.

### CORPORATE GOVERNANCE MEASURES

Our Company and Directors recognize the importance of protecting the rights and interests of all Shareholders, including the rights and interests of our minority Shareholders.

We have adopted the following measures to ensure good corporate governance standards and to avoid potential conflicts of interest between our Group and our Controlling Shareholders:

- (a) where a Shareholders' meeting is to be held for considering proposed transactions in which our Controlling Shareholders or any of their respective associates have a material interest, the relevant Controlling Shareholders or associates will not vote on the relevant resolutions;
- (b) our Company has established internal control mechanisms to identify connected transactions. Upon the Listing, if our Company enters into connected transactions with our Controlling Shareholders or any of their associates, our Company will comply with the applicable Listing Rules;
- (c) the independent non-executive Directors will review, on an annual basis, whether there are any conflicts of interests between the Group and our Controlling Shareholders and provide impartial and professional advice to protect the interests of our minority Shareholders;
- (d) our Controlling Shareholders will undertake to provide all information necessary, including all relevant financial, operational and market information and any other necessary information as required by the independent non-executive Directors for the purpose of their annual review;
- (e) our Company will disclose decisions on matters reviewed by the independent non-executive Directors either in its annual reports or by way of announcements as required by the Listing Rules;
- (f) where our Directors reasonably request the advice of independent professionals, such as financial advisors, the appointment of such independent professionals will be made at our Company's expense;



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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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- (g) we have appointed Somerley Capital Limited as our Compliance Adviser to provide advice and guidance to us in respect of compliance with the applicable laws and regulations, as well as the Listing Rules, including various requirements relating to corporate governance; and
- (h) we have established our Audit Committee, Nomination Committee and Remuneration Committee with written terms of reference in compliance with the Listing Rules and the Code on Corporate Governance and Corporate Governance Report in Appendix 14 to the Listing Rules.

Based on the above, our Directors are satisfied that sufficient corporate governance measures have been put in place to manage conflicts of interest that may arise between our Group and our Controlling Shareholders, and to protect our minority Shareholders' interests after the Listing.

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## SUBSTANTIAL SHAREHOLDERS

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### SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following the completion of the Global Offering, the following persons are expected to have an interest and/or short positions in the Shares or underlying Shares of our Company which would fall to be disclosed to us pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO or who are, directly or indirectly, interested in 10% or more of the nominal value of any class of our share capital carrying rights to vote in all circumstances at general meetings of our Company:

Name of Shareholder	Nature of Interest	Shares held as of the Latest Practicable Date		Shares held immediately following the completion of the Global Offering presuming the Assumptions
		Number of Shares	% (approximate)	% (approximate)
Lemontree Harvest <sup>(1)</sup>	Beneficial owner; interest of concert parties	159,782,040	46.27%	44.33%
Lemontree Evergreen <sup>(1)</sup>	Interest in controlled corporation; interest of concert parties	159,782,040	46.27%	44.33%
Mr. Su Xiao <sup>(1)</sup>	Interest in controlled corporation; interest of concert parties	159,782,040	46.27%	44.33%
Faye Free <sup>(2)</sup>	Beneficial owner; interest of concert parties	159,782,040	46.27%	44.33%
Free Flight <sup>(2)</sup>	Interest in controlled corporation; interest of concert parties	159,782,040	46.27%	44.33%
Ms. Chen Fei <sup>(2)</sup>	Interest in controlled corporation; interest of concert parties	159,782,040	46.27%	44.33%
A&O Investment <sup>(3)</sup>	Beneficial owner; interest of concert parties	159,782,040	46.27%	44.33%
MEOO Limited <sup>(3)</sup>	Interest in controlled corporation; interest of concert parties	159,782,040	46.27%	44.33%

## SUBSTANTIAL SHAREHOLDERS

Name of Shareholder	Nature of Interest	Shares held as of the Latest Practicable Date		Shares held immediately following the completion of the Global Offering presuming the Assumptions
		Number of Shares	% (approximate)	% (approximate)
Ms. Xu Xiao'ou <sup>(3)</sup>	Interest in controlled corporation; interest of concert parties	159,782,040	46.27%	44.33%
Linmon Run <sup>(4)</sup>	Beneficial owner; interest of concert parties	159,782,040	46.27%	44.33%
Z&N Investment <sup>(4)</sup>	Interest in controlled corporation; interest of concert parties	159,782,040	46.27%	44.33%
Mr. Zhou Yuan <sup>(4)</sup>	Interest in controlled corporation; interest of concert parties	159,782,040	46.27%	44.33%
Tencent Mobility <sup>(5)</sup>	Beneficial owner	68,302,080	19.78%	18.95%
Great luminosity <sup>(6)</sup>	Beneficial owner	55,756,800	16.15%	15.47%
Shanghai Hongni <sup>(6)</sup>	Interest in controlled corporation	55,756,800	16.15%	15.47%

*Notes:*

- (1) As at the Latest Practicable Date, Lemontree Harvest directly holds 71,136,000 Shares in our Company and is wholly owned by Lemontree Evergreen. As at the Latest Practicable Date, Lemontree Evergreen is wholly owned by Mr. Su Xiao. Under the SFO, the deemed interest of Mr. Su consists of (i) 71,136,000 Shares in our Company held by Lemontree Harvest, and (ii) Shares held by other Controlling Shareholders as they are parties acting in concert.
- (2) As at the Latest Practicable Date, Faye Free directly holds 33,014,520 Shares in our Company and is wholly owned by Free Flight. As at the Latest Practicable Date, Free Flight is wholly owned by Ms. Chen Fei. Under the SFO, the deemed interest of Ms. Chen consists of (i) 33,014,520 Shares in our Company held by Faye Free, and (ii) Shares held by other Controlling Shareholders as they are parties acting in concert.
- (3) As at the Latest Practicable Date, A&O Investment directly holds 33,014,520 Shares in our Company and is wholly owned by MEEO Limited. As at the Latest Practicable Date, MEEO Limited is wholly owned by Ms. Xu Xiao'ou. Under the SFO, the deemed interest of Ms. Xu consists of (i) 33,014,520 Shares in our Company held by A&O Investment, and (ii) Shares held by other Controlling Shareholders as they are parties acting in concert.

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## SUBSTANTIAL SHAREHOLDERS

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- (4) As at the Latest Practicable Date, Linmon Run directly holds 22,617,000 Shares in our Company and is wholly owned by Z&N Investment. As at the Latest Practicable Date, Z&N Investment is wholly owned by Mr. Zhou Yuan. Under the SFO, the deemed interest of Mr. Zhou consists of (i) 22,617,000 Shares in our Company held by Linmon Run, and (ii) Shares held by other Controlling Shareholders as they are parties acting in concert.
- (5) Tencent Mobility is ultimately controlled by Tencent.
- (6) As at the Latest Practicable Date, Great luminosity directly holds 55,756,800 Shares in our Company and is wholly owned by Shanghai Hongni. Shanghai Hongni's general partner is Hony Capital (Shanghai) Co., Ltd. (弘毅投資(上海)有限公司) (“**Hony Capital**”), holding approximately 0.0018% of the partnership interest in Shanghai Hongni. Shanghai Hongni has only one limited partner, Hongyi Hongxin, holding approximately 99.9982% of the partnership interest in Shanghai Hongni. Hongyi Hongxin's general partner is Hony Capital, which is ultimately controlled by Xu Minsheng (徐敏生), Cao Yonggang (曹永剛) and Zhao Wen (趙文) as to 33.33%, respectively. Hongyi Hongxin is held as to 91.46% by its limited partner, Hongyu (Shanghai) Investment Fund Partnership (Limited Partnership) (弘娛(上海)投資基金合夥企業(有限合夥)), which is ultimately controlled by Xu Minsheng (徐敏生), Cao Yonggang (曹永剛) and Zhao Wen (趙文) as to 33.33%, respectively.

Save as disclosed in this section and in the paragraph headed “Statutory and General Information – C. Further Information about Our Directors – 3. Disclosure of interests”, our Directors are not aware of any person who will, immediately prior to and following the completion of the Global Offering, have interests or short positions in any Shares or underlying Shares, which would fall to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO, or be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in the circumstances at general meetings of our Company. Our Directors are not aware of any arrangement which may at a subsequent date result in a change of control of our Company.

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## SHARE CAPITAL

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### AUTHORISED AND ISSUED SHARE CAPITAL

The following is a description of the authorized and issued share capital of our Company as of the date of this Prospectus and immediately following the completion of the Global Offering presuming the Assumptions:

#### 1. Share capital as of the date of this Prospectus

##### (a) *Authorised share capital*

Number	Description	Approximate aggregate nominal value of shares (US\$)
1,829,904,320	ordinary shares of US\$0.000025 each	45,747.608
57,499,194	Series A Preferred Shares of US\$0.000025 each	1,437.480
78,408,008	Series B Preferred Shares of US\$0.000025 each	1,960.200
<u>34,188,478</u>	Series C Preferred Shares of US\$0.000025 each	<u>854.712</u>
<u><u>2,000,000,000</u></u>	<b>Total</b>	<u><u>50,000.000</u></u>

##### (b) *Issued share capital*

Number	Description	Approximate aggregate nominal value of shares (US\$)
175,223,849	ordinary shares of US\$0.000025 each	4,380.596
57,499,194	Series A Preferred Shares of US\$0.000025 each	1,437.480
78,408,008	Series B Preferred Shares of US\$0.000025 each	1,960.200
<u>34,188,478</u>	Series C Preferred Shares of US\$0.000025 each	<u>854.712</u>
<u><u>345,319,529</u></u>	<b>Total</b>	<u><u>8,632.988</u></u>

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## SHARE CAPITAL

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### 2. Share capital immediately after the completion of the Global Offering

#### (a) *Authorised share capital*

Number	Description	Approximate aggregate nominal value of shares (US\$)
<u>2,000,000,000</u>	ordinary shares of US\$0.000025 each	<u>50,000.000</u>
<u><u>2,000,000,000</u></u>	<b>Total</b>	<u><u>50,000.000</u></u>

#### (b) *Issued share capital*

Number	Description	Approximate aggregate nominal value of shares (US\$)
345,319,529	ordinary shares of US\$0.000025 each	8,632.988
<u>15,139,300</u>	ordinary shares of US\$0.000025 each to be issued pursuant to the Global Offering presuming the Assumptions	<u>378.483</u>
<u><u>360,458,829</u></u>	<b>Total</b>	<u><u>9,011.471</u></u>

The above tables assume that the Global Offering becomes unconditional and the Shares are issued pursuant to the Global Offering. The above tables also do not take into account any Shares which may be issued or repurchased by us under the general mandates granted to our Directors as referred to below.

### RANKING

The Offer Shares will rank *pari passu* in all respects with all Shares in issue or to be issued as mentioned in this prospectus, and will qualify and rank equally for all dividends or other distributions declared, made or paid on the Shares on a record date which falls after the date of this prospectus.

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## SHARE CAPITAL

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### CIRCUMSTANCES WHERE GENERAL MEETINGS ARE REQUIRED

After completion of the Global Offering, our Company has only one class of Shares, namely ordinary shares, and each ranks *pari passu* with the other Shares.

Pursuant to the Cayman Companies Act and the terms of the Memorandum of Association and Articles of Association, our Company may from time to time by ordinary resolution of shareholders: (i) increase its share capital; (ii) consolidate and divide its capital into shares of larger amount; (iii) subdivide its shares into shares of smaller amount; (iv) cancel any shares which have not been taken or agreed to be taken by any person; and (v) perform any action not required to be performed by special resolution. In addition, our Company may, subject to the provisions of the Cayman Companies Act, reduce its share capital by its shareholders passing a special resolution. See the section headed “Summary of the Constitution of the Company and Cayman Companies Law – 2. Articles of Association – 2.1(c) Alteration of capital” for further details.

### GENERAL MANDATE TO ISSUE SHARES

Subject to the Global Offering becoming unconditional, our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares with an aggregate nominal value of not more than the sum of:

- (i) 20% of the aggregate nominal value of the share capital of our Company in issue immediately following the completion of the Global Offering presuming the Assumptions; and
- (ii) the aggregate nominal value of share capital of our Company repurchased by our Company (if any) under the general mandate to repurchase Shares referred to below.

The general mandate to issue Shares will remain in effect until the earliest of:

- (i) the conclusion of our Company’s next annual general meeting unless otherwise renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions; or
- (ii) the expiration of the period within which our Company is required by any applicable laws or the Articles of Association to hold its next annual general meeting; or
- (iii) the time when the mandate is varied or revoked by an ordinary resolution of our Shareholders in a general meeting.

Further details of this general mandate are set out in the section headed “Appendix IV – Statutory and General Information – A. Further Information about our Group – 4. Resolutions of the Shareholders of Our Company” in this prospectus.

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## SHARE CAPITAL

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### GENERAL MANDATE TO REPURCHASE SHARES

Subject to the Global Offering becoming unconditional, our Directors have been granted a general mandate to exercise all the powers of our Company to repurchase shares with a total nominal value of not more than 10% of the aggregate nominal amount of the share capital of our Company in issue or to be issued immediately following the completion of the Global Offering presuming the Assumptions.

This repurchase mandate only relates to repurchases made on the Stock Exchange, or any other approved stock exchange(s) on which the Shares are listed (and which is recognized by the SFC and the Stock Exchange for this purpose), and which are made in accordance with all applicable laws and/or requirements under the Listing Rules. A summary of the relevant Listing Rules is set out in the section headed “Appendix IV – Statutory and General Information – A. Further Information about our Group – 5. Repurchase of Our Own Securities” in the prospectus.

The general mandate to repurchase Shares will remain in effect until the earliest of:

- (i) the conclusion of our Company’s next annual general meeting unless otherwise renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions; or
- (ii) the expiration of period within which our Company is required by any applicable laws or the Articles of Association to hold its next annual general meeting; or
- (iii) the time when the mandate is varied or revoked by an ordinary resolution of our Shareholders in a general meeting.

Further details of this Share repurchase mandate are set out in the section headed “Appendix IV – Statutory and General Information – A. Further Information about our Group – 5. Repurchase of Our Own Securities” in this prospectus.

### PRE-IPO SHARE OPTION SCHEME

We adopted the Pre-IPO Share Option Scheme for the purpose of incentivizing our employees and consultants, and to attract and retain suitable personnel to our Group. Further details of the Pre-IPO Share Option Scheme are set out in the section headed “Appendix IV – Statutory and General Information – D. Pre-IPO Share Option Scheme” in this prospectus. The terms of the Pre-IPO Share Option Scheme will be made available on display as disclosed in the section headed “Appendix V – Documents Delivered to the Registrar of Companies and Available on Display” of this prospectus.



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## CORNERSTONE INVESTORS

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### THE CORNERSTONE PLACING

We, the Joint Sponsors and the Joint Representatives have entered into cornerstone investment agreements (each a “**Cornerstone Investment Agreement**”, and, collectively the “**Cornerstone Investment Agreements**”) with the cornerstone investors set out below (each a “**Cornerstone Investor**”, and, collectively the “**Cornerstone Investors**”), pursuant to which the Cornerstone Investors have agreed to, subject to certain conditions, subscribe at the Offer Price for such number of Offer Shares (rounded down to the nearest whole board lot of 100 Shares) that may be purchased for an aggregate amount of US\$25 million (or approximately HK\$196.25 million, calculated based on the conversion rate of US\$1.00 to HK\$7.8499 (the “**Cornerstone Placing**”). The aggregate amount of the investment contributed by the Cornerstone Investors does not include brokerage, SFC transaction levy, FRC transaction levy and Hong Kong Stock Exchange trading fee which the Cornerstone Investors will pay in respect of the International Offer Shares to be subscribed by them.

Assuming an Offer Price of HK\$27.75 per Share, being the low-end of the indicative Offer Price range set out in this prospectus, the total number of Offer Shares to be subscribed by the Cornerstone Investors would be 7,071,800 Offer Shares, representing (a) approximately 46.7% of the Offer Shares pursuant to the Global Offering and approximately 1.96% of our total issued share capital immediately upon completion of the Global Offering (assuming the Over-allotment Option is not exercised); and (b) approximately 40.6% of the Offer Shares pursuant to the Global Offering and approximately 1.95% of our total issued share capital immediately upon completion of the Global Offering (assuming the Over-allotment Option is exercised in full and options granted under the Pre-IPO Share Option Scheme are not exercised).

Assuming an Offer Price of HK\$30.52 per Share, being the mid-point of the indicative Offer Price range set out in this prospectus, the total number of Offer Shares to be subscribed by the Cornerstone Investors would be 6,430,100 Offer Shares, representing (a) approximately 42.5% of the Offer Shares pursuant to the Global Offering and approximately 1.78% of our total issued share capital immediately upon completion of the Global Offering (assuming the Over-allotment Option is not exercised); and (b) approximately 36.9% of the Offer Shares pursuant to the Global Offering and approximately 1.77% of our total issued share capital immediately upon completion of the Global Offering (assuming the Over-allotment Option is exercised in full and options granted under the Pre-IPO Share Option Scheme are not exercised).

Assuming an Offer Price of HK\$33.30 per Share, being the high-end of the indicative Offer Price range set out in this prospectus, the total number of Offer Shares to be subscribed by the Cornerstone Investors would be 5,883,200 Offer Shares, representing (a) approximately 38.9% of the Offer Shares pursuant to the Global Offering and approximately 1.63% of our total issued share capital immediately upon completion of the Global Offering (assuming the Over-allotment Option is not exercised); and (b) approximately 33.8% of the Offer Shares

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## CORNERSTONE INVESTORS

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pursuant to the Global Offering and approximately 1.62% of our total issued share capital immediately upon completion of the Global Offering (assuming the Over-allotment Option is exercised in full and options granted under the Pre-IPO Share Option Scheme are not exercised).

Our Company is of the view that the Cornerstone Placing will help raise the profile of our Company and to signify that such investors have confidence in our business and prospect. Our Company became acquainted with each of the Cornerstone Investors in its ordinary course of operation through the Group's business network or through introduction by the Joint Representatives in the Global Offering.

The Cornerstone Placing will form part of the International Offering, and the Cornerstone Investors will not acquire any Offer Shares under the Global Offering other than pursuant to the Cornerstone Investment Agreements. The Offer Shares to be subscribed by the Cornerstone Investors will rank *pari passu* in all respects with the fully paid Shares in issue and will be counted towards the public float for the purpose of Rule 8.08 of the Listing Rules. Immediately following the completion of the Global Offering, the Cornerstone Investors will not have any Board representation in our Company; and none of the Cornerstone Investors will become a Substantial Shareholder of our Company. The Cornerstone Investors do not have any preferential rights in the Cornerstone Investment Agreements compared with other public Shareholders, other than a guaranteed allocation of the relevant Offer Shares at the Offer Price.

As confirmed by each of the Cornerstone Investors, there are no side agreements or arrangements between the Company, any member of the Group, or any of their respective affiliates, directors, officers, employees, agents or representatives in the Global Offering and the Cornerstone Investors, any of their affiliates, directors, officers, employees, agents or representatives, or any benefit, direct or indirect, conferred on the Cornerstone Investors, any of their affiliates, directors, officers, employees, agents or representatives by virtue of or in relation to the Cornerstone Placing other than a guaranteed allocation of the relevant Offer Shares at the Offer Price.

The Cornerstone Investors have agreed to pay for the relevant Offer Shares that they have subscribed before dealings in the Company's Shares commence on the Stock Exchange. There will be no delayed delivery or delayed settlement of the Offer Shares to be subscribed by the Cornerstone Investors. To the best of the knowledge, information and belief of our Company, (i) each of the Cornerstone Investors is an Independent Third Party; (ii) none of the Cornerstone Investors is accustomed to take instructions from our Company, our subsidiaries, the Directors, chief executive of our Company, Controlling Shareholders, substantial Shareholders or existing Shareholders or any of their respective close associates in relation to the acquisition, disposal, voting or other disposition of the Offer Shares; and (iii) none of the subscription of the Offer Shares by the Cornerstone Investors is financed by our Company, our subsidiaries, the Directors, chief executive of our Company, Controlling Shareholders, substantial Shareholders or existing Shareholders or any of their respective close associates.

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## CORNERSTONE INVESTORS

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The total number of Offer Shares to be subscribed by the Cornerstone Investors pursuant to the Cornerstone Placing may be affected by reallocation of the Offer Shares between the International Offering and the Hong Kong Public Offering in the event of over-subscription under the Hong Kong Public Offering as described in the section headed “Structure of the Global Offering – The Hong Kong Public Offering – Reallocation and Clawback.” Details of the actual number of Offer Shares to be allocated to the Cornerstone Investors will be disclosed in the allotment results announcement of our Company to be published on or around August 9, 2022.

To the best knowledge of our Company, each of the Cornerstone Investors is independent from each other and makes independent investment decisions, and their subscription under the Cornerstone Investment would be financed by their own internal resources. Each of the Cornerstone Investors has confirmed that all necessary approvals have been obtained with respect to the Cornerstone Placing, and that no specific approval from any stock exchange (if relevant) or its shareholders is required for the relevant cornerstone investment.

### THE CORNERSTONE INVESTORS

The information about our Cornerstone Investors set forth below has been provided by our Cornerstone Investor in connection with the Cornerstone Placing.

#### Harvest

Harvest International Premium Value (Secondary Market) Fund SPC on behalf of Harvest Great Bay Investment SP (“**Harvest**”) is a fund established in February 2022. Harvest International Premium Value (Secondary Market) Fund SPC is a segregated portfolio company established in the Cayman Islands and is an Independent Third Party. 91% of the management shares of Harvest International Premium Value (Secondary Market) Fund SPC are held by Harvest Global Investments Limited (“**HGI**”) and 9% of the management shares are held by Harvest Global Capital Investments Limited (“**HGCI**”). Incorporated in Hong Kong in 2008, HGI is a wholly-owned subsidiary of Harvest Fund Management Co., Ltd (“**HFM**”). HFM is one of the first ten public fund management companies approved to be established within China. HGCI is a company incorporated in Hong Kong in 2011 and licensed to carry out type 1 (dealing in securities), type 4 (advising on securities) and type 9 (asset management) regulated activities under the SFO in Hong Kong by the SFC. HGCI is principally engaged in asset management and investment advisory business. The Participating shareholder of Harvest Great Bay Investment SP is Navigator Technology Limited (“**NTL**”), and the ultimate beneficial owner of NTL is Zheng Fuhua, an Independent Third Party.

## CORNERSTONE INVESTORS

### Heilan Group

Heilan Group Co., Limited (“**Heilan Group**”) is a company incorporated in Hong Kong ultimately controlled and beneficially owned by Mr. Zhou Jianping through Jiangyin Heilan Investment holding Co., Ltd. (江陰市海瀾投資控股有限公司) (“**Heilan Investment**”), which is principally engaged in general trading and investment holding, and is under common control with one of our content marketing customers. Heilan Investment is a holding group, whose core industry is clothing retail, coordinating development of cultural tourism, commercial management, intelligent energy and financial investment.

The table below sets forth the details of the Cornerstone Placing:

***Based on the Offer Price of  
HK\$27.75  
(being the low-end of the indicative Offer Price range)***

Cornerstone Investors	Total Investment Amount	Number of Offer Shares to be acquired <sup>(1)</sup>	Assuming the Over-allotment Option is not exercised			Assuming the Over-allotment Option is fully exercised		
			Approximate % of the Offer Shares	Approximate % of the International Offer Shares	Approximate % of Shares in issue immediately upon completion of the Share Subdivision and the Global Offering	Approximate % of the Offer Shares	Approximate % of the International Offer Shares	Approximate % of Shares in issue immediately upon completion of the Share Subdivision and the Global Offering
	(US\$ in million)							
Harvest	20	5,657,500	37.4%	41.5%	1.57%	32.5%	35.6%	1.56%
Heilan Group	5	1,414,300	9.3%	10.4%	0.39%	8.1%	8.9%	0.39%

***Based on the Offer Price of  
HK\$30.52  
(being the mid-point of the indicative Offer Price range)***

Cornerstone Investors	Total Investment Amount	Number of Offer Shares to be acquired <sup>(1)</sup>	Assuming the Over-allotment Option is not exercised			Assuming the Over-allotment Option is fully exercised		
			Approximate % of the Offer Shares	Approximate % of the International Offer Shares	Approximate % of Shares in issue immediately upon completion of the Share Subdivision and the Global Offering	Approximate % of the Offer Shares	Approximate % of the International Offer Shares	Approximate % of Shares in issue immediately upon completion of the Share Subdivision and the Global Offering
	(US\$ in million)							
Harvest	20	5,144,100	34.0%	37.8%	1.43%	29.5%	32.4%	1.42%
Heilan Group	5	1,286,000	8.5%	9.4%	0.36%	7.4%	8.1%	0.35%

## CORNERSTONE INVESTORS

*Based on the Offer Price of  
HK\$33.30  
(being the high-end of the indicative Offer Price range)*

Cornerstone Investors	Total Investment Amount	Number of Offer Shares to be acquired <sup>(1)</sup>	Assuming the Over-allotment Option is not exercised			Assuming the Over-allotment Option is fully exercised		
			Approximate % of the Offer Shares	Approximate % of the International Offer Shares	Approximate % of Shares in issue immediately upon completion of the Share Subdivision and the Global Offering	Approximate % of the Offer Shares	Approximate % of the International Offer Shares	Approximate % of Shares in issue immediately upon completion of the Share Subdivision and the Global Offering
	<i>(US\$ in million)</i>							
Harvest	20	4,714,600	31.1%	34.6%	1.31%	27.1%	29.7%	1.30%
Heilan Group	5	1,178,600	7.8%	8.7%	0.33%	6.8%	7.4%	0.32%

*Note:*

- (1) Subject to rounding down to the nearest whole board lot of 100 Shares. Calculated based on the exchange rate set out in the section headed “Information about this Prospectus and the Global Offering – Exchange rate conversion.”

### CLOSING CONDITIONS

The obligation of each Cornerstone Investor to acquire the Offer Shares under the respective Cornerstone Investment Agreement is subject to, among other things, the following closing conditions:

- (i) the Hong Kong Underwriting Agreement and the International Underwriting Agreement being entered into and having become effective and unconditional (in accordance with their respective original terms or as subsequently waived or varied by agreement of the parties thereto) by no later than the time and date as specified in the Hong Kong Underwriting Agreement and the International Underwriting Agreement, and neither the Hong Kong Underwriting Agreement nor the International Underwriting Agreement having been terminated;
- (ii) the Offer Price having been agreed upon between our Company and the Joint Representatives (for themselves and on behalf of the Underwriters);
- (iii) the Listing Committee having granted the approval for the listing of, and permission to deal in, the Shares (including the Shares under the Cornerstone Placing) as well as other applicable waivers and approvals and such approval, permission or waiver having not been revoked prior to the commencement of dealings in the Shares on the Stock Exchange;

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## CORNERSTONE INVESTORS

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- (iv) no laws shall have been enacted or promulgated which prohibits the consummation of the transactions contemplated in the Global Offering or the Cornerstone Investment Agreement, and there being no orders or injunctions from a court of competent jurisdiction in effect precluding or prohibiting consummation of such transactions; and
  
- (v) the representations, warranties, undertakings, acknowledgements and confirmations of the Cornerstone Investors under the Cornerstone Investment Agreement are accurate and true in all respects and not misleading and that there is no material breach of the Cornerstone Investment Agreement on the part of the relevant Cornerstone Investor.

### **RESTRICTIONS ON THE CORNERSTONE INVESTORS**

Each Cornerstone Investor has agreed that without the prior written consent of our Company, the Joint Sponsors and the Joint Representatives, it will not, whether directly or indirectly, at any time during the period of six months following the Listing Date (including the date falling six months after the Listing Date) (the “**Lock-up Period**”), dispose of, in any way, any of the Offer Shares it has purchased, pursuant to the respective Cornerstone Investors Agreement, save for certain limited circumstances, such as transfers to any of its wholly-owned subsidiaries who will be bound by the same obligations of such Cornerstone Investor, including the Lock-up Period restriction.

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*You should read the following discussion and analysis with our audited consolidated financial information, including the notes thereto, included in the Accountant's Report in Appendix I to this prospectus. Our consolidated financial information has been prepared in accordance with HKFRS, which may differ in material aspects from generally accepted accounting principles in other jurisdictions, including the United States.*

*The following discussion and analysis contain forward-looking statements that reflect our current views with respect to future events and financial performance that involve risks and uncertainties. These statements are based on assumptions and analysis made by us in light of our experience and perception of historical events, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of certain factors. In evaluating our business, you should carefully consider the information provided in the sections headed "Risk Factors" and "Forward-Looking Statements" in this prospectus.*

### OVERVIEW

According to Frost & Sullivan, we ranked the fourth among all Chinese drama series companies in terms of revenue in 2021. We typically create high viewership drama series 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 operation consisting including investment, production, promotion, distribution, licensing, as well as derivatives of drama series.

During the Track Record Period, we generated our revenue primarily from (i) licensing of broadcasting rights of original drama series produced by us; (ii) content marketing; and (iii) other businesses. Our revenue was RMB1,794.2 million, RMB1,426.2 million, RMB1,249.0 million and RMB470.6 million in 2019, 2020 and 2021 and the three months ended March 31, 2022, respectively. For the years ended December 31, 2019, 2020 and 2021 and the three months ended March 31, 2022, our gross profit was RMB400.8 million, RMB545.8 million, RMB559.0 million and RMB183.2 million, respectively, and our gross profit margin was 22.3%, 38.3%, 44.8% and 38.9%.

### BASIS OF PRESENTATION

Pursuant to the reorganization of our Company, as more fully explained in the section headed "History, Reorganization and Corporate Development – Reorganization" in the prospectus, our Company became the holding company of the companies now comprising our Group on August 31, 2021. As the Reorganization only involved inserting new holding companies at the top of an existing company and has not resulted in any change of the respective voting and beneficial interests, the financial statement has been presented as a continuation of the then holding company by applying the principles of merger accounting as if the Reorganization had been completed at the beginning of the Track Record Period.

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Due to regulatory prohibitions on foreign ownership in the production, distribution and licensing of broadcasting rights of drama series business in the PRC, the principal business carried out by Shanghai Linmon was prohibited or restricted from foreign ownership. Our wholly owned subsidiary, Shanghai Ninghe has entered into a series of Contractual Arrangements with the Consolidated Affiliated Entities and the Registered Shareholders. The Contractual Arrangements enable Shanghai Ninghe to exercise effective control over the Consolidated Affiliated Entities and obtain substantially all economic benefits of the Consolidated Affiliated Entities. Accordingly, the Consolidated Affiliated Entities are controlled by our Company based on the Contractual Arrangements though we do not have any direct or indirect equity interest in the Consolidated Affiliated Entities. Details of the Contractual Arrangements are disclosed in the section headed “Contractual Arrangements” in this prospectus. We do not have any equity interests in the Consolidated Affiliated Entities.

Our consolidated statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows for the Track Record Period include the results and cash flows of all companies now comprising us from the earliest date presented or since the date when the subsidiaries and/or businesses were established or acquired, where this is a shorter period. Our consolidated statements of financial position as of December 31, 2019, 2020 and 2021, and March 31, 2022 have been prepared to present the assets and liabilities of the subsidiaries now comprising us using the existing book values. No adjustments are made to reflect fair values, or recognize any new assets or liabilities as a result of the reorganization. All intra-group transactions and balances have been eliminated on consolidation.

Our historical financial information has been prepared in accordance with HKFRS. All HKFRS effective for the accounting period commencing from January 1, 2022 together with the relevant transitional provisions, have been consistently applied by us in the preparation of the historical financial information throughout the Track Record Period. The historical financial information has been prepared under the historical cost convention, except for financial assets at fair value through profit or loss which have been measured at fair value.

### **KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS**

We believe the following are key factors that affect our results of operations:

#### **Our ability to produce high-quality and popular drama series**

We are a drama series company in China typically creating high viewership drama series based on our abundant reserve of original IPs. Our results of operation depend highly on our ability to develop high-quality IP reserve and produce high viewership drama series. Since our inception and up to the Latest Practicable Date, we produced 17 drama series and 15 of them are original drama series. In addition, we had two drama series projects that were under filming/post-production and pre-sold as of the Latest Practicable Date. Our drama series cover a comprehensive suite of trending subjects such as modern romance, heroism, costume and day-to-day life. According to Frost & Sullivan, we achieved a high viewership drama series rate as high as 75.0% from 2019 to 2021, which is substantially higher than the industry



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average in China, and the average of our top five competitors by revenue from 2019 to 2021. According to the same source, we had drama series ranked among the top ten in terms of viewership on TV channels or effective views on online video platforms in 2019 and 2020, and among the top five in 2021. Our future success is dependent on our ability to further develop high-quality original IPs and the acceptance of our drama series by the distribution channels and audience. In addition, our ability to produce high-quality and popular drama series is supported by industry professionals participating in the development, production and promotion of our drama series, including talented scriptwriters, directors and actors, filming and production crew, and promotion agencies. We believe that, as a drama series production company with proven track record, we are able to continuously produce high-quality and popular drama series leveraging our market leadership, original IP reserve, and quality service from leading industry professionals in the future.

### **Our project-based business nature**

During the Track Record Period, our revenue was mainly derived from licensing of broadcasting rights of our original drama series to online video platforms, TV channels or other third-party distributors. Our business nature is generally project based and our revenue and gross profit of our drama series projects may vary depending on the genre, the number of drama series we produced and delivered and the number of episodes of each drama series. In particular, our revenue is largely affected by the number of episodes and licensing fees of a particular or a limited number of drama series we produced. For example, our 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. In addition, the impact of cost of a particular drama series on our gross profit margin may affect our results of operations during the same periods. For example, our gross profit margin of original drama series increased from 17.2% in 2019 to 42.2% in 2020, primarily because we produced “Novoland: Eagle Flag episodes” (九州縹緲錄) with relatively high production cost and low gross profit margin.

### **Regulatory environment and industry trends**

Our production and distribution of drama series is generally subject to the uncertain government regulations and policies that affect the drama series industry in the PRC and the evolving market trends. According to Frost & Sullivan, the investment of drama series increased from RMB31.2 billion in 2019 to RMB34.0 billion in 2021. The drama series market in China is expected to resume and the investment is expected to increase in the next following years. Our business and results of operations are also affected by government policies and regulations applicable to our industry. In the event that the government policies change so that we are not able to distribute the drama series according to our business plan, we may be required to defer distribution, distribute drama series at a lower price than we anticipated. Moreover, the competent authorities may impose additional or more stringent laws or

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regulations on the investment, development, production, distribution and broadcast of drama series. This may adversely affect our results of operations and financial condition. For example, the NRTA has issued 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》) to impose restrictions on the maximum number and length of episodes of each drama series. This may affect our revenue from licensing our original drama series and limit our product placement services due to the reduction in the number and length of our drama series.

### **Our ability to procure sufficient funding in a timely manner**

Drama series production and distribution business is capital intensive in nature. Our results of operations are primarily affected by the cost of producing our original drama series, which was the largest component of our cost of sales during the Track Record Period. Many of these costs need to be paid upfront before we receive the full amount of payment from our customers. Therefore, sufficient funding in a timely manner and our ability to manage our costs is crucial for our implementation of our production and investment plans. During the Track Record Period, we mainly satisfy our working capital needs from cash inflows from our operations, bank loans and other borrowings and equity financing from our shareholders. We plan to finance our drama series with similar funding sources in the future. If we fail to procure sufficient funding in the future, our production and investment plans will be affected, which will in turn negatively affect our financial condition.

### **Our ability to manage our operating cash flow**

Our revenue directly comes from or is settled by various parties, including online video platforms, TV channels and third-party distributors. We typically pre-sell our original drama series prior to or shortly after the commencement of filming, allowing us to receive payments upfront. Our cash flow and profitability are also affected by the timely settlement of payments by our customers for the services we have rendered to them. Although generally it is contractually agreed to pay on a one-off basis or in installments in accordance with the milestone payment schedules set out in the relevant agreements, the actual settlement periods for our customers may be significantly longer in practice. As of December 31, 2019, 2020 and 2021 and March 31, 2022, our trade and notes receivables were RMB462.1 million, RMB255.8 million, RMB385.6 million and RMB550.1 million, respectively. For the years ended December 31, 2019, 2020 and 2021 and the three months ended March 31, 2022, our trade receivables turnover days were 50, 89, 89 and 83 days, respectively. We believe the level of balance of trade and notes receivables and the trade receivables turnover is generally in line with industry norms. We expect that our ability to collect trade and notes receivables on a timely basis will continue to be critical to maintain our liquidity and the pace of our expansion.

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### **Preferential tax treatment and government grants**

Our PRC subsidiaries and our Consolidated Affiliated Entities are subject to the statutory EIT rate of 25%. Horgos Linmon and Horgos Linmon Black Tea, however, are entitled to EIT exemption for five years starting from the year in which the first revenue is generated. There is no assurance that we are able to continue to enjoy tax exemption in the future due to potential changes in the tax policies to be adopted by the PRC government authorities. In 2019, 2020 and 2021 and the three months ended March 31, 2022, local governments have also granted us various financial subsidies and we recorded government grants in other income of RMB28.8 million, RMB13.4 million, RMB42.3 million and RMB5.3 million, respectively, in our consolidated statements of profit or loss. To the extent that there is any loss of, or significant reduction in, any preferential tax treatment or government grant applicable to us, or increase in the effective tax rate, our tax expenses would increase accordingly, thus adversely affecting our results of operations and financial condition.

### **CRITICAL ACCOUNTING POLICIES AND ESTIMATES**

Some of our accounting policies require us to apply estimates and assumptions as well as complex judgments related to accounting items. The estimates and assumptions we use and the judgments we make in applying our accounting policies have a significant impact on our financial position and operational results. Our management continually evaluates such estimates, assumptions and judgments based on past experience and other factors, including industry practices and expectations of future events that are deemed to be reasonable under the circumstances. There has not been any material deviation from our management's estimates or assumptions and actual results and we have not made any material changes to these estimates or assumptions during the Track Record Period. We do not expect any material changes in these estimates and assumptions in the foreseeable future.

We set forth below those accounting policies that we believe are of critical importance to us or involve the most significant estimates, assumptions and judgments used in the preparation of our financial statements. Our significant accounting policies, estimates, assumptions and judgments, which are important for understanding our financial condition and results of operations, are set forth in details in notes 2 and 3 to the Accountant's Report set out in Appendix I to this prospectus.

### **Revenue Recognition**

#### ***Revenue from Contracts with Customers***

Revenue from contracts with customers is recognized when control of goods or services is transferred to the customers at an amount that reflects the consideration to which we expect to be entitled in exchange for those goods or services.

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When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which we will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognized will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between us and the customer at contract inception. When the contract contains a financing component which provides us with a significant financial benefit for more than one year, revenue recognized under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

We are mainly involved in the licensing of broadcasting rights of drama series. Revenue is measured based on the fair value of consideration received or receivable specified in the contracts with customers.

*(a) Licensing of broadcasting rights of original drama series*

Revenue from the licensing of broadcasting rights of drama series is recognized at the point in time when the drama series are available to the licensee and the licensee is able to use and benefit from the license, generally on delivery of the drama series after the approval from the NRTA or receipt of the license for distribution of drama series from the provincial counterpart of the NRTA when a customer is provided with a right to broadcast the drama series as it exists at the point in time when the license is granted.

There are two situations in which variable consideration exists. Specifically:

- (1) in certain agreements with customers, our Group is entitled to additional bonus based on the actual broadcasting performance, including viewership or additional or renewal of membership subscriptions. Revenue from such additional bonus is recognized when the amount is determined and confirmed by the customers.
- (2) retrospective price adjustments may be made with respect to certain customers if the drama series licensed by our Group are taken down from broadcasting channels during the licensing period pursuant to the relevant broadcasting right licensing agreements.

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In accordance with HKFRS15 paragraph 56, an entity shall include in the transaction price some or all of an amount of variable consideration only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

Variable consideration in relation to additional bonus is constrained when licensing fee revenue is initially recognized, and therefore such variable consideration is not recognized as revenue then, but only until the uncertainty is resolved (i.e. broadcasting performance of the original drama series becomes available), which is essential for us to conclude that it is highly probable that a significant reversal of such additional bonus in the amount of cumulative revenue recognized will not occur.

Variable consideration in relation to price adjustments arising from risk of the drama series being taken down from broadcasting channels during the licensing period is not constrained as we have estimated that the expected price adjustments are immaterial when the uncertainty (i.e. the uncertainty of original drama series being taken down from broadcasting channels) is resolved.

Variable consideration is constrained only when it is highly probable that a significant reversal in the amount of cumulative revenue recognized will occur. Pursuant to the paragraph 57 of HKFRS15, in assessing whether it is highly probable that a significant reversal in the amount of cumulative revenue will occur, a number of factors indicating the likelihood and the magnitude of revenue reversal should be considered, including, for example, (1) the amount of consideration susceptible to factors outside the entity's influence and (2) the entity's experience with similar types of contracts. For (1), the maximum exposure amount of variable consideration in relation to price adjustments arising from risk of the drama series being taken down from broadcasting channels which represents the total contract amounts that will be refunded to our customers under the worst scenario that is when all our drama series during the license period have been taken down from the broadcasting channels and such customers request full refund of contractual licensing fees with respect to the remaining license period was RMB3,266 million, RMB4,506 million, RMB5,591 million and RMB6,016 million as of December 31, 2019, 2020 and 2021 and March 31, 2022, respectively. Using the expected value method and after taking into account of the possibility factor of risk of our drama series being taken down from broadcasting channels, the total estimation of variable consideration of our original drama series produced was less than RMB1.5 million as of the end of each year during the Track Record Period, accounted for less than 0.15% of our licensing revenue in the respective years as explained in detail below. For (2), we possess significant experience in licensing of broadcasting rights of our original drama series and we never refund any of the licensing fees to our customers due to our original drama series being taken down from broadcasting channels prior to the end of the licensing period since our inception and up to the Latest Practicable Date. Therefore, we conclude that, as it is highly probable that a significant reversal in the cumulative amount of

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revenue recognized for licensing fees will not occur when the uncertainty is resolved, the variable consideration in relation to price adjustments arising from risk of the drama series being taken down from broadcasting channels during the licensing period is not constrained.

A refund liability is recognized for the obligation to refund certain or all of the consideration received (or receivable) from a customer and is measured at the amount we ultimately expect we will have to return to the customer.

Refund liability is not applicable to additional bonus as no additional bonus would have been received or receivable by us before the constraint on the variable consideration is cleared (actual broadcasting performance becomes available).

For the price adjustments arising from risk of the drama series being taken down from broadcasting channels during the licensing period, no refund liability was recognized during the Track Record Period as the estimated amount that would be refunded was immaterial as detailed below.

Two of our original drama series produced during the Track Record Period had variable consideration in relation to additional bonus, including “Nothing but Thirty” (三十而已) and “Xiaomin’s House” (小敏家). Pursuant to the relevant agreements with the original drama series customers, we are entitled to receive (i) licensing fees; and (ii) additional bonus, which is determined based on the actual broadcasting performance of the relevant original drama series. Pursuant to the agreements, variable considerations in relation to additional bonus amounted to RMB9.4 million and RMB9.4 million in connection with “Nothing but Thirty” (三十而已) and “Xiaomin’s House” (小敏家), respectively. Accordingly, we recognized revenue from variable consideration of RMB9.4 million in connection with “Nothing but Thirty” (三十而已) in 2021 and RMB9.4 million in connection with “Xiaomin’s House” (小敏家) in the three months ended March 31, 2022 upon reaching the stipulated broadcasting performance. The following table sets forth the amount of variable consideration recognized as revenue with respect to the two original drama series during the Track Record Period.

	<b>Year ended December 31,</b>			<b>Three months</b>	
	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>ended March 31,</b>	<b>2022</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				<i>(Unaudited)</i>	
“Nothing but Thirty” (三十而已)	–	–	9,433	9,433	–
“Xiaomin’s House” (小敏家)	–	–	–	–	9,433

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All of our original drama series produced since our inception and during the Track Record Period had variable consideration in relation to the possibilities of original drama series being taken down from broadcasting channels during the licencing period. The amount of variable consideration is a function of risk estimation at a particular point in time by multiplying the maximum amount of licensing fees we are required to refund if the original drama series is taken down from broadcasting channels during the licensing period (i.e. the maximum exposure) and by a possibility factor of risk of each original drama series being taken down from broadcasting channels (i.e. the possibility). In relation to this exercise, we engaged a third-party accredited valuer to produce a matrix of the possibility factor of risk in different scenarios based on the remaining years in the licensing period on the basis of discussions with the management, understanding of the latest industry practice and economic conditions using the random stimulation method (隨機模擬方法). According to the valuation report, the possibility factors of risks for first-run original drama series range from 0.0405% to 0.0825%, and the possibility factors of risks for original drama series which are under re-run range from 0.0036% to 0.0456% depending on the term of the remaining licensing period of an original drama series (ranging from one to ten years), with the possibility factor of risk decreasing as the number of years in the remaining licensing period decreases. Accordingly, the total estimated amount of variable consideration of our original drama series produced was less than RMB1.7 million as of the end of each period during the Track Record Period, accounted for less than 0.4% of our licensing revenue in the respective period and is therefore considered to be immaterial.

*(b) Production of made-to-order drama series*

We determine whether we are a principal or an agent in production of made-to-order drama series by evaluating the nature of our promise to the customer. When determining whether we are acting as the principal or agent in offering goods or services to the customer, we need to first identify who controls the promised goods or services before they are transferred to the customer. To assess whether we control the services before they are transferred to the customer, we have considered various factors, including but not limited to whether we are (i) the primary obligor in the arrangement, (ii) have general inventory risk, (iii) have discretion in establishing the selling price. We are the primary obligor and subject to general inventory risk in the arrangement that obtains control of any of the following: (i) a good or another asset from the other party that we then transfer to the customer; (ii) a right to a service to be performed by the other party, which gives us the ability to direct that party to provide the service to the customer on our behalf; (iii) a good or service from the other party that we then combine with other goods or services in providing the promised good or service to the customer. We record revenue on a gross basis if we are a principal and control promised services before transferring the services to the customer. Otherwise, we are an agent and record as revenue the net amount that we retain for our agency services if our role is to arrange to provide the services.

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During the Track Record Period, we did not subject to any general inventory risk as we charged fixed production fees for production of made-to-order drama series, and therefore we acted as an agent and recognized revenue from production of made-to-order drama series at a net basis.

As the consideration for the production of made-to-order drama series is fully constrained until broadcasting, revenue from production of made-to-order drama series is recognized at point in time when made-to-order drama series are accepted by the customers, which is usually when the first broadcast occurs.

*(c) Content marketing*

Content marketing involves the production of advertisements which are either placed in the drama series produced by us or will be broadcast together with the drama series. During the Track Record Period, we (i) provided product placement services to our customers, (ii) developed and produced customized creative advertisements and placed such advertisements in our drama series broadcasting on online video platforms, and (iii) designed integrated marketing campaigns that are tailored to the target consumers of the advertisers and launch such campaigns on various platforms including social media and short video platforms. Revenue from content marketing is recognized as follows:

Revenue from product placement services is recognized at a point in time when the services are accepted by our product placement customers, and the contract amount is determinable. The “acceptance” by the customers for product placement services only occurs when it is almost certain that the advertisements placed in the original drama series can be broadcast completely. At the point of revenue recognition, we have substantially fulfilled our performance obligations as agreed under the agreements with product placing customers.

We consider that our performance obligations under product placement services are nevertheless substantially satisfied upon the delivery of the master tape to online video platforms or TV channels due to the following reasons:

- (1) during the Track Record Period and up to the Latest Practicable Date, the time of delivery of the master tapes of our original drama series has always been within the same month as the time of initial broadcast of the same drama series;
- (2) by the time the master tapes were delivered to the relevant media platform, we had already obtained the relevant distribution licenses from the NRTA, meaning that the NRTA had already reviewed and approved the content of the drama series, including the relevant product placement components and that the broadcast schedule of the drama series had been confirmed by the relevant media platforms;



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- (3) since the inception of our Company, there has been no incidence where, subsequent to the delivery of the master tapes to the media platforms, we could not obtain the relevant distribution license for the broadcast of our drama series or that the relevant distribution license was revoked or terminated leading to early termination of the broadcast of our drama series before all the episodes were broadcast; and
- (4) during the Track Record Period, product placement revenue was recognized at a point in time upon the substantial completion of the broadcast of the relevant original drama series and the contract amount is determinable. Our management considered that, given the content of a drama series already substantially broadcast (including the contents of the product placement scenes embedded therein) is public information, if the relevant customer did not raise any dispute or concern as to the content of the placement scenes therein at the time when broadcast is already substantially completed, this forms sufficient basis for our management to consider that the customers have accepted the services and our obligations have been satisfied.

We believe our revenue recognition policy of product placement services is not inconsistent in any material aspects with the industry practice.

Revenue from customized creative advertisements is recognized at a point in time when control of promised goods or services (i.e. customized creative advertisements) is transferred to customers (e.g. online video platforms), which generally occurs upon the confirmation of receiving the goods or services by the customers and when the contract amount is determinable.

Revenue from other content marketing services, including provision of marketing services or goods such as customized marketing campaigns or short video content, is recognized over time in which the services are rendered to or consumed by the customer simultaneously, or at a point in time upon the delivery and acceptance of the products to the customers in accordance with the terms of the underlying contracts and when the contract amount is determinable.

*(d) Licensing of drama elements*

Revenue from the sale of license of drama elements (script material, clips, music, etc.) is recognized at the point in time when the right to use the relevant intangible property in the drama series is transferred to licensee and the contract amount is determinable.

A sales-based royalty is recognized as revenue only when (or as) the later of the following events occurs: (a) the subsequent sale occurs; and (b) the performance obligation to which some or all of the sales-based royalty has been allocated has been satisfied (or partially satisfied).

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(e) *Artiste management service income*

Artiste management service income is derived from sourcing drama actor services, entertainment events and TV programs to the artistes. Revenue is recognized over the time of the service period. We have discontinued artiste management services since February 2020 when Shanghai Mengyang was disposed.

***Revenue from other Sources***

Interest income is recognized on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Under co-financing arrangements where we are not entitled to any shares of legal rights (i.e. copyrights, broadcasting rights) of drama series, the investment amount paid by us is recognized as financial assets which are subsequently measured at amortized costs (for fixed return investments) or fair value (for variable return investments), with gains or losses recognized in other income (for fixed return investments) or revenue (for variable return investments), respectively.

**Income Tax**

Income tax comprises current and deferred tax. Income tax relating to items recognized outside profit or loss is recognized outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each of the Track Record Period, taking into consideration the interpretations and practices prevailing in the countries in which we operate.

Deferred tax is provided, using the liability method, on all temporary differences at the end of each of the Track Record Period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- (i) when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

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- (ii) in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, and the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

- (i) when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- (ii) in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognized to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at the end of each of the Track Record Period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at the end of each of the Track Record Period and are recognized to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each of the Track Record Period.

Deferred tax assets and deferred tax liabilities are offset if and only if we have a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

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### Investments and Other Financial Assets

#### *Initial recognition and measurement*

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and our business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which we have applied the practical expedient of not adjusting the effect of a significant financing component, we initially measure a financial asset at its fair value plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which we have applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition" above.

In order for a financial asset to be classified and measured at amortized cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

Our business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortized cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognized on the trade date, that is, the date that we commit to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

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### *Subsequent measurement*

The subsequent measurement of financial assets depends on their classification as follows:

#### *Financial assets at amortized cost (debt instruments)*

Financial assets at amortized cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

#### *Financial assets at fair value through other comprehensive income (debt instruments)*

For debt investments at fair value through other comprehensive income, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in the consolidated statements of profit or loss and other comprehensive income and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in other comprehensive income. Upon derecognition, the cumulative fair value change recognized in other comprehensive income is recycled to the consolidated statements of profit or loss and other comprehensive income.

#### *Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognized profit or loss.

This category includes equity investments which we had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value through profit or loss are also recognized as other income in profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to us and the amount of the dividend can be measured reliably.

### **Business Combinations and Goodwill**

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by us, liabilities assumed by us to the former owners of the acquiree and the equity interests issued by us in exchange for control of the acquiree. For each business combination, we elect whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

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We determine that we have acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

When we acquire a business, we assess the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as of the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognized in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognized at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognized in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognized for non-controlling interests and any fair value of our previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognized in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. We performed our annual impairment test of goodwill as of December 31, 2019. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of our cash-generating units, or groups of cash generating units, that are expected to benefit from the synergies of the combination, irrespective of whether our other assets or liabilities are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognized. An impairment loss recognized for goodwill is not reversed in a subsequent period.

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Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

### **Intangible Assets (Other than Goodwill)**

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

#### *Software*

Purchased software is stated at cost less any impairment loss and is amortized on the straight-line basis over its estimated useful life of 3 years.

#### *Trademarks*

Trademarks are stated at cost less any impairment losses and are amortized on the straight-line basis over their estimated useful lives of 10 years, which is shorter of legal registered period and the period over which the trademark is expected to generate net cash inflows from the commercialization of product.

#### *Artiste management agreements*

Artiste management agreements are stated at cost less any impairment loss and are amortized based on the contract periods of artiste management agreements of 33 months.

#### *Non-compete agreements*

Non-compete agreements are stated at cost less any impairment loss and are amortized on the straight-line basis over the contract periods of non-compete agreements of 40 months.

### **Government Grants**

Government grants are recognized at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognized as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

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### Financial Liabilities

#### *Initial recognition and measurement*

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

Our financial liabilities include trade and other payables, lease liabilities, financial liabilities at fair value through profit or loss, amounts due to a joint venture, amounts due to a related party, dividend payable and interest-bearing bank and other borrowings.

#### *Subsequent measurement*

The subsequent measurement of financial liabilities depends on their classification as follows:

##### *Financial liabilities at fair value through profit or loss*

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as of fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by us that are not designated as hedging instruments in hedge relationships as defined by HKFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognized in profit or loss. The net fair value gain or loss recognized in profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition as of fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in HKFRS 9 are satisfied. Gains or losses on liabilities designated at fair value through profit or loss are recognized in profit or loss, except for the gains or losses arising from our own credit risk which are presented in other comprehensive income with no subsequent reclassification to profit or loss. The net fair value gain or loss recognized in profit or loss does not include any interest charged on these financial liabilities.

We designated the convertible redeemable preferred shares upon initial recognition as financial liabilities at fair value through profit or loss. They are initially recognized at fair value. Any directly attributable transaction costs are recognized as finance costs in profit or loss.



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Subsequent to initial recognition, the convertible redeemable preferred shares are carried at fair value with changes in fair value recognized in profit or loss.

The convertible redeemable preferred shares are classified as non-current liabilities when the holders of the convertible redeemable preferred shares cannot demand the Company to redeem the convertible redeemable preferred shares until at least 12 months after the end of each of the Track Record Period.

### *Financial liabilities at amortized cost (loans and borrowings)*

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the effective interest rate amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortization is included in finance costs in profit or loss.

### **Inventories**

Inventories include the cost of completed drama series, drama series in production and undeveloped scripts and purchased copyrights or broadcasting rights of drama series. Inventories are stated at the lower of cost and net realizable value. Net realizable value of inventories is the estimated selling price in the ordinary business, less estimated costs of completion and selling expenses.

The amounts of inventories recognized as cost of sales for a given period is determined using the drama series forecast computation method. Under this method, the amortization of inventories and the accrual of participations and residuals is based on the proportion of the drama series' revenues recognized for such period to the drama series' estimated remaining ultimate revenues (i.e. the total revenue to be received throughout a drama series' life cycle).

### **Accounting for the Co-investment Arrangements and Co-financing Arrangements**

Under the co-investment arrangements where we act as an executive producer, the investment from the other co-investors is considered as the selling of shares of interests and copyrights in drama series to such co-investors by us. If the co-investors bear full risk for the shares of interests and copyrights of drama series they invested in, the amounts received from such co-investors are recognized as reductions of the costs of the drama series upon the receipt of the license for distribution of drama series from the NRTA. The amounts paid to such co-investors for the share of interests of drama series pursuant to the co-investment arrangements are recognized as deductions of revenue.

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When co-investors are not entitled to any shares of copyrights in drama series they invested in under co-investment arrangements and we act as principal and is obligated to share the licensing revenue with such co-investors at a fixed return basis or based on the respective investment ratio, the amounts received from such co-investors are recognized as financial liabilities. The financial liabilities are subsequently measured at amortized costs (for fixed return investments) or fair value (for variable return investments), with gains or losses recognized in finance costs (for fixed return investments) or other expenses (for variable return investments), respectively.

The amount paid under co-financing arrangements to the third-party investors by us in order to obtain shares of legal rights (i.e. copyrights, broadcasting rights) of drama series is recognized as prepayments under the co-investment arrangements and reclassified as inventories upon the receipt of the license for distribution of drama series from the NRTA. The amounts received for the share of legal rights of drama series are recognized as revenue.

The amount paid under co-financing arrangements to third-party investors by us where we are not entitled to any shares of legal rights (i.e. copyrights, broadcasting rights) of the drama series is recognized as financial assets. The financial assets are subsequently measured at amortised costs (for fixed return investments) or fair value (for variable return investments), with gains or losses recognized in other income (for fixed return investments) or revenue (for variable return investments), respectively.

The following table sets forth the investment return model adopted for each of the drama series that we invested in under co-investment arrangements or co-financing arrangements during the Track Record Period:

<b>Co-financing/ Co-investment arrangements</b>	<b>Drama series</b>	<b>Investment return model</b>
Co-financing arrangement in which we invested as a non-executive producer <sup>(1)</sup>	“Hand in Hand” (陪你一起長大)	variable return investments
Co-investment arrangements where we act as principal	“Hunting” (獵狐)	fixed return investments
	“Novoland: Eagle Flag episodes” (九州縹緲錄)	fixed return investments/ variable return investments <sup>(2)</sup>
	“Twenty Your Life on” (二十不惑)	variable return investments
	“A Little Dilemma” (小舍得)	variable return investments
	“Xiaomin’s House” (小敏家)	variable return investments

*Notes:*

- (1) We invested as a non-executive producer in “Chinese Paladin 5” (仙劍雲之凡) on a variable return basis in 2016 and generated revenue of RMB63,000 from such investment in 2021.
- (2) We produced “Novoland: Eagle Flag episodes” (九州縹緲錄) as the lead investor and executive producer under the co-investment arrangements where we acted as principal. Under such arrangement, one co-investor invested in “Novoland: Eagle Flag episodes” (九州縹緲錄) on a fixed return basis, for which interest expenses in relation to its investments were recognized as financial costs. Investment from another co-investor was on a variable return basis and expenses arising from sharing of licensing revenue with the co-investor were recognized as fair value changes on financial liabilities of co-investment arrangements in other expenses.

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### *Co-financing arrangements*

From time to time, we chose to invest in high viewership drama series projects under co-financing arrangements to further monetize our production capability. Under co-financing arrangements, we act as a non-executive producer, generally contributing a minority investment sum. During the Track Record Period, we invested as a non-executive producer in “Hand in Hand” (陪你一起長大) on a variable return basis and generated revenue of RMB47.5 million from such investment in 2021. We did not invest in any drama series under co-financing arrangements in 2019, 2020 and the three months ended March 31, 2022.

### *Co-investment arrangements*

We co-invested in drama series through co-investment arrangements with other industry players. Under co-investment arrangements where we act as an executive producer and are obliged to share the licensing revenue with such co-investors based on their respective investment amount, the amounts received from such co-investors are recognized as financial liabilities. During the Track Record Period, we produced “Hunting” (獵狐) as the executive producer and lead investor under co-investment arrangements in 2020, for which interest expenses in relation to investment from third-party co-investors on a fixed return basis were recognized as financial costs. We produced “Novoland: Eagle Flag episodes” (九州縹緲錄) as the executive producer and lead investor under co-investment arrangements in 2019, for which interest expenses in relation to the investment from one of the co-investors on a fixed return basis were recognized as finance costs. During the Track Record Period, our finance costs of interest expenses on financial liabilities under co-investment arrangements as mentioned above amounted to RMB3.7 million and RMB1.4 million in 2019 and 2020, respectively. We also acted as the executive producer and co-invested with other investors on a variable return basis in “Novoland: Eagle Flag episodes” (九州縹緲錄), “Twenty Your Life on” (二十不惑), “A Little Dilemma” (小舍得) and “Xiaomin’s House” (小敏家), for which we recorded fair value changes on financial liabilities of co-investment arrangements in other expenses. The fair value changes on financial liabilities of co-investment arrangements represent the fair value losses in relation to the amounts received from third-party co-investors of such drama series. During the Track Record Period, our other expenses of fair value changes on financial liabilities of co-investment arrangements in relation to such investments amounted to RMB7.3 million, RMB13.7 million, RMB39.3 million and nil in 2019, 2020 and 2021 and the three months ended March 31, 2022, respectively.

### **Level 3 of Fair Value Measurement**

In respect of the valuation of level 3 financial assets and financial liabilities, with reference to the guidance under the “Guidance Note on Directors’ Duties in the Context of Valuations in Corporate Transactions” issued by the SFC in May 2017 (the “**Guidance**”) applicable to directors of companies listed on the Stock Exchange, our Directors adopted the following procedures: (i) selected qualified persons with adequate knowledge and conducted valuation on the financial assets and financial liabilities without readily determinable fair value; (ii) carefully considered available information in assessing the financial data and

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assumptions including but not limited to discount rate, political and industry conditions; (iii) engaged independent valuer to appraise the fair value of certain financial assets and financial liabilities that are significant, provided necessary financial information to the valuer for the valuer to assess our performed valuation procedures and discussed with the valuer on relevant assumptions; and (iv) reviewed the valuation reports prepared by the valuer. Based on the above procedures, our Directors are of the view that the valuation analysis performed by the valuer is fair and reasonable and our financial statements are properly prepared.

The details on the fair value measurement, particularly the fair value hierarchy, the valuation techniques and key inputs, including significant unobservable inputs and the relationship of the unobservable inputs to the fair values, are disclosed in Note 27 and Note 37 in Appendix I to this prospectus. On the basis of opinion on the Historical Financial Information as a whole, the Reporting Accountants have performed procedures on the valuation of level 3 financial assets and financial liabilities as at each end of the Track Record Period in accordance with Hong Kong Standards on Auditing (the “**HKSA**”) 540 (Revised) and other related HKSA’s issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”).

In relation to the fair value assessment of the financial liabilities and assets requiring level 3 measurements under the fair value classification, the Joint Sponsors have conducted relevant due diligence work, including but not limited to, (i) obtaining and reviewing the terms of the relevant agreements and documents regarding the financial liabilities and assets; (ii) considering the qualification, independence and credentials of the Independent Valuer; (iii) obtaining and reviewing the valuation report prepared by the Independent Valuer in respect of certain of the level 3 financial assets and liabilities; (iv) discussing with the Independent Valuer regarding the assumptions, valuation techniques and methodologies applied to determine the valuation; (v) discussing with the Company to understand its preparation of the underlying information used in the valuation of the level 3 financial liabilities and assets of the Group and the Company’s views on the fairness and reasonableness of the assumptions, basis and approaches of the valuation so conducted; (vi) discussing with the Reporting Accountant in respect of audit procedures conducted regarding the valuation in accordance with Hong Kong Standards on Auditing and discussing with the Reporting Accountant about the relevant accounting treatments; and (vii) reviewing the relevant notes in the Accountant’s Report as contained in Appendix I to this Prospectus and the Reporting Accountant’s opinion on the historical financial information as a whole for the Track Record Period. Based upon the due diligence work conducted by the Joint Sponsors as stated above, and having considered the view of the Directors and the Reporting Accountant, nothing has come to the Joint Sponsors’ attention that would cause the Joint Sponsors to question the valuation performed by the Independent Valuer and the Company or the valuation of the financial liabilities and assets requiring level 3 measurements are not made with reference to the “Guidance Note on Directors’ Duties in the Context of Valuations in Corporate Transactions” issued by the SFC in May 2017 and the Hong Kong Standard on Investment Circular Reporting Engagement 200 “Accountants’ Reports on Historical Financial Information in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants.

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### DESCRIPTION OF KEY STATEMENT OF PROFIT OR LOSS ITEMS

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 RMB'000	2020 RMB'000	2021 RMB'000	2021 RMB'000	2022 RMB'000
				<i>(Unaudited)</i>	
<b>Revenue</b>	1,794,164	1,426,159	1,248,964	48,083	470,648
Cost of sales	<u>(1,393,316)</u>	<u>(880,403)</u>	<u>(689,934)</u>	<u>(6,037)</u>	<u>(287,469)</u>
Gross profit	400,848	545,756	559,030	42,046	183,179
Other income and gains	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	<u>(93,924)</u>	<u>(239,176)</u>	<u>(225,852)</u>	<u>(49,665)</u>	<u>(70,539)</u>
<b>Profit/(loss) before tax</b>	107,697	94,039	123,789	(17,553)	25,970
Income tax expense	<u>(27,299)</u>	<u>(31,494)</u>	<u>(62,876)</u>	<u>5,625</u>	<u>(28,093)</u>
<b>Profit/(loss) for the year/period</b>	<u>80,398</u>	<u>62,545</u>	<u>60,913</u>	<u>(11,928)</u>	<u>(2,123)</u>
Attributable to:					
Owners of the parent	82,951	50,130	60,913	(11,928)	(2,123)
Non-controlling interests	<u>(2,553)</u>	<u>12,415</u>	<u>–</u>	<u>–</u>	<u>–</u>
	<u>80,398</u>	<u>62,545</u>	<u>60,913</u>	<u>(11,928)</u>	<u>(2,123)</u>

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### Non-HKFRS Measure

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, listing 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 Listing, all convertible redeemable preferred shares will be reclassified from financial liabilities to equity as a result of their 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 listing expense arising from activities relating to the Listing.

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	
	2019			March 31,	
	2019	2020	2021	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Reconciliation of net profit/(loss) to adjusted net profit</b>					
Profit/(loss) for the year/period	80,398	62,545	60,913	(11,928)	(2,123)
<b>Add:</b>					
Share-based payments <sup>(1)</sup>	101	1,094	5,543	154	6,128
Listing expenses <sup>(2)</sup>	–	–	19,411	–	6,947

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	Year ended December 31,			Three months ended	
	2019	2020	2021	March 31,	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Changes in fair value of convertible redeemable preferred shares <sup>(3)</sup>	70,443	179,382	193,641	37,249	70,539
<b>Adjusted net profit<sup>(4)</sup></b>	<b>150,942</b>	<b>243,021</b>	<b>279,508</b>	<b>25,475</b>	<b>81,491</b>

*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) Listing expenses are mainly related to the Global Offering and commonly not included in similar non-HKFRS financial measures.
- (3) All of the convertible redeemable preferred shares will convert to our ordinary shares upon the completion of the Global Offering.
- (4) A non-HKFRS measure.

### Revenue

During the Track Record Period, we generated our revenue primarily from (i) licensing of broadcasting rights of original drama series produced by us; (ii) content marketing; and (iii) other businesses. See “Business – Our Business Model.” During the Track Record Period, we generated a majority of our revenue from licensing of broadcasting rights of original drama series produced by us.

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	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
	<i>(Unaudited)</i>									
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%
<b>Total</b>	<b>1,794,164</b>	<b>100.0%</b>	<b>1,426,159</b>	<b>100.0%</b>	<b>1,248,964</b>	<b>100.0%</b>	<b>48,083</b>	<b>100.0%</b>	<b>470,648</b>	<b>100.0%</b>

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We recorded relatively low revenue from the licensing of broadcasting rights of original drama series in the three months ended March 31, 2021 primarily because we did not license the first-run broadcasting rights of any original drama series to any customers in the three months ended March 31, 2021.

### *Original Drama Series*

During the Track Record Period, we produced and distributed a total of ten original drama series with two, three, three, two original drama series distributed in 2019, 2020 and 2021 and the three months ended March 31, 2022, respectively. Revenue generated from our licensing of broadcasting rights of original drama series amounted to RMB1,632.7 million, RMB1,207.4 million, RMB1,051.4 million and RMB456.2 million, respectively, in 2019, 2020 and 2021 and the three months ended March 31, 2022, accounting for approximately 91.0%, 84.7%, 84.2% and 96.9% of our total revenue in the same periods, respectively.

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	%
	<i>(Unaudited)</i>									
Online video platforms <sup>(1)</sup>	1,257,358	77.0%	896,767	74.3%	722,459	68.7%	9,434	98.2%	334,804	73.4%
TV channels <sup>(2)</sup>	333,362	20.4%	276,026	22.9%	269,380	25.6%	134	1.4%	95,655	21.0%
Others <sup>(3)</sup>	41,938	2.6%	34,630	2.8%	59,596	5.7%	40	0.4%	25,731	5.6%
<b>Total</b>	<b>1,632,658</b>	<b>100.0%</b>	<b>1,207,423</b>	<b>100.0%</b>	<b>1,051,435</b>	<b>100.0%</b>	<b>9,608</b>	<b>100.0%</b>	<b>456,190</b>	<b>100.0%</b>

*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.

We generated revenue of licensing of broadcasting rights of original drama series mainly from online video platforms and TV channels. Our revenue from licensing of broadcasting rights of original drama series to online video platforms decreased from RMB1,257.4 million in 2019 to RMB896.8 million in 2020, primarily due to the decrease in the licensing fees of our drama series. Our revenue from licensing of broadcasting rights of original drama series to online video platforms decreased from RMB896.8 million in 2020 to RMB722.5 million in 2021, primarily due to (i) a decrease in total number of episodes of first-run original drama



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series licensed to online video platforms from 127 episodes in 2020 to 115 episodes in 2021, and (ii) a comparatively lower licensing fee from online video platforms 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. Our revenue from licensing of broadcasting rights of original drama series to online video platforms increased from RMB9.4 million in the three months ended March 31, 2021 to RMB334.8 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 online video platform 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 to any online video platform customers in the same period in 2021.

Our revenue from licensing of broadcasting rights of original drama series to TV channels decreased from RMB333.4 million in 2019 to RMB276.0 million in 2020, primarily because (i) we received a higher licensing fees of one costume drama series in 2019, driven by the relatively high production cost of such drama series; and (ii) we licensed the first-round broadcast of a modern drama series to an online video platform in 2020. Our revenue from licensing of broadcasting rights of original drama series to TV channels remained relatively stable at RMB276.0 million and RMB269.4 million in 2020 and 2021, respectively. Our revenue from licensing of broadcasting rights of original drama series to TV channels increased from RMB0.1 million in the three months ended March 31, 2021 to RMB95.7 million in the three months ended March 31, 2022, primarily because we recognized revenue from the licensing of the first-run broadcasting rights of one original drama series, namely “Beyond” (超越), to TV channels 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 revenue from licensing of broadcasting rights of original drama series to other customers amounted to RMB41.9 million, RMB34.6 million, RMB59.6 million, RMB40,000 and RMB25.7 million in 2019, 2020 and 2021 and the three months ended March 31, 2021 and 2022, respectively. The increase of revenue from licensing of broadcasting rights of original drama series to other customers from 2020 to 2021 and from the three months ended March 31, 2021 to the three months ended March 31, 2022 was primarily in line with our further expansion of distribution to overseas markets.

### ***Content Marketing***

During the Track Record Period, we (i) provided product placement services to our customers, (ii) developed and produced customized creative advertisements and placed such advertisements in our drama series broadcasting on online video platforms, and (iii) designed integrated marketing campaigns that are tailored to the target consumers of the advertisers and launch such campaigns on various platforms including social media and short video platforms. Revenue generated from our content marketing services amounted to RMB58.8 million,

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RMB66.0 million, RMB109.8 million and RMB14.1 million, respectively, in 2019, 2020 and 2021 and the three months ended March 31, 2022, accounting for approximately 3.3%, 4.6%, 8.8% and 3.0% of our total revenue in the same periods, respectively.

The table below sets forth the revenue breakdown of our content marketing services by type for the periods indicated.

	Year ended December 31,			Three months ended March 31,	
	2019	2020	2021	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Product placements	50,491	58,349	84,591	–	4,795
Customized creative advertisements	8,341	7,612	12,142	–	1,679
Integrated marketing campaign	–	–	13,033	–	7,645
<b>Total</b>	<b><u>58,832</u></b>	<b><u>65,961</u></b>	<b><u>109,766</u></b>	<b><u>–</u></b>	<b><u>14,119</u></b>

We did not recognize any revenue from content marketing services in the three months ended March 31, 2021 because (i) we did not license the first-run broadcasting rights of any original drama series to any customers in the three months ended March 31, 2021 and therefore did not recognize any revenue from product placements and customized creative advertisements in the period; and (ii) we did not commence our integrated marketing campaign services in the three months ended March 31, 2021.

### *Other Businesses*

During the Track Record Period, we provided other businesses including (i) producing made-to-order drama series based on customer orders and charged fixed production fees; (ii) developing, producing and distributing films and charged licensing fees for the broadcasting rights of the film; (iii) investing in drama series as a non-executive producer and charged net licensing fees in proportion to our investment; and (iv) licensing our IP derivatives adaptation rights and charged royalty income. During the Track Record Period, we also provided artiste management services and charged service fees. We disposed the relevant subsidiary providing artiste management services in 2020 and we ceased providing such service afterwards primarily because (i) artiste management services contributed only a small portion to our revenue during the Track Record Period, and (ii) we plan to focus our resources on our original drama series business.

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The following table sets forth our revenue breakdown of other businesses for the periods indicated:

	Year ended December 31,			Three months ended March 31,	
	2019	2020	2021	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				<i>(Unaudited)</i>	
Made-to-order drama series production	73,082	–	28,190	–	–
Movie distribution	–	135,000	–	–	–
Investing in drama series as a non-executive producer	–	–	47,589	38,475	–
Licensing IP derivatives					
adaptation rights	1,699	3,207	3,989	–	–
Artiste management services	23,872	422	–	–	–
Others	4,021	14,146	7,995	–	339
<b>Total</b>	<b><u>102,674</u></b>	<b><u>152,775</u></b>	<b><u>87,763</u></b>	<b><u>38,475</u></b>	<b><u>339</u></b>

Revenue generated from our other businesses amounted to RMB102.7 million, RMB152.8 million, RMB87.8 million, RMB38.5 million and RMB0.3 million, respectively, in 2019, 2020 and 2021 and the three months ended March 31, 2021 and 2022, accounting for approximately 5.7%, 10.7%, 7.0%, 80.0% and 0.1% of our total revenue in the same periods, respectively. During the Track Record Period, we produced and generated revenue from two made-to-order drama series in 2019 and 2021 and one film in 2020. Revenue from the two made-to-order drama series is recognized on a net basis, with an amount of RMB73.1 million attributable to “The King’s Avatar” (全職高手) in 2019 and RMB28.2 million attributable to “Ancient Love Poetry” (千古玦塵) in 2021, respectively. Revenue generated from movie distribution in 2020 was primarily attributable to “Monster Run” (怪物先生), a film we produced and distributed in 2020. Revenue generated from investing in drama series as a non-executive producer amounted to RMB47.6 million in 2021, which was mainly attributable to our investment of the capital contributions to “Hand in Hand” (陪你一起長大) in 2021 as a non-executive producer. With respect to artiste management services, we did not record revenue in 2021 because we disposed of Shanghai Mengyang, the subsidiary providing artiste management services in 2020, to focus our resources on original drama series business. Revenue generated from licensing IP derivatives adaptation rights during the Track Record Period was primarily attributable to the licensing of adaptation rights of our original drama series to online gaming and music companies. In the three months ended March 31, 2022, revenue generated from our other businesses was from our production and release of short videos (not content marketing-related).

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### Cost of Sales

The following table sets forth a breakdown of our cost of sales in absolute amounts and as percentages of our total cost of sales 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	%
	<i>(Unaudited)</i>									
<b>Original drama</b>										
<b>series</b>	1,352,352	97.1%	698,015	79.3%	632,835	91.7%	5,442	90.1%	281,027	97.8%
Production cost <sup>(1)</sup>	1,341,546	96.3%	686,628	78.0%	621,752	90.1%	–	–	280,020	97.4%
Provision for write-down of inventories <sup>(2)</sup>	10,806	0.8%	11,387	1.3%	11,083	1.6%	5,442	90.1%	1,007	0.4%
<b>Content</b>										
<b>marketing<sup>(3)</sup></b>	19,859	1.4%	17,444	2.0%	46,773	6.8%	–	–	6,286	2.1%
<b>Others<sup>(4)</sup></b>	21,105	1.5%	164,944	18.7%	10,326	1.5%	595	9.9%	156	0.1%
<b>Total</b>	<b>1,393,316</b>	<b>100.0%</b>	<b>880,403</b>	<b>100.0%</b>	<b>689,934</b>	<b>100.0%</b>	<b>6,037</b>	<b>100%</b>	<b>287,469</b>	<b>100%</b>

*Notes:*

- (1) Production cost mainly represents the net cost incurred for producing our original drama series, being the net amount after taking into account the government subsidies in connection with the development of scripts and production of drama series with an amount of RMB6.6 million, RMB16.7 million, RMB5.1 million and RMB10.9 million in 2019, 2020, 2021 and the three months ended March 31, 2022.
- (2) Provision for write-down of inventories mainly represents provision for write-down of inventories in connection with our original drama series.
- (3) Cost of content marketing mainly represents remuneration of actors and directors, and advertisement production cost.
- (4) Others include 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.

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Our cost of 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 cost in 2019, 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. The relatively high production cost of “Novoland: Eagle Flag episodes” (九州縹緲錄) was primarily due to (i) the large scale of the project, and (ii) 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. 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.

Our cost of other businesses increased from RMB21.1 million in 2019 to RMB164.9 million in 2020, and decreased from RMB164.9 million in 2020 to RMB10.3 million in 2021. The fluctuation of our cost of other businesses from 2019 to 2021 was primarily due to our production and distribution of a film in 2020. Our cost of other businesses remained relatively stable at RMB0.6 million in the three months ended March 31, 2021 and RMB0.2 million in the three months ended March 31, 2022.

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### 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		Gross		Gross		Gross		Gross	
	Gross Profit	Profit Margin	Gross Profit	Profit Margin	Gross Profit	Profit Margin	Gross Profit	Profit Margin	Gross Profit	Profit Margin
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	<i>(Unaudited)</i>									
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%
<b>Total</b>	<b>400,848</b>	<b>22.3%</b>	<b>545,756</b>	<b>38.3%</b>	<b>559,030</b>	<b>44.8%</b>	<b>42,046</b>	<b>87.4%</b>	<b>183,179</b>	<b>38.9%</b>

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.

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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 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 due to a significant increase in revenue generated from licensing of broadcasting rights of original drama series to our customers. 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.

### **Other Income and Gains**

Our other income and gains primarily consist of (i) government grants which represent the non-recurring incentives from local governments to support our operation, (ii) additional deduction for input VAT, (iii) interest income on cash and bank balances, time deposits and revenue contracts, (iv) investment income from financial assets at fair value through profit or loss, (v) fair value gains on financial assets at fair value through profit or loss, (vi) gain on disposal of a subsidiary, and (vii) others.

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

	Year ended December 31,			Three months ended March 31,	
	2019	2020	2021	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>				
Government grants	28,777	13,449	42,287	3,913	5,317
Additional deduction for input VAT	–	–	25,686	12,672	1,039
Interest income	1,598	10,325	17,728	3,878	4,457
Investment income from financial assets at fair value through profit or loss	9,706	13,146	24,023	2,638	1,442
Fair value gains on financial assets at fair value through profit or loss	9,060	12,521	2,913	2,376	2,048
Gain on disposal of a subsidiary	–	487	–	–	–
Others	149	1,083	560	–	8
<b>Total</b>	<b><u>49,290</u></b>	<b><u>51,011</u></b>	<b><u>113,197</u></b>	<b><u>25,477</u></b>	<b><u>14,311</u></b>

During the Track Record Period, our government grants in other income were RMB28.8 million, RMB13.4 million, RMB42.3 million and RMB5.3 million in 2019, 2020 and 2021 and the three months ended March 31, 2022, respectively. Our government grants primarily consist of (i) subsidies granted by local governments for our production of original drama series, and (ii) subsidies as rewards to our contribution to the local economy. The non-recurring government grants we received from local government authorities are subject to the satisfaction of certain conditions, including compliance with the applicable incentive agreements or relevant government policies and regulations, and are recognized as government grants in other income when certain conditions or contractual obligations are satisfied. There were no unfulfilled conditions or contingencies attached to these government grants.



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Additional deduction for input VAT is a preferential tax treatment pursuant to the relevant VAT regulations in China. From April 1, 2019 to December 31, 2021, pursuant to the Announcement on Deepening Policies related to VAT reformation (《財政部稅務總局海關總署關於深化增值稅改革有關政策的公告》) (Announcement of Ministry of Finance, the General Administration of Taxation and the General Administration of Customs [2019] No. 39 財政部稅務總局海關總署公告[2019年]第39號) issued by the Ministry of Finance, the General Administration of Taxation and the General Administration of Customs, we can add 10% of the current deductible input tax to offset the VAT payable. During the Track Record Period, our additional deduction for input VAT of RMB25.7 million in 2021 and RMB1.0 million in the three months ended March 31, 2022 was recognized as other gains in accordance with the tax regulations as a result of a higher output VAT as compared with input VAT in the relevant reporting period. We did not record additional deduction for input VAT in 2019 and 2020, primarily because we incurred relatively large amount of input VAT in the relevant reporting periods and none of the additional deduction for input VAT was recognized as other gains in accordance with the tax regulations.

### Selling and Distribution Expenses

Our selling and distribution expenses consist of (i) marketing expenses, (ii) staff cost and welfare of our sales staff, and (iii) office expenses. The following table sets forth a breakdown of our selling and distribution expenses 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	%
	<i>(Unaudited)</i>									
Marketing expenses	96,583	83.2%	118,353	90.2%	85,079	82.3%	9,720	78.6%	34,267	84.0%
Staff cost and welfare	11,779	10.1%	8,369	6.4%	13,913	13.5%	2,064	16.7%	5,911	14.5%
Office expenses	7,712	6.6%	4,559	3.5%	4,344	4.2%	575	4.7%	608	1.5%
<b>Total</b>	<b>116,074</b>	<b>100.0%</b>	<b>131,281</b>	<b>100.0%</b>	<b>103,336</b>	<b>100.0%</b>	<b>12,359</b>	<b>100.0%</b>	<b>40,786</b>	<b>100.0%</b>

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### Administrative Expenses

Our administrative expenses primarily consist of (i) staff cost and welfare of our administrative staff, (ii) depreciation and amortization, (iii) office expenses, (iv) professional service expenses, (v) impairment loss or reversal of impairment loss on trade receivables, (vi) tax and surcharges, (vii) listing expenses, and (viii) others. The following table sets forth a breakdown of our administrative expenses 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	%
Staff cost and welfare	41,240	42.2%	42,249	45.1%	74,054	45.7%	13,191	60.7%	31,334	56.5%
Depreciation and amortization	22,759	23.3%	16,388	17.5%	18,310	11.3%	3,945	18.2%	5,624	10.1%
Office expenses	17,173	17.6%	18,497	19.7%	20,845	12.9%	2,642	12.2%	4,609	8.3%
Professional service expenses	2,942	3.0%	5,059	5.4%	5,576	3.4%	449	2.1%	557	1.0%
Impairment loss/ (reversal of impairment loss) on trade receivables	3,760	3.8%	534	0.6%	10,980	6.8%	(2,280)	(10.5)%	545	1.0%
Tax and surcharges	3,163	3.2%	2,067	2.2%	4,463	2.7%	1,183	5.5%	3,024	5.4%
Listing expenses	–	–	–	–	21,416	13.2%	–	0.0%	7,797	14.0%
Others	6,716	6.9%	8,980	9.6%	6,460	4.0%	2,571	11.8%	2,067	3.7%
<b>Total</b>	<b>97,753</b>	<b>100.0%</b>	<b>93,774</b>	<b>100.0%</b>	<b>162,104</b>	<b>100.0%</b>	<b>21,701</b>	<b>100.0%</b>	<b>55,557</b>	<b>100.0%</b>

During the Track Record Period, our administrative expenses were RMB97.8 million, RMB93.8 million, RMB162.1 million and RMB55.6 million in 2019, 2020 and 2021 and the three months ended March 31, 2022, respectively. We have 62, 76, 113 and 123 administrative staff as of December 31, 2019, 2020 and 2021 and March 31, 2022. Our staff cost and welfare increased from RMB42.2 million in 2020 to RMB74.1 million in 2021, and increased from RMB13.2 million in the three months ended March 31, 2021 to RMB31.3 million in the three months ended March 31, 2022, primarily due to an increase in the number of our administrative staff from 76 as of December 31, 2020 to 113 as of December 31, 2021 and further increased to 123 as of March 31, 2022 and we granted our employees with project bonus in the three months ended March 31, 2022. The increase in the number of our administrative staff was primarily due to the increased headcount in our subsidiaries newly established since 2021 to support our new business including provision of video-based marketing content design and production service and the expansion of overseas distributions of our drama series. We expect the number of administrative staff may continue to increase alongside the growth and further expansion of business in line with our strategies to continue to strengthen our drama series

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production capabilities and explore new business models to diversify our products and services offerings. However, the increase of the number of administrative staff is expected to remain at a relatively stable and slow rate as we plan to effectively control our administrative expenses through prudently monitoring the growth and the necessity of new administrative staff and streamlining organizational structure to enhance the efficiency and systematic operation of administrative management.

Our impairment loss on trade receivables was RMB3.8 million, RMB0.5 million, RMB11.0 million and RMB0.5 million in 2019, 2020 and 2021 and the three months ended March 31, 2022, respectively. The increase in impairment loss on trade receivables in 2021 was primarily due to the increase in provisions made for the trade receivables aged two to three years in accordance with our accounting policies.

### Other Expenses

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

	Year ended December 31,			Three months ended March 31,	
	2019	2020	2021	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				<i>(Unaudited)</i>	
Fair value changes on financial liabilities of co-investment arrangements	7,283	13,699	39,261	51	–
Others	2,821	11,499	15,241	506	3,378
<b>Total</b>	<b><u>10,104</u></b>	<b><u>25,198</u></b>	<b><u>54,502</u></b>	<b><u>557</u></b>	<b><u>3,378</u></b>

During the Track Record Period, our fair value changes on financial liabilities of co-investment arrangements were RMB7.3 million, RMB13.7 million, RMB39.3 million and nil in 2019, 2020 and 2021 and the three months ended March 31, 2022. We co-invest in drama series through co-investment arrangements with other industry players. Our fair value changes on financial liabilities of co-investment arrangements represent the fair value losses in relation to the amounts received from third-party co-investors of our drama series. Under the co-investment arrangements where the co-investors are not entitled to any shares of copyrights in drama series they invested in and we act as an executive producer, we are obliged to share the licensing revenue with such co-investors based on their respective investment ratio, and the amounts received from such co-investors are recognized as financial liabilities. See “– Critical Accounting Policies and Estimates – Accounting for the Co-investment Arrangements and Co-financing Arrangements” for details.

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Others in our other expenses increased from RMB2.8 million in 2019 to RMB11.5 million in 2020, primarily due to a provision made for a lawsuit during the ordinary course of our business. See “Business – Legal Proceedings and Compliance – Legal Proceedings” for details. Others in our other expenses increased from RMB11.5 million in 2020 to RMB15.2 million in 2021 and increased from RMB0.6 million in the three months ended March 31, 2021 to RMB3.4 million in the three months ended March 31, 2022, primarily due to the exchange loss.

### Finance Costs

Our finance costs primarily comprise of (i) interest on bank loans, (ii) interest expenses on financial liabilities under co-investment arrangements, (iii) interest on lease liabilities, and (iv) interest on discounted notes receivable. The following table sets forth a breakdown of our finance costs for the periods indicated:

	Year ended December 31,			Three months ended March 31,	
	2019	2020	2021	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				<i>(Unaudited)</i>	
Interest on bank loans	16,280	5,321	2,873	–	–
Interest expenses on financial liabilities under co-investment arrangements <sup>(1)</sup>	3,702	5,550	–	–	–
Interest on lease liabilities	1,464	1,418	1,018	249	200
Interest on discounted notes receivable	–	131	953	719	365
<b>Total</b>	<b><u>21,446</u></b>	<b><u>12,420</u></b>	<b><u>4,844</u></b>	<b><u>968</u></b>	<b><u>565</u></b>

*Note:*

- (1) Interest expenses on financial liabilities under co-investment arrangements mainly represent the interest expense in relation to the investment amount we received from third-party co-investors of our drama series. Under the co-investment arrangements for drama series where we act as an executive producer and our co-investors do not have any share of copyright of our drama series, our co-investors shall pay us their investment amount.

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### Share of Profits and Losses of Associates

Our share of profits and losses of associates mainly related to our investment 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). We recorded share of losses of RMB3.1 million and RMB0.9 million in 2019 and 2020 and share of profits of RMB2.2 million in 2021. We recorded share of profits of RMB0.2 million in the three months ended March 31, 2021 and share of losses of RMB0.7 million in the three months ended March 31, 2022.

### Changes in fair value of convertible redeemable preferred shares

Our convertible redeemable preferred shares are in relation to our multiple rounds of Pre-IPO Investment. We recorded changes in fair value of convertible redeemable preferred shares of a loss of RMB93.9 million, RMB239.2 million, RMB225.9 million and RMB70.5 million in 2019, 2020 and 2021 and the three months ended March 31, 2022.

### Income Tax Expense

Our income tax expense consists of current tax and deferred tax. Our deferred tax represents the movement of our deferred tax assets and liabilities during the Track Record Period, which was primarily attributable to the deferred tax effect of (i) changes in fair value on convertible redeemable preferred shares, (ii) impairment of our inventories, and (iii) our right of use assets. The following table sets forth a breakdown of our income tax expense for the periods indicated:

	Year ended December 31,			Three months ended March 31,	
	2019	2020	2021	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				<i>(Unaudited)</i>	
Current – Mainland China charge for the year/period	13,235	99,463	111,129	11,311	25,025
Deferred tax	<u>14,064</u>	<u>(67,969)</u>	<u>(48,253)</u>	<u>(16,936)</u>	<u>3,068</u>
<b>Total tax charge for the year/period</b>	<b><u>27,299</u></b>	<b><u>31,494</u></b>	<b><u>62,876</u></b>	<b><u>(5,625)</u></b>	<b><u>28,093</u></b>

We are subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which our members are domiciled and operate.

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### *Cayman Islands and the British Virgin Islands*

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

### *Hong Kong*

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 Track Record Period.

### *The PRC*

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

As stipulated in Cai Shui [2011] No. 112, enterprises newly established in Xinjiang Kashgar and Horgos special economic areas during the period from 2010 to 2020 can enjoy EIT exemption for five years starting from the year under which the first revenue is generated. Horgos Linmon and Horgos Linmon Black tea 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 EIT (《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 the entitlement of EIT exemption from July 26, 2016 to December 31, 2020, and an EIT exemption by local tax bureau for the next five years starting from January 1, 2021, Horgos Linmon Black Tea has registered with the State Administration of Taxation for entitlement of EIT exemption from October 16, 2017 to December 31, 2021 and local bureau's EIT exemption for the next five years from January 1, 2022.

## **PERIOD-TO-PERIOD COMPARISON OF RESULTS OF OPERATIONS**

### **Three Months Ended March 31, 2022 Compared to Three Months Ended March 31, 2021**

#### *Revenue*

Our revenue increased by 878.8% from RMB48.1 million in the three months ended March 31, 2021 to RMB470.6 million in the three months ended March 31, 2022, primarily attributable to an increase of revenue generated from licensing of broadcasting rights of original drama series.

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### *Original Drama Series*

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 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 decreased from RMB38.5 million in the three months ended March 31, 2021 to RMB0.3 million in the three months ended March 31, 2022 mainly mainly due to our investment of the capital contributions to “Hand in Hand” (陪你一起長大) in 2021 as a non-executive producer.

### *Cost of Sales*

Our cost of sales increased by 4,661.8% from RMB6.0 million in the three months ended March 31, 2021 to RMB287.5 million in the three months ended March 31, 2022, primarily due to a significant increase in production cost of original drama series which was mainly 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.

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### ***Gross Profit and Gross Profit Margin***

As a result of the foregoing, 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. 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 the three months ended March 31, 2021.

### ***Other Income and Gains***

Our other income and gains decreased by 43.8% from RMB25.5 million in the three months ended March 31, 2021 to RMB14.3 million in the three months ended March 31, 2022, primarily attributable to a decrease in our additional deduction for input VAT in the three months ended March 31, 2022.

### ***Selling and Distribution Expenses***

Our selling and distribution expenses increased by 230.0% from RMB12.4 million in the three months ended March 31, 2021 to RMB40.8 million in the three months ended March 31, 2022, primarily due to the increase in marketing expenses for our two drama series which were under first-run broadcasting in the three months ended March 31, 2022 while no drama series were under first-run broadcasting in the same period in 2021.

### ***Administrative Expenses***

Our administrative expenses increased by 156.0% from RMB21.7 million in the three months ended March 31, 2021 to RMB55.6 million in the three months ended March 31, 2022, primarily due to (i) the increase in staff cost and welfare of our administrative staff, which was driven by an increase in the number and average salary level of our administrative staff, and (ii) the listing expenses incurred in relation to the Global Offering.

### ***Other Expenses***

Our other expenses increased by 506.5% from RMB0.6 million in the three months ended March 31, 2021 to RMB3.4 million in the three months ended March 31, 2022, primarily due to the exchange loss.

### ***Finance Costs***

Our finance costs remained relative stable at RMB1.0 million in the three months ended March 31, 2021 and RMB0.6 million in the three months ended March 31, 2022.



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### *Share of Profits and Losses of Associates*

We recorded share of profits of RMB0.2 million in the three months ended March 31, 2021 and share of losses of RMB0.7 million in the three months ended March 31, 2022, primarily in relation to our investment 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 Expense*

We recorded income tax credit of RMB5.6 million in the three months ended March 31, 2021 and income tax expense of RMB28.1 million in the three months ended March 31, 2022, primarily due to an increase in our deferred tax and an increase of our taxable income in the three months ended March 31, 2022. Our effective income tax rate increased from 32.0% in the three months ended March 31, 2021 to 108.2% in the three months ended March 31, 2022, primarily due to deferred tax impact arising out of the Reorganisation.

### *Loss for the Period*

As a result of the foregoing, our net loss decreased from RMB11.9 million in the three months ended March 31, 2021 to RMB2.1 million in the three months ended March 31, 2022.

## **Year 2021 Compared to Year 2020**

### *Revenue*

Our revenue decreased by 12.4% from RMB1,426.2 million in 2020 to RMB1,249.0 million in 2021, primarily attributable to a decrease of revenue generated from licensing of broadcasting rights of original drama series and other businesses.

### *Original 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.

### *Content Marketing*

Revenue generated from content marketing increased from RMB66.0 million in 2020 to RMB109.8 million in 2021, primarily due to the increase in the number of brands we promoted for in our drama series from 37 in 2020 to 61 in 2021.

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### *Other Businesses*

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

### *Cost of Sales*

Our cost of sales decreased by 21.6% from RMB880.4 million in 2020 to RMB689.9 million in 2021, primarily due to (i) 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, and (ii) a decrease in other costs, which was mainly because we incurred production cost of one film, “Monster Run” (怪物先生), in 2020, while no film was produced in 2021.

### *Gross Profit and Gross Profit Margin*

As a result of the foregoing, 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.

### *Other Income and Gains*

Our other income and gains increased by 121.9% from RMB51.0 million in 2020 to RMB113.2 million in 2021, primarily attributable to the increase in government grants we received and additional deduction for input VAT in 2021.

### *Selling and Distribution Expenses*

Our selling and distribution expenses decreased by 21.3% from RMB131.3 million in 2020 to RMB103.3 million in 2021, primarily due to the decrease in marketing expenses mainly because (i) one of the drama series broadcast in 2021, namely “To Fly with You” (陪你逐風飛翔), was in comparatively smaller scale, and (ii) we did not incur marketing expenses for our made-to-order drama series broadcast in 2021.

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### *Administrative Expenses*

Our administrative expenses increased by 72.9% from RMB93.8 million in 2020 to RMB162.1 million in 2021, primarily due to (i) the increase in staff cost and welfare of our administrative staff, which was driven by an increase in the number of our administrative staff, and (ii) the listing expenses incurred in relation to the Global Offering.

### *Other Expenses*

Our other expenses increased by 116.3% from RMB25.2 million in 2020 to RMB54.5 million in 2021, primarily due to the increase in a loss of fair value changes on financial liabilities of co-investment arrangements mainly attributable to drama series including “A Little Dilemma” (小舍得) and “Xiaomin’s House” (小敏家).

### *Finance Costs*

Our finance costs decreased by 61.0% from RMB12.4 million in 2020 to RMB4.8 million in 2021, primarily due to the decrease in interest expenses on financial liabilities under co-investment arrangements and interest on bank loans.

### *Share of Profits and Losses of Associates*

We recorded share of losses of associates of RMB0.9 million in 2020 and share of profits of associates of RMB2.2 million in 2021, primarily in relation to our investment 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 Expense*

Our income tax expense increased by 99.6% from RMB31.5 million in 2020 to RMB62.9 million in 2021, primarily due to the decrease in deferred tax. Our effective income tax rate increased from 33.5% in 2020 to 50.8% in 2021, primarily due to the increase in a non-deductible expenses.

### *Profit for the Year*

As a result of the foregoing, our net profit remained relatively stable at RMB62.5 million and RMB60.9 million in 2020 and 2021, respectively.

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### Year 2020 Compared to Year 2019

#### *Revenue*

Our revenue decreased by 20.5% from RMB1,794.2 million in 2019 to RMB1,426.2 million in 2020, primarily due to a decrease of revenue in original drama series.

#### *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 relatively high production cost of such drama series.

#### *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.

#### *Other Businesses*

Revenue generated from other businesses was RMB102.7 million in 2019 which mainly related to a made-to-order drama series and RMB152.8 million in 2020 which mainly related to a film we produced and distributed in 2020.

#### *Cost of Sales*

Our cost of sales decreased by 36.8% from RMB1,393.3 million in 2019 to RMB880.4 million in 2020 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 lowered the production cost of original drama series as we further tightened the budget control of our drama series. For example, we reduced the numbers of travels among different filming and shooting sites and set more compact filming schedules for our drama series. This measure is effective because the on-site costs such as compensation of crew members, rent cost of filming and shooting sites and transportation and accommodation costs of crew members are incurred on a daily basis. Specifically, the filming of three drama series broadcast in 2020, namely “Hunting” (獵狐), “Twenty Your Life On” (二十不惑) and “Nothing but Thirty” (三十而已), took a total of approximately 12 months, decreasing from approximately 13 months for two drama series broadcast in 2019, namely and “Novoland: Eagle Flag episodes” (九州縹緲錄) and “A Little Reunion” (小歡喜). Moreover, we reduced the use of large-scale production services providers that provide multiple types of services, and directly engaged more small-scale production services providers which directly provide specific types of services to enhance our bargaining power and cost-effectiveness.

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### ***Gross Profit and Gross Profit Margin***

As a result of the foregoing, our gross profit increased by 36.2% from RMB400.8 million in 2019 to RMB545.8 million in 2020. Our gross profit margin increased from 22.3% in 2019 to 38.3% 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 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.

### ***Other Income and Gains***

Our other income and gains remained relatively stable at RMB49.3 million in 2019 and RMB51.0 million in 2020.

### ***Selling and Distribution Expenses***

Our selling and distribution expenses increased by 13.1% from RMB116.1 million in 2019 to RMB131.3 million in 2020, primarily due to the increase in marketing expense for promotion of our drama series from RMB96.6 million in 2019 to RMB118.4 million in 2020. This is mainly because we incurred less marketing expenses in 2019 for promotion activities for drama series including “Novoland: Eagle Flag episodes” (九州縹緲錄) than we originally expected. The decreased promotion activities for “Novoland: Eagle Flag episodes” (九州縹緲錄) was primarily due to a change in its broadcasting schedule. The marketing expenses for promotion activities returned to normality in 2020.

### ***Administrative Expenses***

Our administrative expenses remained relatively stable at RMB97.8 million in 2019 and RMB93.8 million in 2020.

### ***Other Expenses***

Our other expenses increased by 149.5% from RMB10.1 million in 2019 to RMB25.2 million in 2020, primarily due to an increase in loss of fair value changes on financial liabilities of co-investment arrangements.

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### *Finance Costs*

Our finance costs decreased from RMB21.4 million in 2019 to RMB12.4 million in 2020, primarily due to the decrease of interest on bank loans, which was mainly due to the decrease in the balance of our bank loans.

### *Share of Losses of Associates*

Our share of losses of associates amounted to RMB3.1 million in 2019 and RMB0.9 million in 2020, primarily in relation to our investment in Beijing Ark Reading Technology Co., Ltd. (北京方舟閱讀科技有限公司).

### *Income Tax Expense*

Our income tax expense increased by 15.4% from RMB27.3 million in 2019 to RMB31.5 million in 2020, primarily due to the reduction of preferential tax treatment enjoyed by certain of our subsidiaries. Our effective income tax rate increased from 25.3% in 2019 to 33.5% in 2020, primarily due to the reduction of preferential tax treatment enjoyed by certain of our subsidiaries.

### *Profit for the Year*

As a result of the foregoing, our net profit decreased by 22.3% from RMB80.4 million in 2019 to RMB62.5 million in 2020.

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### DISCUSSION OF CERTAIN BALANCE SHEET ITEMS

#### Net Current Assets/(Liabilities)

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

	As of December 31,			As of	As of
	2019	2020	2021	March 31, 2022	May 31, 2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
					<i>(Unaudited)</i>
<b>Current assets</b>					
Inventories	825,294	336,922	554,213	353,118	422,692
Trade and notes receivables	462,118	255,759	385,582	501,886	428,052
Prepayments, other receivables and other assets	188,439	175,047	203,990	208,765	161,113
Financial assets at fair value through profit or loss	591,164	670,245	325,124	216,715	462,154
Restricted cash	119,760	–	–	–	–
Time deposits	–	–	–	–	250,000
Cash and cash equivalents	202,737	125,254	824,952	1,116,597	957,765
<b>Total current assets</b>	<b>2,389,512</b>	<b>1,563,227</b>	<b>2,293,861</b>	<b>2,397,081</b>	<b>2,681,776</b>
<b>Current liabilities</b>					
Trade payables	57,596	12,216	76,246	46,953	11,721
Other payables and accruals	784,705	311,835	466,669	462,023	529,616
Interest-bearing bank and other borrowings	281,519	17,230	–	–	–
Convertible redeemable Preferred Shares	–	3,055,412	3,276,406	3,346,945	3,109,812
Lease liabilities	15,489	13,090	16,941	14,381	13,415
Tax payable	7,250	63,918	74,835	31,932	1,571
<b>Total current liabilities</b>	<b>1,146,559</b>	<b>3,473,701</b>	<b>3,911,097</b>	<b>3,902,234</b>	<b>3,666,135</b>
<b>Net current assets/(liabilities)</b>	<b>1,242,953</b>	<b>(1,910,474)</b>	<b>(1,617,236)</b>	<b>(1,505,153)</b>	<b>(984,359)</b>

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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 the convertible redeemable preferred shares from non-current liabilities to current liabilities, (ii) the decreased inventories, primarily due to the completion of the 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.

Our net current liabilities decreased by 35.1% from RMB1,505.2 million as of March 31, 2022 to RMB975.3 million as of May 31, 2022, primarily as a result of (i) the increased financial assets at fair value through profit or loss; and (ii) the decreased convertible redeemable Preferred Shares, as partially offset by (i) the decreased cash and cash equivalents; and (ii) the increased other payables and accruals.

### Inventories

Our inventories consist of raw materials, work in progress and finished goods. The following table sets forth the breakdown and movement of provision for impairment of our inventories as of the dates indicated:

	As of/Year ended December 31,			As of/Three months ended
	2019	2020	2021	March 31, 2022
	RMB'000	RMB'000	RMB'000	RMB'000
<b>Raw materials<sup>(1)</sup></b>				
<b>Raw materials – gross</b>	104,472	126,863	161,920	174,271
<i>Less: Provision of write-down of inventories – gross</i>				
Opening balance	(7,948)	(18,823)	(31,072)	(43,256)



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	As of/Year ended December 31,			As of/Three months ended
	2019	2020	2021	March 31, 2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Add: Provision made for the year/period	(11,441)	(17,053)	(12,546)	(1,011)
Add: Write-off for the year/period	566	4,804	362	–
Closing balance	(18,823)	(31,072)	(43,256)	(44,267)
<b>Raw materials – net</b>	<b>85,649</b>	<b>95,791</b>	<b>118,664</b>	<b>130,004</b>
<b>Work in progress<sup>(2)</sup></b>				
<b>Work in progress – gross</b>	806,204	351,193	440,441	333,022
<i>Less: Provision of write-down of inventories – gross</i>				
Opening balance	(66,559)	(66,559)	(110,062)	(110,062)
Add: Provision made for the year/period	–	(43,503)	–	–
Closing balance	(66,559)	(110,062)	(110,062)	(110,062)
<b>Work in progress – net</b>	<b>739,645</b>	<b>241,131</b>	<b>330,379</b>	<b>222,960</b>
<b>Finished goods<sup>(3)</sup></b>				
<b>Finished goods – gross</b>	39,400	39,400	128,579	23,563
<i>Less: Provision of write-down of inventories – gross</i>				
Opening balance	(37,005)	(39,400)	(39,400)	(23,409)
Add: Provision made for the year/period	(2,395)	–	(86)	–
Add: Write-off for the year/period	–	–	16,077	–
Closing balance	(39,400)	(39,400)	(23,409)	(23,409)
<b>Finished goods – net</b>	<b>–</b>	<b>–</b>	<b>105,170</b>	<b>154</b>

*Notes:*

- (1) Raw materials mainly represent the cost of scripts and IP rights for production of our drama series which are yet to be broadcast.
- (2) Work in progress mainly represent the drama series of which we are in the process of production.
- (3) Finished goods mainly represent drama series that obtained the relevant distribution licenses or approvals but has not been broadcast.

Our inventories decreased from RMB825.3 million as of December 31, 2019 to RMB336.9 million as of December 31, 2020, primarily due to a decrease in work in progress in 2020 as a result of the completion of production of our drama series in 2020. Our inventories increased from RMB336.9 million as of December 31, 2020 to RMB554.2 million as of December 31, 2021, primarily due to the increase of finished goods and work in progress as

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a result of the continuous production of our drama series. Our inventories decreased from RMB554.2 million as of December 31, 2021 to RMB353.1 million as of March 31, 2022, primarily due to a decrease in work in progress and a decrease of finished goods as the completed drama series were broadcast in the three months ended March 31, 2022. The fluctuation of our inventories during the Track Record Period was primarily because the ending balance of inventories of each period was greatly swayed by the timing of filming, production and delivery of drama series.

During the Track Record Period, we made provision of RMB11.4 million, RMB17.1 million, RMB12.5 million and RMB1.0 million for our raw materials mainly consisting of scripts and IP rights in 2019, 2020, 2021 and the three months ended March 31, 2022, respectively, based on our review of the term of copyrights we procured from external resources, script development process and preliminary production schedules of such scripts and IP rights. Write-offs of raw materials of RMB0.6 million, RMB4.8 million, RMB0.4 million and nil in 2019, 2020, 2021 and the three months ended March 31, 2022, respectively, were mainly because we ceased the further development of certain scripts and IP rights as a result of the expiry of copyrights and our review of market condition in relation to such scripts and IP rights. Our provision for work in progress of RMB43.5 million in 2020 was mainly made for a film that completed filming while did not complete post-production, “Counterfeit Secret Service” (冒牌特工隊), based on our estimation of its profitability considering the overall market conditions and trends in 2020. Our provision for finished goods of RMB2.4 million in 2019 was mainly made for a film licensed from an overseas film producer based on our estimation of its possibility to be domestically distributed and its profitability since it had been released overseas. Write-off of our finished goods of RMB16.1 million in 2021 was mainly made for several films licensed from overseas film producers which we ceased to pursue distribution based on our review of distribution condition and estimation of their profitability.

The following table sets forth our average inventories turnover days for the periods indicated:

	<b>Year ended December 31,</b>			<b>Three months ended</b>
	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>March 31, 2022</b>
	<i>(days)</i>			
Inventories turnover days <sup>(1)</sup>	295	241	236	142

*Note:*

- (1) Inventories turnover days is derived by dividing the average of opening and closing balance of inventories (net of provision) by the cost of sales for the same year and multiplied by 365 days or 90 days for the three months ended March 31, 2022.

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Our inventories turnover days decreased from 295 days in 2019 to 241 days in 2020, primarily due to a decrease in our inventories balance attributable to the completion of production of our drama series in 2020. Our inventories turnover days remained relatively stable at 241 days and 236 days in 2020 and 2021, respectively. Our inventories turnover days decreased from 236 days in 2021 to 142 days in the three months ended March 31, 2022, primarily due to a decrease in our inventories balance attributable to the first-run broadcasting of two of our original drama series in the three months ended March 31, 2022.

The tables below set forth an aging analysis of our inventories as of the dates indicated:

	<b>As of December 31, 2019</b>				
	<b>Less than 1 year RMB'000</b>	<b>1 to 2 years RMB'000</b>	<b>2 to 3 years RMB'000</b>	<b>Over 3 years RMB'000</b>	<b>Total RMB'000</b>
Raw materials	33,031	13,400	31,486	26,555	<b>104,472</b>
Work in progress	626,579	113,066	–	66,559	<b>806,204</b>
Finished goods	<u>2,395</u>	<u>23,409</u>	<u>3,440</u>	<u>10,156</u>	<b><u>39,400</u></b>
Provision for impairment	<u>(2,803)</u>	<u>(24,141)</u>	<u>(4,942)</u>	<u>(92,896)</u>	<b><u>(124,782)</u></b>
<b>Total</b>	<b><u>659,202</u></b>	<b><u>125,734</u></b>	<b><u>29,984</u></b>	<b><u>10,374</u></b>	<b><u>825,294</u></b>
	<b>As of December 31, 2020</b>				
	<b>Less than 1 year RMB'000</b>	<b>1 to 2 years RMB'000</b>	<b>2 to 3 years RMB'000</b>	<b>Over 3 years RMB'000</b>	<b>Total RMB'000</b>
Raw materials	40,043	29,618	13,120	44,082	<b>126,863</b>
Work in progress	241,131	–	43,503	66,559	<b>351,193</b>
Finished goods	<u>–</u>	<u>2,395</u>	<u>23,409</u>	<u>13,596</u>	<b><u>39,400</u></b>
Provision for impairment	<u>(481)</u>	<u>(4,580)</u>	<u>(67,960)</u>	<u>(107,513)</u>	<b><u>(180,534)</u></b>
<b>Total</b>	<b><u>280,693</u></b>	<b><u>27,433</u></b>	<b><u>12,072</u></b>	<b><u>16,724</u></b>	<b><u>336,922</u></b>

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	As of December 31, 2021					Total RMB'000
	Less than 1 year RMB'000	1 to 2 years RMB'000	2 to 3 years RMB'000	Over 3 years RMB'000		
Raw materials	55,541	27,278	26,357	52,744		<b>161,920</b>
Work in progress	330,379	–	–	110,062		<b>440,441</b>
Finished goods	105,170	–	–	23,409		<b>128,579</b>
Provision for impairment	(1,464)	(1,260)	(4,565)	(169,438)		<b>(176,727)</b>
<b>Total</b>	<b>489,626</b>	<b>26,018</b>	<b>21,792</b>	<b>16,777</b>		<b>554,213</b>
	As of March 31, 2022					
	Less than 1 year RMB'000	1 to 2 years RMB'000	2 to 3 years RMB'000	Over 3 years RMB'000		Total RMB'000
Raw materials	58,917	37,295	25,168	52,891		<b>174,271</b>
Work in progress	222,960	–	–	110,062		<b>333,022</b>
Finished goods	154	–	–	23,409		<b>23,563</b>
Provision for impairment	(1,081)	(3,386)	(3,686)	(169,585)		<b>(177,738)</b>
<b>Total</b>	<b>280,950</b>	<b>33,909</b>	<b>21,482</b>	<b>16,777</b>		<b>353,118</b>

As of December 31, 2019, 2020 and 2021 and March 31, 2022, approximately 79.9%, 83.3%, 88.3% and 79.6% of our inventories were aged less than one year. The gross balances of our inventories aged less than one year decreased from 2019 to 2020 primarily due to a decrease in work in progress mainly attributable to our drama series of “Hunting” (獵狐), “Twenty Your Life On” (二十不惑) and “Nothing but Thirty” (三十而已) which completed production and were broadcast in 2020. The gross balances of our inventories aged less than one year increased from 2020 to 2021, primarily due to an increase in work in progress and finished goods due to the production of our drama series including “Beyond” (超越), “Under the Skin” (獵罪圖鑑) and “Nobody Knows” (膽小鬼). The gross balances of our inventories aged over two years as of December 31, 2019, 2020 and 2021 and March 31, 2022 were mainly work in progress and finished goods of our drama series and films for which we have made full provision.

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As of May 31, 2022, none of our inventories as of March 31, 2022 were subsequently utilized or sold. We believe there is no material recoverability issue. The inventories as of March 31, 2022 were mainly in relation for our inventories not utilized or sold as of March 31, 2022, primarily because our drama series including “Nobody Knows” (膽小鬼) are expected to be broadcast and “Twenty Your Life on II” (二十不惑 II) and “Nothing But You” (愛情而已) are in filming or post-production stage and are expected to be utilized or sold in accordance with our distribution plan. The rest of the inventories that had not been utilized or sold are mainly scripts and IP rights that were at the script development or pre-production stages within normal development and production cycles as of the same date and expected to be utilized in due course.

We review the conditions of our inventories on a project-by-project basis at the end of each period within the Track Record Period and makes provision for obsolete and slow-moving inventory items. Impairment of inventories is made based on the comparison of the net realizable value and the carrying amount thereof. Net realizable value of inventories is the estimated selling price in the ordinary business, less estimated costs of completion and selling expenses. Our management also reassesses the estimation at the end of each period within the Track Record Period. With respect to raw materials representing the scripts and IP rights, we made provision for impairment of inventories in accordance with the relevant accounting policies based on our review of the term of copyrights we procured from external resources, script development process and preliminary production schedules of the scripts and IP rights. With respect to our work in progress mainly representing the drama series in the process of production, we review the conditions of inventories including the budget and schedule of filming and production, the estimated costs and selling price of the relevant projects, taxes and the current market condition, and made provision for impairment of inventories accordingly. With respect to the finished goods mainly representing drama series that obtained the relevant distribution licenses or approvals but have not been broadcast, we made provision for impairment of inventories based on our review of the investment, distribution condition, the estimated licensing revenue and the relevant costs and taxes of the drama series. As of December 31, 2019, 2020 and 2021 and March 31, 2022, we made provisions for impairment of inventories of RMB124.8 million, RMB180.5 million, RMB176.7 million and RMB177.7 million, respectively. With regard to the gross balances of inventories related to our drama series of RMB765.2 million, RMB424.8 million, RMB651.7 million and RMB446.9 million as of December 31, 2019, 2020 and 2021 and March 31, 2022, we made provisions for impairment of RMB83.9 million, RMB90.5 million, RMB35.0 million and RMB35.8 million, respectively, in 2019, 2020 and 2021 and the three months ended March 31, 2022. Through the above-mentioned implementation of stringent inventory review procedures and provision policy, we are able to effectively monitor the balance of our aged inventories and our Directors believe, and the Joint Sponsors concur, that the provisions made on inventories was sufficient.

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### Trade and Notes Receivables

The following table sets forth the breakdown of our trade and notes receivables as of the dates indicated:

	As of December 31,			As of
	2019	2020	2021	March 31,
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	2022 <i>RMB'000</i>
Trade receivables	466,683	279,627	395,050	549,208
Notes receivable	21,433	2,620	28,000	38,900
	<u>(25,998)</u>	<u>(26,488)</u>	<u>(37,468)</u>	<u>(38,013)</u>
<b>Total</b>	<b><u>462,118</u></b>	<b><u>255,759</u></b>	<b><u>385,582</u></b>	<b><u>550,095</u></b>

### Trade Receivables

Trade receivables mainly represent the balances due from our customers, such as online video platforms, TV channels and third party distributors.

As of December 31, 2019, 2020 and 2021 and March 31, 2022, our trade receivables were RMB466.7 million, RMB279.6 million, RMB395.1 million and RMB549.2 million, respectively. Our trade receivables decreased from RMB466.7 million as of December 31, 2019 to RMB279.6 million as of December 31, 2020, primarily due to our settlement of trade receivables with our customers. Our trade receivables increased from RMB279.6 million as of December 31, 2020 to RMB395.1 million as of December 31, 2021, primarily attributable to “To Fly with You” (陪你逐風飛翔) and “Xiaomin’s House” (小敏家) broadcast in November and December 2021, respectively, for which the relevant payments were not fully received as of December 31, 2021. Our trade receivables increased from RMB395.1 million as of December 31, 2021 to RMB549.2 million as of March 31, 2022, primarily attributable to the first-run broadcasting of “Beyond” (超越), “Under the Skin” (獵罪圖鑑) in the first quarter of 2022, for which the relevant payments were not fully received as of March 31, 2022.

Our trading terms with its customers are mainly on credit. The credit period is generally 30 days to two years, depending on the specific payment terms in each contract. We seek to maintain strict control over our outstanding trade receivables to minimize credit risk. Our finance team is responsible for monitoring and collecting outstanding trade receivables on an ongoing basis and hold regular meetings to review collection progress. Overdue balances are reviewed regularly by senior management. As of December 31, 2019, 2020 and 2021 and March 31, 2022, our trade receivables with an aggregate net carrying value of approximately RMB409.8 million, nil, nil and nil were pledged to secure the bank loans granted to us.

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The following table sets forth an ageing analysis of the trade receivables as of the dates indicated, based on the transaction dates and net of loss allowance:

	As of December 31,			As of
	2019	2020	2021	March 31,
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>2022</i>
				<i>RMB'000</i>
Within 3 months	7,423	–	284,370	298,352
3 to 6 months	423,663	104,327	–	143,257
6 to 12 months	561	69,529	37,496	33,755
1 to 2 years	8,824	79,283	5,325	5,440
2 to 3 years	214	–	30,391	30,391
<b>Total</b>	<b><u>440,685</u></b>	<b><u>253,139</u></b>	<b><u>357,582</u></b>	<b><u>511,195</u></b>

Our trade receivables aged over six months, net of loss allowance, were RMB9.6 million, RMB148.8 million, RMB73.2 million and RMB69.6 million as of December 31, 2019, 2020 and 2021 and March 31, 2022. The increase in net balance of trade receivables aged over six months in 2020 was primarily due to (i) the increase in trade receivables aged six months to one year mainly attributable to “Hunting” (獵狐) broadcast in 2020 for which the relevant payments were not received in the same year, and (ii) the increase in trade receivables aged one to two years mainly attributable to “Novoland: Eagle Flag episodes” (九州縹緲錄) and “A Little Reunion” (小歡喜) as a result of the relatively long settlement by the TV channel. Most of the trade receivables aged six months to one year as of December 31, 2020 were subsequently settled by the relevant customers in 2021 without the involvement of any third parties. With respect to the outstanding balance of trade receivables aged one to two year as of December 31, 2020, approximately RMB36.7 million were subsequently settled by the relevant customers in 2021 without the involvement of any third parties. For the remaining trade receivables aged one to two year as of December 31, 2020 not settled as of March 31, 2022, we have made sufficient provision based on our bad debt level and impairment analysis and the rest of which are expected to collected from the relevant customer in the next two years.

As of May 31, 2022, approximately RMB59.0 million, or 11.5% of our trade receivables as of March 31, 2022 were subsequently settled, among which approximately RMB42.2 million of trade receivables aged within three months were subsequently settled, approximately RMB16.8 million of trade receivables aged three months to six months were subsequently settled, and none of trade receivables aged six months to one year were subsequently settled.

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The following table sets forth our average trade receivable turnover days for the periods indicated:

	<b>Year ended December 31,</b>			<b>Three months ended</b>
	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>March 31, 2022</b>
	<i>(days)</i>			
Trade receivable turnover days <sup>(1)</sup>	50	89	89	83

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*Note:*

- (1) Trade receivable turnover days equal the average of the opening and closing balances of trade receivables divided by total revenue for the same year and multiplied by 365 days or 90 days for the three months ended March 31, 2022.

Our trade receivable turnover days increased from 50 days in 2019 to 89 days in 2020, primarily due to the large balance of trade receivables of “Novoland: Eagle Flag episodes” (九州縹緲錄) as a result of the relatively long settlement by the TV channel and the large balance of “Twenty Your Life On” (二十不惑) and “Hunting” (獵狐) broadcast in 2020 while the relevant payments were not received in the same year. According to Frost & Sullivan, TV channels typically have a relatively long settlement cycle due to their internal administrative procedures. However, we believe the risk of not being able to recover the relevant trade receivables is relatively low due to the credibility and payment capabilities of TV channels. Our trade receivable turnover days remained relatively stable at 89 days, 89 days and 83 days in 2020, 2021 and the three months ended March 31, 2022.

To strengthen the recovery of outstanding receivables, we have established effective customer credit policies, implemented strengthened credit term review and approval procedures and strengthened the receivables management performance review with respect to the relevant sales and marketing personnel. In addition, we perform an impairment analysis at the end of each of the period within the Track Record Period using a provision matrix to measure expected credit losses (“ECLs”). 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 of the Track Record Period about past events, current conditions and forecasts of future economic conditions. For details, see note 19 to the Accountant’s Report set out in Appendix I to this prospectus. As of December 31, 2019, 2020 and 2021 and March 31, 2022, we made provisions for impairment of trade receivables of RMB26.0 million, RMB26.5 million, RMB37.5 million and RMB38.0 million, respectively, which we believe were sufficient as of the end of each period during the Track Record Period.



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We have assessed the recoverability of the relevant outstanding trade receivables. In order to improve our trade receivables turnover days and minimize potential credit risk, we increased our pre-sale of original drama series during the Track Record Period and plan to continue to pre-sell our original drama series to our customers prior to or shortly after the commencement of filming going forward. Approximately 94.1% of the outstanding trade receivables as of March 31, 2022 were aged less than two years, most of which were aged less than one year and within the credit period granted. Therefore, we believe the risk of not being able to recover the relevant trade receivables aged less than two years is relatively low based on our evaluation of the historical credit standing, ongoing monitoring and the credit records of these customers. Based on the above, our Directors are of the view, and the Joint Sponsors concur, that there is no material recoverability issue of outstanding trade receivables aged less than two years.

In addition, we monitor long-aging trade receivables closely, update the collection status of trade receivables on a regular basis, and take appropriate follow-up actions such as active communications with our customers to collect the outstanding trade receivables. With regard to the balance of trade receivables aged over two years, we performed an impairment analysis at the end of each of the period within the Track Record Period. For our trade receivables aged two to three years of RMB46.0 million as of March 31, 2022, we made a provision of RMB15.6 million as of March 31, 2022 based on our bad debt level and impairment analysis. We believe sufficient provisions have been made for the trade receivables aged two to three years as of March 31, 2022 and there is no material recoverability issue with respect to the remaining trade receivables aged two to three years not settled as of March 31, 2022, primarily because (i) we closely monitor the outstanding trade receivables, review on a regular basis the credit records of and maintain active communications with the relevant customer, (ii) continuous payments from our customer of the outstanding trade receivables aged two to three years are expected to be received in 2022, and (iii) the remaining outstanding trade receivables (net of loss allowance) aged two to three years is expected to be collected in the next two years based on our communications with the relevant customer and our previous experience of collection of trade receivables with such customer. For our defaulted receivables aged over three years from an online video platform as of March 31, 2022, we have made a full provision of RMB20.7 million based on our assessment of its recoverability and impairment analysis using a provision matrix to measure its ECLs.

### *Notes Receivables*

Note receivables represent balances due from TV channels and advertiser customers. Our notes receivable were all aged within one year and were neither past due nor impaired.

As of December 31, 2019, 2020 and 2021 and March 31, 2022, notes receivable of RMB21.4 million, RMB2.6 million, RMB28.0 million and RMB38.9 million, respectively, 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 during the Track Record Period.

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As of May 31, 2022, approximately RMB28.9 million, or 74.0% of our notes receivables as of March 31, 2022 were subsequently settled.

As of December 31, 2019, 2020 and 2021 and March 31, 2022, certain notes receivable accepted by banks in Mainland China (the “**Discounted Notes**”) were discounted to the banks in Mainland China with a carrying amount in aggregate of nil, RMB10.0 million, RMB49.4 million and RMB18.0 million, respectively. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Discounted Notes have a right of recourse against us if the PRC banks default (the “**Continuing Involvement**”). Our Directors are of the view that we have transferred substantially all risks and rewards relating to the Discounted Notes accepted by large and reputable banks with an amount of RMB10.0 million, RMB49.4 million and RMB18.0 million. The maximum exposure to loss from our Continuing Involvement in the Discounted Notes and the undiscounted cash flows to repurchase these Discounted Notes is equal to their carrying amounts. Our Directors are of the view that the fair values of our Continuing Involvement in the Discounted Notes are not significant. During the years ended December 31, 2020 and 2021 and three months ended March 31, 2021 and 2022, our recognized the interest expense on the discounted notes receivable amounting to nil, RMB0.1 million, RMB1.0 million, RMB0.7 million and RMB0.4 million, respectively.

### Prepayments, Other Receivables and Other Assets

Our prepayments, other receivables and other assets consist of (i) prepayments to production-related service providers and actors for drama series production, (ii) tax recoverable, (iii) deductible input value-added tax, (iv) deposits and other receivables which represent deposits for leased properties, and the payment we made in advance on behalf of an online video platform for the production of made-to-order drama series, (v) receivables under co-financing arrangement which represent share of revenue from co-investors in relation to a drama series, (vi) deferred listing expense, (vii) interest receivable, and (viii) prepaid expense. The following table sets forth the breakdown of our prepayments, other receivables and other assets as of the dates indicated:

	As of December 31,			As of
	2019	2020	2021	March 31,
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>2022</i>
				<i>RMB'000</i>
Prepayments	113,848	100,120	124,632	118,970
Tax recoverable	–	–	–	644
Deductible input value-added tax	100,796	84,737	70,046	57,495
Deposits and other receivables	30,248	50,667	7,363	10,719

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	As of December 31,			As of
	2019	2020	2021	March 31,
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>2022</i> <i>RMB'000</i>
Receivables under co-financing arrangement	–	–	58,497	58,497
Deferred listing expense	–	–	6,886	9,184
Interest receivable	–	8,442	21,775	25,057
Prepaid expenses	13,875	13,258	28,456	4,873
<b>Total</b>	<b><u>258,767</u></b>	<b><u>257,224</u></b>	<b><u>317,655</u></b>	<b><u>285,439</u></b>
– Current	188,439	175,047	203,990	208,765
– Non-current	<u>70,328</u>	<u>82,177</u>	<u>113,665</u>	<u>76,674</u>

As of December 31, 2019, 2020 and 2021 and March 31, 2022, our prepayments, other receivables and other assets were RMB258.8 million, RMB257.2 million, RMB317.7 million and RMB285.4 million, respectively. Our prepayments, other receivables and other assets remained relative stable at RMB258.8 million as of December 31, 2019 and RMB257.2 million as of December 31, 2020. Our prepayments, other receivables and other assets increased from RMB257.2 million as of December 31, 2020 to RMB317.7 million as of December 31, 2021, primarily due to the increase of receivables under co-financing arrangement, which was mainly attributable to the share of revenue from co-investors in relation to “Hand in Hand” (陪你一起長大) in 2021. Our prepayments, other receivables and other assets decreased from RMB317.7 million as of December 31, 2021 to RMB285.4 million as of March 31, 2022, primarily due to the prepaid general expenses incurred during the ordinary course of our business and deductible input value-added tax.

As of May 31, 2022, approximately RMB27.3 million, or 22.9% of our prepayments as of March 31, 2022 were subsequently settled, and approximately RMB15.8 million, or 27.0% of our receivables under co-financing arrangement as of March 31, 2022 were subsequently settled. We believe there is no material recoverability issue for our prepayments not settled as of May 31, 2022, primarily because our prepayments that had not been settled as of March 31, 2022 were mainly for production-related services of our drama series including “Twenty Your Life on II” (二十不惑 II) and “Nothing But You” (愛情而已), all of which were under filming or production stage, and such outstanding prepayments are expected to be settled in due course, in line with our production and distribution schedule. We closely monitor and conduct periodic assessments on the recoverability of the outstanding receivables under co-financing arrangements. We believe there is no material recoverability issue for the receivables under co-financing arrangements not settled as of March 31, 2022, primarily because the outstanding receivables under co-financing arrangements which were in relation to a drama series “Hand in Hand” (陪你一起長大) were collected continuously from relevant

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counterparties and the remaining of such receivables under co-financing arrangements are expected to be settled in due course based on the historical settlement records and our communications with such counterparties.

### Financial Assets at Fair Value through Profit or Loss

Our financial assets at fair value through profit or loss are in relation to our (i) unlisted equity investments which represent our investments in unlisted securities; (ii) unlisted debt investments which represent our investment in a private equity fund; (iii) investments at fair value through profit or loss in relation to our investments in Xiamen Renma Culture Media Co., Ltd. (廈門人馬文化傳媒有限公司), Shanghai Dongmo Industrial Co., Ltd. (上海東磨實業有限公司); and (iv) other unlisted investments in connection with the wealth management products we purchased. The following table sets forth the breakdown of our financial assets at fair value through profit or loss as of the dates indicated:

	As of December 31,			As of
	2019	2020	2021	March 31, 2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Unlisted equity investments, at fair value	48,733	60,511	33,683	35,735
Unlisted debt investments, at fair value	11,600	9,609	7,661	7,492
Investments at fair value through profit or loss	–	–	51,029	50,228
Other unlisted investments, at fair value	542,431	609,734	291,441	180,980
<b>Total</b>	<b>602,764</b>	<b>679,854</b>	<b>383,814</b>	<b>274,435</b>
– Current	591,164	670,245	325,124	216,715
– Non-current	11,600	9,609	58,690	57,720

Our financial assets at fair value through profit or loss amounted to RMB602.8 million, RMB679.9 million, RMB383.8 million and RMB274.4 million as of December 31, 2019, 2020 and 2021 and March 31, 2022, respectively. Our financial assets at fair value through profit or loss increased from RMB602.8 million as of December 31, 2019 to RMB679.9 million as of December 31, 2020, primarily due to the increases in other unlisted investments measured at fair value mainly because we purchased additional wealth management products in 2020. Our financial assets at fair value through profit or loss decreased from RMB679.9 million as of December 31, 2020 to RMB383.8 million as of December 31, 2021 and further decreased to RMB274.4 million as of March 31, 2022, primarily because we reduced our investment in wealth management products.

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We have adopted investment and treasury policies and internal control measures to review and monitor our investment risks. Our investment decisions are made after due and careful consideration of a number of factors, including market and investment conditions, economic developments, investment cost, duration of investment and the risks expected to be involved and the expected returns. Our capital and strategy department and finance department are responsible for proposing, analysing and evaluating potential short-term and long-term investments. Prior to making any material investments, we shall consult with respective technical, financial and legal advisors and the proposal shall be approved by Ms. Chen Fei, our chief executive officer, Ms. Cai Di, our chief financial officer, Ms. Li Zhen, the director of capital and strategy department, and the other designated members of our management. We have formed a stringent system of internal control on seeking to obtain a reasonable level of investment return while ensuring that we maintain the overall level of risks related to investment under control. In line with our investment strategies and internal control measures, we principally engaged in the purchase of wealth management products using surplus cash on hand to improve the return on our cash position without significantly increasing our exposure to the financial risks. The wealth management products we purchased during the Track Record Period mainly consisted of structured deposits and other corporate wealth management products. The underlying financial assets of the wealth management products in which we invested during the Track Record Period were issued by large, reputable commercial banks in China and were primarily low-risk fixed-income instruments or principal-guaranteed financial instruments, and such products have no fixed maturity and can be redeemed at our preference. Based on the above, we believe that our relevant internal control and risk management measures are sufficient in terms of comprehensiveness, practicability and effectiveness.

During the Track Record Period, our unlisted equity investments mainly represent our investments in unlisted securities. As of December 31, 2019, 2020 and 2021 and March 31, 2022, our unlisted equity investments at fair value were RMB48.7 million, RMB60.5 million, RMB33.7 million and RMB35.7 million, respectively. Our unlisted equity investments at fair value increased from RMB48.7 million in 2019 to RMB60.5 million in 2020, primarily related to our investments in Beijing Wuyuan and WAJIWA Entertainment (Tianjin) Co., Ltd. (哇唧唧哇娛樂(天津)有限公司). Our unlisted equity investments at fair value decreased from RMB60.5 million in 2020 to RMB33.7 million in 2021, primarily due to our disposal of WAJIWA Entertainment (Tianjin) Co., Ltd. (哇唧唧哇娛樂(天津)有限公司) in 2021. Our gain arising from the disposal of WAJIWA Entertainment (Tianjin) Co., Ltd. (哇唧唧哇娛樂(天津)有限公司) was recognized as other income with an amount of RMB7.7 million. Our unlisted equity investments remained relatively stable at RMB33.7 million as of December 31, 2021 and RMB35.7 million as of March 31, 2022.

Our unlisted debt investments during the Track Record Period mainly represent our investment in a private equity fund. We entered into fund management contracts with a qualified asset management company, according to which the asset management company is obliged to manage our fund according to pre-determined terms including risk analysis, investment period and underlying assets. The fair values of unlisted debt investments designated at fair value through profit or loss have been estimated using an asset-based

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valuation technique. For details, see note 36 to the Accountant's Report set out in Appendix I to this prospectus. As of December 31, 2019, 2020 and 2021 and March 31, 2022, our unlisted debt investments at fair value were RMB11.6 million, RMB9.6 million, RMB7.7 million and RMB7.5 million, respectively.

During the Track Record Period, our investments at fair value through profit or loss were investments in some convertible redeemable preferred shares or ordinary shares with preferential rights issued by private investee companies. As of December 31, 2019, 2020 and 2021 and March 31, 2022, our investments at fair value through profit or loss were nil, nil, RMB51.0 million and RMB50.2 million, respectively. The investments at fair value through profit or loss of RMB51.0 million and RMB50.2 million as of December 31, 2021 and March 31, 2022 were mainly in relation to our investments in Xiamen Renma Culture Media Co., Ltd. (廈門人馬文化傳媒有限公司) and Shanghai Dongmo Industrial Co., Ltd. (上海東磨實業有限公司).

Our investments in financial assets at fair value through profit or loss will be subject to the compliance with Chapter 14 of the Listing Rules after the Listing.

### **Trade Payables**

Trade payables primarily represent liabilities for goods and services provided to us that remain unpaid. As of December 31, 2019, 2020 and 2021 and March 31, 2022, our trade payables were RMB57.6 million, RMB12.2 million, RMB76.2 million and RMB47.0 million, respectively. Our trade payables decreased from RMB57.6 million as of December 31, 2019 to RMB12.2 million as of December 31, 2020, primarily due to our settlement of trade payables. Our trade payables increased from RMB12.2 million as of December 31, 2020 to RMB76.2 million as of December 31, 2021, primarily attributable to “To Fly with You” (陪你逐風飛翔) and “Xiaomin's House” (小敏家) we produced in 2021. Our trade payables decreased from RMB76.2 million as of December 31, 2021 to RMB47.0 million as of March 31, 2022, primarily due to our settlement of trade payables.

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The following table sets forth an ageing analysis of our trade payables as of the dates indicated, based on the invoice date:

	As of December 31,			As of
	2019	2020	2021	March 31,
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>2022</i>
Within 3 months	56,153	12,155	74,156	16,925
3 to 6 months	–	–	586	29,389
6 to 12 months	–	13	1,504	639
1 to 2 years	1,443	48	–	–
<b>Total</b>	<b><u>57,596</u></b>	<b><u>12,216</u></b>	<b><u>76,246</u></b>	<b><u>46,953</u></b>

As of May 31, 2022, approximately RMB35.2 million, or 75.0% of our trade payables as of March 31, 2022 were subsequently settled.

The following table sets forth our average trade payables turnover days for the periods indicated:

	Year ended December 31,			Three
	2019	2020	2021	months
	<i>(days)</i>			ended
Trade payables turnover days <sup>(1)</sup>	25	14	23	March 31, <i>2022</i>

*Note:*

- (1) Trade payables turnover days is derived by dividing the average of opening and closing balance of trade payables by the cost of sales for the same year and multiplied by 365 days or 90 days for the three months ended March 31, 2022.

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### Other Payables and Accruals

Our other payables and accruals mainly represent (i) contract liabilities, (ii) financial liabilities under co-investment arrangements, (iii) other payables, (iv) other tax payables, (v) deferred revenue, (vi) interest payable, (vii) payroll and welfare payable, and (viii) provision made for a lawsuit. The following table sets forth the breakdown of our other payables and accruals as of the dates indicated:

	As of December 31,			As of
	2019	2020	2021	March 31,
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	2021 <i>RMB'000</i>
Contract liabilities	406,638	170,368	654,600	820,132
Financial liabilities under				
co-investment arrangements	250,599	65,194	88,904	49,573
Other payables	100,612	33,471	18,952	24,503
Other tax payables	1,807	18,683	37,864	21,396
Deferred revenue	16,667	5,387	9,447	1,947
Interest payable	1,299	4,475	–	–
Payroll and welfare payable	7,083	6,377	11,096	8,201
Provision	–	7,880	8,575	8,748
	<u>784,705</u>	<u>311,835</u>	<u>829,438</u>	<u>934,500</u>
<b>Total</b>	<b>784,705</b>	<b>311,835</b>	<b>829,438</b>	<b>934,500</b>
– Current	784,705	311,835	466,669	462,023
– Non-current	–	–	362,769	472,477

As of December 31, 2019, 2020 and 2021 and March 31, 2022, our other payables and accruals were RMB784.7 million, RMB311.8 million, RMB829.4 million and RMB934.5 million, respectively. Our other payables and accruals fluctuated during the Track Record Period primarily due to the fluctuations in our contract liabilities. Our financial liabilities under co-investment arrangements decreased from RMB250.6 million as of December 31, 2019 to RMB65.2 million as of December 31, 2020, primarily because the share of the licensing revenue to our co-investors of a drama series incurred in 2019 had been substantially settled in 2020.



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Our financial liabilities under co-investment arrangements was RMB250.6 million as of December 31, 2019, mainly attributable to drama series including “Novoland: Eagle Flag episodes” (九州縹緲錄), “Legend of Fuyao” (扶搖) and “Twenty Your Life on” (二十不惑). Our financial liabilities under co-investment arrangements was RMB65.2 million as of December 31, 2020, mainly attributable to drama series including “A Little Dilemma” (小舍得), “Twenty Your Life on” (二十不惑) and “Novoland: Eagle Flag episodes” (九州縹緲錄). Our financial liabilities under co-investment arrangements was RMB88.9 million as of December 31, 2021, mainly attributable to drama series including “A Little Dilemma” (小舍得) and “Xiaomin’s House” (小敏家). Our financial liabilities under co-investment arrangements was RMB49.6 million as of March 31, 2022, mainly attributable to drama series including “Novoland: Eagle Flag episodes” (九州縹緲錄), “A Little Dilemma” (小舍得) and “Xiaomin’ House” (小敏家).

The provisions of RMB7.9 million, RMB8.6 million and RMB8.7 million as of December 31, 2020 and 2021 and March 31, 2022, respectively, were made for a lawsuit during the ordinary course of business after taking into account of the maximum exposure in relation to this proceeding, mainly reflecting the outstanding principal amount and the relevant interests requested in this proceeding. See “Business – Legal Proceedings and Compliance – Legal Proceedings” for details.

### *Contract Liabilities*

During the Track Record Period, our contract liabilities represent advances received from customers for purchasing broadcasting rights of relevant drama series or procuring our production services and advances from advertiser customers for content marketing services. As of December 31, 2021, our contract liabilities primarily include the prepayments we received in advance from our customers for licensing of the broadcasting rights of original drama series. The following table sets forth the breakdown and movement of our contract liabilities as of the dates indicated:

	<b>As of/Year ended December 31,</b>			<b>As of/ Three months ended</b>
	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>March 31, 2022</b>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Licensing of the broadcasting rights of original drama series	381,509	152,661	634,868	802,452
Others	25,129	17,707	19,732	17,680
	<b><u>406,638</u></b>	<b><u>170,368</u></b>	<b><u>654,600</u></b>	<b><u>820,132</u></b>

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	As of/Year ended December 31,			As of/ Three months ended
	2019	2020	2021	March 31, 2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
– Current	406,638	170,368	292,500	347,655
– Non-current	–	–	362,100	472,477
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Opening balance	591,217	406,638	170,368	654,600
Advanced received from customers	399,711	166,767	654,600	241,874
Revenue recognized from contract liabilities	(584,290)	(403,037)	(170,368)	(76,342)
Closing balance	406,638	170,368	654,600	820,132

As of December 31, 2019, 2020 and 2021 and March 31, 2022, our contract liabilities were RMB406.6 million, RMB170.4 million, RMB654.6 million and RMB820.1 million, respectively. Our contract liabilities decreased from RMB406.6 million as of December 31, 2019 to RMB170.4 million as of December 31, 2020, primarily due to the decreases in licensing of the broadcasting rights of original drama series as “Twenty Your Life On” (二十不惑), “Nothing but Thirty” (三十而已) and “Hunting” (獵狐) for which we received prepayments were broadcast in 2020. Our contract liabilities increased from RMB170.4 million as of December 31, 2020 to RMB654.6 million as of December 31, 2021 primarily because we received prepayments from customers for purchasing the broadcasting rights of our original drama series including “Nobody Knows” (膽小鬼) and another two modern drama series under script development or pre-production. Our contract liabilities increased from RMB654.6 million as of December 31, 2021 to RMB820.1 million as of March 31, 2022, primarily because we received prepayments from customers for purchasing the broadcasting rights of our three original drama series under script development and pre-production and another drama series under post-production.

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The table below sets forth the breakdown of our current contract liabilities by drama series as of the dates indicated:

Nature of the contract liabilities	Name of drama series	As of December 31,			As of
		2019	2020	2021	March 31,
		RMB'000	RMB'000	RMB'000	2022
					RMB'000
Advances for purchasing broadcasting rights of drama series	“Nothing but Thirty” (三十而已)	212,264	–	–	–
	“Hunting” (獵狐)	169,245	–	–	–
	“A Little Dilemma” (小舍得)	–	60,208	–	–
	“Xiaomin’s House” (小敏家)	–	92,453	–	–
	“To Fly with You” (陪你逐風飛翔)	–	–	–	–
	“Under the Skin” (獵罪圖鑑)	–	–	58,868	–
	“Beyond” (超越)	–	–	13,736	–
	“Nobody knows” (膽小鬼)	–	–	83,396	83,396
	“Twenty Your Life On II” (二十不惑II)	–	–	28,302	44,906
	Drama series A	–	–	96,792	96,792
	Drama series B	–	–	–	113,207
Advances for content marketing and other services		25,129	17,707	11,406	9,354
<b>Total</b>		<b>406,638</b>	<b>170,368</b>	<b>292,500</b>	<b>347,655</b>

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Our non-current contract liabilities were RMB362.1 million and RMB472.5 million as of December 31, 2021 and March 31, 2022, primarily representing advances received from customers such as online video platforms for purchasing broadcasting rights of relevant drama series. The table below sets forth the breakdown of our non-current contract liabilities by drama series as of the dates indicated:

Nature of the contract liabilities	Name of drama series	As of December 31,			As of
		2019	2020	2021	March 31,
		RMB'000	RMB'000	RMB'000	2022
				RMB'000	
Advances for purchasing broadcasting rights of drama series	Drama series C	–	–	84,906	84,906
	Drama series D	–	–	113,208	113,208
	Drama series E	–	–	36,226	36,226
	Drama series F	–	–	83,208	83,208
	Drama series G	–	–	36,226	36,226
	Drama series H	–	–	–	19,811
	Drama series I	–	–	–	90,566
Advances for content marketing and other services		–	–	8,326	8,326
<b>Total</b>		<u>–</u>	<u>–</u>	<u><b>362,100</b></u>	<u><b>472,477</b></u>

As of May 31, 2022, none of our contract liabilities as of March 31, 2022 were subsequently settled. The contract liabilities that had not been settled as of May 31, 2022 were mainly advances from customers for purchasing broadcasting rights of drama series, all of which were within the normal production and distribution cycle and are expected to be settled in due course, in line with our distribution plan of drama series.

### Tax Payable

Our tax payable represents our enterprise income tax payable. As of December 31, 2019, 2020 and 2021 and March 31, 2022, our tax payable was RMB7.3 million, RMB63.9 million, RMB74.8 million and RMB31.9 million respectively. In 2019, the Filming and Television Committee of the State Taxation Administration (“國家稅務總局影視專項工作組”) issued the tax counseling notice requiring TV series production institutions to standardize tax compliance. Under the guidance of the Filming and Television Committee of the State Taxation Administration, we conducted a tax compliance self-check on our business for the period from 2016 to 2018. We paid up all the outstanding tax payments without being subject to any legal or administrative investigations or penalties from the relevant government authorities. See “Business – Legal Proceedings and Compliance – Past Tax Compliance Self-checks – 2019 Tax Compliance Self-check” for details.

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### Goodwill

Our goodwill was RMB30.4 million as of December 31, 2019, while we did not recognize goodwill as of December 31, 2020 and 2021 and March 31, 2022 due to our disposal of Shanghai Mengyang in 2020.

We performed our annual impairment test of goodwill as of December 31, 2019. Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Our goodwill acquired through business combinations is allocated to cash-generating unit, namely Shanghai Mengyang, for impairment testing. The recoverable amount of the cash-generating unit has been determined based on a value-in-use calculation using cash flow projections based on financial budgets covering a five-year period approved by management. The pre-tax discount rate applied to the cash flow projections and the terminal growth rate and gross profit margin used to extrapolate the cash flows of the cash-generating unit beyond the five-year period are as follows:

	<b>As of December 31, 2019</b>
Gross profit margin	45%
Terminal growth rate	3%
Pre-tax discount rate	<u>19.81%</u>

As of December 31, 2019, the recoverable amount of Shanghai Mengyang cash-generating unit to which goodwill is allocated exceeded its carrying amount by RMB14,120,000.

Decreases in the gross profit margin or rises in the pre-tax discount rate as follows (with other assumptions remaining unchanged) would result in Shanghai Mengyang cash-generating unit's recoverable amount equal to its carrying amount:

	<b>As of December 31, 2019</b> <i>Increase/(decrease)</i>
Gross profit margin	(3.77%)
Pre-tax discount rate	<u>4.69%</u>

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In the opinion of the Directors, except for the above, any reasonably possible change in the other key assumptions on which the recoverable amount is based would not cause any of the cash-generating unit's carrying amount to exceed its recoverable amount as of December 31, 2019.

For more details of the impairment test for goodwill, see note 15 to the Accountant's Report in Appendix I to this Prospectus.

### LIQUIDITY AND CAPITAL RESOURCES

We have historically funded our cash requirements principally from cash generated from operations, capital contributions from Shareholders and to a lesser extent, equity and debt financing. We expect to use a portion of the proceeds from the Global Offering to fund our working capital requirements. We currently do not have any plans for material additional external financing.

As of December 31, 2019, 2020 and 2021 and March 31, 2022, we had cash and cash equivalents of RMB202.7 million, RMB125.3 million, RMB825.0 million and RMB1,116.6 million, respectively.

### 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
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>				
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

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	Year ended December 31,			Three months ended March 31,	
	2019	2020	2021	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				<i>(Unaudited)</i>	
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	<u>202,737</u>	<u>125,254</u>	<u>824,952</u>	<u>128,091</u>	<u>1,116,597</u>

### *Net Cash Flows from Operating Activities*

In 2019, our net cash flows generated from operating activities was RMB193.4 million. Our net cash generated from operating activities is calculated by adjusting our profit before tax of RMB107.7 million by non-cash and other items to arrive at an operating profit before working capital changes of RMB256.7 million. Our movements in working capital primarily reflected (i) a decrease in inventories of RMB586.4 million and (ii) a decrease in prepayments, other receivables and other assets of RMB35.3 million, partially offset by (i) an increase in trade and notes receivables of RMB399.2 million and (ii) a decrease in other payables and accruals of RMB120.2 million.

In 2020, our net cash flows generated from operating activities was RMB523.2 million. Our net cash generated from operating activities is calculated by adjusting our profit before tax of RMB94.0 million by non-cash and other items to arrive at an operating profit before working capital changes of RMB401.8 million. Our movements in working capital primarily reflected (i) a decrease in inventories of RMB426.5 million, and (ii) a decrease in trade and notes receivables of RMB193.6 million, partially offset by a decrease in other payables and accruals of RMB489.5 million.

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In 2021, our net cash flows generated from operating activities was RMB436.1 million. Our net cash generated from operating activities is calculated by adjusting our profit before tax of RMB123.8 million by non-cash and other items to arrive at an operating profit before working capital changes of RMB408.0 million. Our movements in working capital primarily reflected (i) an increase in other payables and accruals of RMB469.5 million, and (ii) a decrease in trade payables of RMB64.0 million, partially offset by (i) an increase in inventories of RMB227.7 million, and (ii) an increase in trade and notes receivables of RMB139.1 million.

In the three months ended March 31, 2022, our net cash flows generated from operating activities was RMB190.0 million. Our net cash generated from operating activities is calculated by adjusting our profit before tax of RMB26.0 million by non-cash and other items to arrive at an operating profit before working capital changes of RMB106.9 million. Our movements in working capital primarily reflected (i) a decrease in inventories of RMB201.8 million, and (ii) an increase in other payables and accruals of RMB105.1 million, partially offset by (i) an increase in trade and notes receivables of RMB164.7 million, and (ii) a decrease in trade payables of RMB29.3 million.

### *Net Cash Flows from/(Used in) Investing Activities*

In 2019, we had net cash flows used in investing activities of RMB100.1 million, which was primarily due to our purchases of financial assets at fair value through profit or loss of RMB2,107.0 million, as partially offset by the proceeds from disposal of financial assets at fair value through profit or loss of RMB2,007.9 million.

In 2020, we had net cash flows used in investing activities of RMB407.1 million, which was primarily due to our purchases of financial assets at fair value through profit or loss of RMB2,017.3 million, as partially offset by the proceeds from disposal of financial assets at fair value through profit or loss of RMB1,965.9 million.

In 2021, we had net cash flows from investing activities of RMB328.9 million, which was primarily attributable to the proceeds from disposal of financial assets at fair value through profit or loss of RMB4,186.5 million, as partially offset by our purchases of financial assets at fair value through profit or loss of RMB3,850.2 million.

In the three months ended March 31, 2022, we had net cash flows from investing activities of RMB112.6 million, which was primarily attributable to the proceeds from disposal of financial assets at fair value through profit or loss of RMB682.9 million, as partially offset by our purchases of financial assets at fair value through profit or loss of RMB570.0 million.



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### *Net Cash Flows Used in Financing Activities*

In 2019, we had net cash flows used in financing activities of RMB162.6 million, which was primarily due to our repayment of bank loans and other borrowings of RMB375.3 million, as partially offset by proceeds from bank loans and other borrowings of RMB294.9 million.

In 2020, we had net cash flows used in financing activities of RMB193.6 million, which was primarily due to repayment of bank loans and other borrowings of RMB267.1 million, as partially offset by other payment related to financing activities of RMB119.8 million.

In 2021, we had net cash flows used in financing activities of RMB54.0 million, which was primarily due to (i) the repurchase of preferred shares of RMB1,289.9 million, and (ii) the repayment of bank loans and other borrowings of RMB513.6 million, as partially offset by the proceeds from issue of preferred shares of RMB1,285.0 million.

In the three months ended March 31, 2022, we had net cash flows used in financing activities of RMB7.8 million, which was primarily due to (i) repayment of principal portion of lease liabilities of RMB5.4 million, and (ii) payment for deferred listing expenses of RMB1.8 million.

### **Working Capital Sufficiency**

During the Track Record Period, we met our working capital requirements mainly from cash generated from operations, capital contributions from Shareholders and bank and other borrowings.

Our anticipated cash needs include costs associated with the expansion of our program pipeline and business operations. Other than the bank borrowings that we may obtain, we do not have any plans for material external debt financing in the foreseeable future. Taking into account the financial resources available to us, including cash flow from operating activities and the estimated net proceeds from the Global Offering, our Directors are of the view that we have sufficient working capital to meet our present requirements and for the next 12 months from the date of this prospectus.

### **INDEBTEDNESS**

During the Track Record Period, our indebtedness mainly consisted of interest-bearing bank borrowings, financial liabilities under co-investment arrangements for fixed return and other borrowings, lease liabilities and convertible redeemable preferred shares. As of December 31, 2019, 2020 and 2021 and March 31, 2022 and May 31, 2022, we had total indebtedness of RMB3,056.2 million, RMB3,095.6 million, RMB3,305.1 million, RMB3,370.7 million and RMB3,132.0 million, respectively.

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The following table sets forth some details of our indebtedness as of the dates indicated:

	As of December 31,			As of	As of
	2019	2020	2021	March 31,	May 31,
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>2022</i>	<i>2022</i>
				<i>RMB'000</i>	<i>RMB'000</i>
					<i>(Unaudited)</i>
<b>Current</b>					
Interest-bearing					
bank borrowings,					
financial					
liabilities under					
co-investment					
arrangements for					
fix return and					
other borrowings	281,519	17,230	–	–	–
Lease liabilities	15,489	13,090	16,941	14,381	13,415
Convertible					
redeemable					
preferred shares	–	3,055,412	3,276,406	3,346,945	3,109,812
<b>Non-current</b>					
Lease liabilities	30,419	9,855	11,761	9,388	8,785
Convertible					
redeemable					
preferred shares	<u>2,728,796</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
<b>Total</b>	<b><u>3,056,223</u></b>	<b><u>3,095,587</u></b>	<b><u>3,305,108</u></b>	<b><u>3,370,714</u></b>	<b><u>3,132,012</u></b>

### ***Interest-bearing Bank Borrowings, Financial Liabilities under Co-investment Arrangements for Fix Return and Other Borrowings***

Our interest-bearing bank borrowings, financial liabilities under co-investment arrangements for fix return and other borrowings amounted to RMB281.5 million, RMB17.2 million, nil and nil as of December 31, 2019, 2020 and 2021 and March 31, 2022. Our interest-bearing bank borrowings, financial liabilities under co-investment arrangements and other borrowings during the Track Record Period were denominated in Renminbi and were used to finance our capital expenditure. The decrease of our interest-bearing bank borrowings, financial liabilities under co-investment arrangements for fix return and other borrowings from December 31, 2019 to December 31, 2021 was primarily due to the repayment of our bank and other borrowings. Certain of our borrowings during the Track Record Period were guaranteed by our Controlling Shareholders. As of December 31, 2019, our Controlling Shareholder, Mr. Su Xiao and his spouse Mrs Gu Jiamin, had guaranteed certain of our bank loans up to

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RMB450.0 million and RMB300.0 million. The guarantee has been fully released in 2020. As of March 31, 2022, we had no bank loans guaranteed by our Controlling Shareholders. See note 25 to the Accountant's Report set out in Appendix I to this prospectus for details.

### *Lease Liabilities*

We recognize lease liabilities to make lease payments for the right-of-use assets representing the right to use the underlying assets for all leases except for short-term leases. As of May 31, 2022, we, as a lessee, had outstanding current lease liabilities of RMB13.4 million and outstanding non-current lease liabilities of RMB8.8 million.

### *Convertible Redeemable Preferred Shares*

As of December 31, 2019, 2020, 2021 and March 31, 2022 and May 31, 2022, we had liabilities in relation to convertible redeemable preference shares amounted to RMB2,728.8 million, RMB3,055.4 million, RMB3,276.4 million, RMB3,346.9 million and RMB3,109.8 million, respectively, resulting from our multiple rounds of Pre-IPO Investments and the fair value changes of the convertible redeemable preferred shares. We recorded fair value gain of RMB38.5 million arising from Series C Preferred Shares in 2021, primarily due to an increase in the IPO possibility. Under the IPO scenario of equity allocation model, rights of our Company's preferred shares will be canceled and the preferred shares will be automatically converted into ordinary shares. Therefore, an increase in the IPO probability will lead to a decrease in the value of preferred shares. Since the preferred rights of Series C Preferred Shares were the most preferred, the increase of IPO probability led to the decline of the value of Series C Preferred Shares, which in turn led to the fair value gain arising from Series C Preferred Shares in 2021. All of our convertible redeemable preferred shares will be reclassified from liabilities to equity as a result of the automatic conversion into our ordinary shares upon the Listing.

As of the Latest Practicable Date, there was no material restrictive covenant in our indebtedness which could significantly limit our ability to undertake additional debt or equity financing, nor was there any material breach of covenant during the Track Record Period and up to the Latest Practicable Date. As of May 31, 2022, our unutilized credit facilities amounted to RMB1,992.5 million. We do not anticipate any changes to the availability of bank financing to finance our operations in the future, although we cannot assure you that we will be able to access bank financing on favorable terms or at all.

### **Statement of Indebtedness**

Except as disclosed above, as of May 31, 2022 we did not have any outstanding debt securities, mortgage, charges, debentures or other loan capital (issued or agreed to be issued), bank overdrafts, loans, liabilities under acceptance or acceptance credits, or other similar indebtedness, leasing and financial leasing commitments, hire purchase commitments, guarantees on a consolidated basis. Our Directors confirm that, as of the Latest Practicable Date, there had no material change in our indebtedness since May 31, 2022.

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### CONTINGENT LIABILITIES

As of December 31, 2019, 2020, 2021 and March 31, 2022 and May 31, 2022, we did not have any material contingent liabilities.

### CAPITAL EXPENDITURES

During the Track Record Period, we incurred capital expenditures mainly for the purchase of property, plant and equipment and intangible assets. The following table sets forth a breakdown of our capital expenditures for the periods indicated:

	Year ended December 31,			Three months ended March 31,	
	2019	2020	2021	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Property, plant and equipment	<u>1,014</u>	<u>350</u>	<u>5,650</u>	<u>135</u>	<u>233</u>
Intangible assets	<u>–</u>	<u>828</u>	<u>1,752</u>	<u>249</u>	<u>77</u>
<b>Total</b>	<b><u>1,014</u></b>	<b><u>1,178</u></b>	<b><u>7,402</u></b>	<b><u>384</u></b>	<b><u>310</u></b>

Our actual capital expenditures may differ from the amounts set forth above due to various factors, including our future cash flows, results of operations and financial condition, economic conditions in the PRC, the availability of financing on terms acceptable to us and changes in the regulatory environment in the PRC. In addition, we may incur additional capital expenditures from time to time as we pursue new opportunities to expand our business.

### OFF-BALANCE SHEET ARRANGEMENTS

As of the Latest Practicable Date, we had not entered into any off-balance sheet transactions.

### MATERIAL RELATED PARTY TRANSACTIONS

During the Track Record Period, we entered into a number of related party transactions, pursuant to which (i) sold goods to certain related parties; (ii) provided services to certain related parties and (iii) procured goods from certain related parties. All of our outstanding balances with related parties as of March 31, 2022 were trade in nature.

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Our Directors believe that the related party transactions described above were carried out on an arm's length basis and will not distort our results during the Track Record Period or make such results not reflective of our future performance. For more details about our material related party transactions, see note 34 to the Accountant's Report set out in Appendix I to this prospectus.

### 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
<b>Profitability ratios</b>				
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 <sup>(1)</sup>	8.4%	17.0%	22.4%	17.1%
Return on equity <sup>(2)</sup>	N/A <sup>(3)</sup>	N/A <sup>(3)</sup>	N/A <sup>(3)</sup>	N/A <sup>(3)(4)</sup>
Return on assets <sup>(5)</sup>	2.6%	2.3%	2.2%	N/A <sup>(4)</sup>
<b>Liquidity ratios</b>				
Current ratio <sup>(6)</sup>	2.1	0.5	0.6	0.6
Quick ratio <sup>(7)</sup>	1.4	0.4	0.4	0.5
<b>Capital adequacy ratios</b>				
Gearing ratio <sup>(8)</sup>	N/A <sup>(3)</sup>	N/A <sup>(3)</sup>	N/A <sup>(3)</sup>	N/A <sup>(3)</sup>

*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.

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## FINANCIAL INFORMATION

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- (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.

See “– Period-to-Period Comparison of Results of Operations – Three Months Ended March 31, 2022 Compared to Three Months Ended March 31, 2021”, “– Period-to-Period Comparison of Results of Operations – Year 2021 Compared to Year 2020”, and “– Period-to-Period Comparison of Results of Operations – Year 2020 Compared to Year 2019” in this section for a discussion of the factors affecting our results of operations during the respective periods.

### **Return on Assets**

Our return on assets remained relatively stable at 2.6%, 2.3% and 2.2% for the years ended December 31, 2019, 2020 and 2021.

### **Current Ratio**

Our current ratio decreased from 2.1 as of December 31, 2019 to 0.5 as of December 31, 2020, primarily attributable to (i) the increase in our current liabilities which was primarily due to a significant amount of fair value loss on convertible redeemable preferred shares in 2020, and (ii) the decrease in our current assets. Our current ratio remained relatively stable at 0.5, 0.6 and 0.6 as of December 31, 2020 and 2021 and March 31, 2022.

### **Quick Ratio**

Our quick ratio decreased from 1.4 as of December 31, 2019 to 0.4 as of December 31, 2020, primarily because the increase in our total current liabilities was faster than the increase in our total current assets from December 31, 2019 to December 31, 2020. The increase in our total current liabilities was primarily due to a significant amount of fair value loss on convertible redeemable preferred shares in 2020. Our quick ratio remained relatively stable at 0.4, 0.4 and 0.5 as of December 31, 2020 and 2021 and March 31, 2022.

### **FINANCIAL RISKS**

We are exposed to a variety of financial risks, including credit risk and liquidity risk, as set out below. We manage and monitor these exposures to ensure appropriate measures are implemented on a timely and effective manner. For further details, see note 37 to the Accountant’s Report set out in Appendix I to this prospectus.

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## FINANCIAL INFORMATION

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### **Credit Risk**

Our credit risk is primarily attributable to trade and notes receivables, financial assets included in prepayments, other receivables and other assets, time deposits, restricted cash and cash and cash equivalents. The maximum exposure to credit risk is represented by the carrying amounts of these financial assets in our consolidated statements of financial position.

To manage our credit risk, we trade only with recognized and creditworthy third parties, and there is no requirement for collateral. It is our policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis.

We measure loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. We do not provide any guarantees which would expose us to credit risk. As our historical credit loss experiences do not indicate significantly different loss patterns for different businesses, the loss allowance based on past due status is not further distinguished between our different customer bases.

For further information relating to our credit risk, see note 37 to the Accountant's Report set out in Appendix I to this prospectus.

### **Liquidity Risk**

In the management of liquidity risk, we monitor and maintain a level of cash and cash equivalents deemed adequate by our management to finance the operations and mitigate the effects of fluctuations in cash flows.

Our objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans, lease liabilities and other interest-bearing loans.

See note 37 to the Accountant's Report set out in Appendix I to this prospectus for more details about the maturity profile of our financial liabilities.

### **DIVIDENDS**

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.

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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.

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.

### **DISTRIBUTABLE RESERVES**

As of March 31, 2022, our Company did not have any distributable reserves available for distribution to our shareholders.

### **LISTING EXPENSES**

Our listing expenses mainly include professional fees, underwriting commissions and other fees incurred in connection with the Global Offering. The estimated total listing expenses (based on the mid-point of our indicative price range for the Global Offering and assuming that the Over-allotment Option is not exercised, excluding any discretionary incentive fee which may be payable by us), including underwriting commission for the Global Offering, are approximately RMB77.9 million (including (i) underwriting commission of approximately RMB17.9 million, and (ii) non-underwriting related expenses of approximately RMB60.0 million, which consist of fees and expenses of legal advisors and the Reporting Accountant of approximately RMB35.4 million and other fees and expenses of approximately RMB24.6 million), representing approximately 20.2% of the gross proceeds from the Global Offering, of which (i) approximately RMB14.8 million is directly attributable to the issue of our Offer Shares to the public and will be deducted from equity upon the Listing; (ii) approximately nil, nil, RMB21.4 million and RMB7.8 million 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 RMB33.9 million 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.



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## **FINANCIAL INFORMATION**

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### **UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS**

See Appendix II to this prospectus for details.

### **NO MATERIAL ADVERSE CHANGE CONFIRMATION**

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 prospectus, (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 prospectus 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.

### **DISCLOSURE REQUIRED UNDER THE LISTING RULES**

Our Directors confirm that, as of the Latest Practicable Date, there were no circumstances that would give rise to a disclosure requirement under Rules 13.13 to 13.19 in Chapter 13 of the Listing Rules upon the Listing of the Shares on the Stock Exchange.

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## FUTURE PLANS AND USE OF PROCEEDS

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### FUTURE PLANS

See “Business – Our Strategies” for a detailed description of our future plans.

### USE OF PROCEEDS

The net proceeds from the Global Offering (assuming that the Over-allotment Option is not exercised) to be received by the Company, after deducting the underwriting commission and other estimated expenses in connection with the Global Offering, are expected to be approximately HK\$371.4 million, assuming that the Offer Price is HK\$30.52 (being the mid-point of the Offer Price range).

In line with our strategies, we intend to use the net proceeds of the Global Offering for the following purposes:

#### **IP Pool Expansion**

- Approximately 10% or approximately HK\$37.1 million will be allocated to further expand our IP pool. From time to time, we will explore and purchase high-potential IPs from social media platforms, books, movies or major online literature platforms, and acquire quality scripts from relevant IP owners or scriptwriters for our further development and we plan to allocate 5% of the net proceeds from the Global Offering, approximately HK\$18.6 million for such purchase. We also plan to recruit talented writers to join our in-house concept development team to enhance our concept development capability of original IPs thus we can exclusively secure the IPs produced by them and we plan to allocate 2% of the net proceeds from the Global Offering, approximately HK\$7.4 million for such recruitment. In addition, we plan to enhance our script development capability as well, through full-time hire of or close collaboration with talented scriptwriters from industry and social media platforms and we plan to allocate 3% of the net proceeds from the Global Offering, approximately HK\$11.1 million to enhance our script development capabilities. We also plan to enhance our channels to identify outstanding young writers, such as through hosting and participating in more writing contests in the PRC.

#### **Drama Series Production and Promotion**

- Approximately 50% or approximately HK\$185.8 million will be allocated to further produce our original drama series. We are going to produce more high-quality high viewership drama series in the coming years. For drama series to be funded in part with net proceeds from the Global Offering, we plan to fund the remaining amounts through cash from operations, bank borrowings and trade receivables collected.
  - Approximately 45% or approximately HK\$167.2 million will be allocated to production of our original drama series. In the pre-production phase, we are in charge of casting, selection of production crew, script review, location scouting and

## FUTURE PLANS AND USE OF PROCEEDS

design and construction of shooting sets, formulation and commencement of product placement plans, and purchase and lease of filming equipment and props. In the filming phase, the production is led by our directors and producers, who are supported by professional teams with areas of expertise including filming, lighting, props, costumes, make-ups, settings and art, among many others. In the post-production phase, it primarily involves (i) video and sound editing; (ii) voice dubbing; (iii) creating and recording music; (iv) sound mixing; (v) special effects; and (vi) color grading.

We plan to fund our drama series in part with net proceeds from the Global Offering and the remaining amounts through cash from operations, bank borrowings and trade receivables collected. The table below sets forth the detailed information of the drama series that we plan to use the net proceeds to fund:

No.	Name of the drama series (temporary)	Business nature	Genre	Number of episodes	Our Investment percentage (%)	Estimated investment amount from the net proceeds (HK\$ in millions)	Total		Status as of the Latest Practicable Date
							Estimated Investment amount	Expected broadcasting time	
1	“Utter Innocence” (赤子之心)	Original drama series	Modern	40	100%	24.0	302.7	March 2023	Under filming/post-production
2	“Yinian Mountain Guan” (一念關山)	Original drama series	Costume	40	100%	21.8	276.0	August 2023	Under script development/pre-production
3	“A Little Reunion 2” (小歡喜2)	Original drama series	Modern	40	100%	27.6	350.0	December 2023	Under script development/pre-production
4	“Palace of Chen” (宸宮)	Original drama series	Costume	40	100%	21.4	271.3	October 2024	Under script development/pre-production
5	“Forty is Just Right” (四十正好)	Original drama series	Modern	40	100%	29.2	370.0	November 2024	Under script development/pre-production
6	“The Small Mansion Gate” (小宅門)	Original drama series	Modern	40	100%	21.4	271.3	December 2024	Under script development/pre-production
7	“The Moon Shines Bright” (月明千里)	Original drama series	Costume	40	100%	21.8	276.0	December 2024	Under script development/pre-production

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## FUTURE PLANS AND USE OF PROCEEDS

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- o Approximately 5% or approximately HK\$18.6 million will be allocated to distribution and promotion of our original drama series. In the distribution phase, we establish an effective market summary, analysis and feedback mechanism to further enhance our distribution process. In the promotion process, we primarily promote our drama series through interactive marketing on social media platforms and video sharing platforms. We formulate tailored promotion plans based on the demographics of the target audience of our original drama series. Our promotion activities also include press releases, marketing campaigns, drama series release conferences and media interviews with the major cast members.

### **Initiatives into Emerging Business Opportunities**

- Approximately 15% or approximately HK\$55.7 million 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. These initiatives will broaden ways of monetization of our IPs. For example, (i) the marketing of accounts on short video platforms will attract more audiences to view contents created by us, and (ii) development of our new content marketing and advertising business would enhance our capability in offering one-stop integrated marketing services to satisfy the needs of our current marketing customer and attract new customers.

### **Potential Strategic Investment and Acquisition Opportunities**

- Approximately 15% or approximately HK\$55.7 million will be allocated to pursue strategic investment and acquisition opportunities, such as companies possessing IP or IP development capabilities (for example, companies possessing literature IPs) and downstream businesses (for example, content marketing and e-commerce) to become our subsidiaries, 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. We will consider to invest in, acquire or establish joint ventures with the target, among other ways, depending on the actual situation. Minority investments into targets or strategic acquisitions as such are considered common business operation in the industry to strengthen the competitiveness of IP, contents and offerings. We plan to secure targets with an estimated market value between approximately RMB100 million to RMB600 million and plan to use approximately RMB20 million to RMB100 million for each round of investment. We believe that there are suitable targets available on the market as the IP development and the downstream market is highly fragmented involving various types of market players with different backgrounds and scales, according to Frost & Sullivan. As of the Latest Practicable Date, we had not identified or pursued any strategic investment or acquisition target and had not set any definitive investment or acquisition timeframe.

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## FUTURE PLANS AND USE OF PROCEEDS

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### Working Capital and General Corporate Purposes

- Approximately 10% or approximately HK\$37.1 million will be used for general corporate purposes.

### IMPLEMENTATION TIMELINE

The following sets forth a breakdown of the net proceeds to be applied by different periods of time.

	2022	2023	2024	Total
	<i>(in millions of HK\$)</i>			
IP pool expansion	12.4	12.4	12.3	37.1
– IP purchase	6.2	6.2	6.2	18.6
– Writer recruitment	2.5	2.5	2.4	7.4
– Recruitment of and collaboration with scriptwriters	3.7	3.7	3.7	11.1
Drama series production and promotion	55.1	87.5	43.2	185.8
– Production	45.8	78.2	43.2	167.2
– Distribution and promotion	9.3	9.3	–	18.6
Initiatives into emerging business opportunities	22.3	16.7	16.7	55.7
Strategic investment and acquisitions	11.1	22.3	22.3	55.7
Working capital and general corporate purposes	14.9	11.1	11.1	37.1

If the Offer Price is set at the high-end of the Offer Price range or the low-end of the Offer Price range, the net proceeds of the Global Offering will increase or decrease by approximately HK\$40.1 million and HK\$40.0 million, respectively. To the extent our net proceeds from the Global Offering are either more or less than expected, we will increase or decrease the intended use of our net proceeds for the above purposes on a pro rata basis.

If the Over-allotment Option is fully exercised, our Company will receive additional net proceeds of approximately HK\$66.1 million for 2,270,800 Shares to be allotted and issued upon the full exercise of the Over-allotment Option based on the Offer Price of HK\$30.52 per Offer Share, being the mid-point of the Offer Price range, and after deducting the underwriting fees and commissions payable by our Company. The additional amount raised will be applied to the above areas of use of proceeds on pro-rata basis.

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## **FUTURE PLANS AND USE OF PROCEEDS**

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If any part of our development plan does not proceed as planned for reasons such as changes in government policies that would render the development of any of our projects not viable, or the occurrence of force majeure events, we will carefully evaluate the situation and may reallocate the net proceeds from the Global Offering.

To the extent that the net proceeds are not immediately applied to the above purposes, we will 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.

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## UNDERWRITING

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### HONG KONG UNDERWRITERS

Morgan Stanley Asia Limited

China International Capital Corporation Hong Kong Securities Limited

CMB International Capital Limited

Futu Securities International (Hong Kong) Limited

Livermore Holdings Limited

### UNDERWRITING ARRANGEMENTS AND EXPENSES

#### Hong Kong Public Offering

##### *Hong Kong Underwriting Agreement*

Pursuant to the Hong Kong Underwriting Agreement, we are offering 1,514,000 Hong Kong Offer Shares (subject to reallocation) for subscription by the public in Hong Kong at the Offer Price on the terms and subject to the conditions of this prospectus.

Subject to the Listing Committee granting the listing of, and permission to deal in, our Shares in issue and to be issued as mentioned herein (including any additional Shares which may be made available pursuant to the exercise of the Over-allotment Option), and to certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have agreed severally, but not jointly, to subscribe for or procure subscribers for their respective applicable proportions of the Hong Kong Offer Shares which are being offered but are not taken up under the Hong Kong Public Offering on the terms and subject to the conditions of this prospectus and the Hong Kong Underwriting Agreement.

The Hong Kong Underwriting Agreement is conditional upon and subject to the International Underwriting Agreement having been signed and becoming unconditional and not having been terminated in accordance with its terms.

##### *Grounds for Termination*

The Joint Representatives (for themselves and on behalf of the Hong Kong Underwriters) shall be entitled by notice (in writing) to the Company to terminate the Hong Kong Underwriting Agreement with immediate effect if prior to 8:00 a.m. on the Listing Date:

- (a) there shall develop, occur, exist or come into effect:
  - (i) any or a series of local, national, regional or international event(s) or circumstance(s) in the nature of force majeure (including any acts of government, paralysis in government operations, declaration of a national, regional or international emergency or war, calamity, crisis, epidemic and pandemic (including Severe Acute Respiratory Syndrome (SARS)),

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## UNDERWRITING

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Coronavirus Disease 2019 (COVID-19), H1N1 and H5N1 and such related/mutated forms and the escalation, mutation or aggravation of such diseases), or interruption or delay in transportation, outbreak, escalation, mutation or aggravation of disease, economic sanctions, labour disputes, strikes, other industrial actions, lock-outs, fire, explosion, flooding, tsunami, earthquake, volcanic eruption, civil commotion, riots, rebellion, public disorder, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God or acts of terrorism (whether or not responsibility has been claimed)) in or directly or indirectly affecting Hong Kong, the PRC, the Cayman Islands, the United Kingdom, the United States, or the European Union (or any member thereof) or any other jurisdictions relevant to any member of the Group or the Global Offering (collectively, the “**Relevant Jurisdictions**”); or

- (ii) any change, or any development involving a prospective change, or any event or series of events or circumstance resulting or likely to result in or representing any change or development involving a prospective change, in any local, national, regional or international financial, economic, political, military, legal, industrial, fiscal, regulatory, currency, credit or market conditions, equity securities or exchange control or any monetary or trading settlement system or other financial markets (including conditions in the stock and bond markets, money and foreign exchange markets, the interbank markets and credit markets) in or directly or indirectly affecting any Relevant Jurisdictions; or
- (iii) any moratorium, suspension or restriction (including any imposition of or requirement for any minimum or maximum price limit or price range) in or on trading in securities generally on the Stock Exchange, the Shanghai Stock Exchange, the Shenzhen Stock Exchange, the Singapore Stock Exchange, the New York Stock Exchange, the NASDAQ Global Market or the London Stock Exchange; or
- (iv) any general moratorium on commercial banking activities in Hong Kong (imposed by the Financial Secretary or the Hong Kong Monetary Authority or other competent authority), the PRC, New York (imposed at Federal or New York State level or other competent authority), London, Singapore, the European Union (or any member thereof) or any other Relevant Jurisdiction, or any disruption in commercial banking or foreign exchange trading or securities settlement or clearance services, procedures or matters in any Relevant Jurisdiction; or
- (v) any new law, or any change or any development involving a prospective change or any event or circumstance likely to result in a change or a development involving a prospective change in (or in the interpretation or application by any court or other competent authority of) existing laws, in each case, in or affecting any of the Relevant Jurisdictions; or



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## UNDERWRITING

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- (vi) the imposition of sanctions, in whatever form, directly or indirectly, under any sanction laws, or the withdrawal of trading privileges which existed on the date of the Hong Kong Underwriting Agreement in, Hong Kong, the PRC or any other Relevant Jurisdiction; or
- (vii) a change or development involving a prospective change in or affecting taxation or exchange control, currency exchange rates or foreign investment regulations (including a material devaluation of the Hong Kong dollar or the Renminbi against any foreign currencies and a change in the system under which the value of the Hong Kong currency is linked to that of the currency of the United States) in any of the Relevant Jurisdictions; or
- (viii) any litigation, dispute, legal action or claim, regulatory investigation or action of any third party being threatened or instigated against the subsidiaries and consolidated affiliated entities of the Group; or
- (ix) any litigation, dispute, legal action or claim, regulatory investigation or action of any third party being threatened or instigated against any Director, or a Director or a member of the Company's senior management as named in this prospectus being charged with an indictable offense or prohibited by operation of law or otherwise disqualified from taking part in the management or taking directorship of a company or the commencement by any government, political, regulatory body of any action against any Director in his capacity as such or an announcement by any governmental, political regulatory body that it intends to take any such action; or
- (x) a contravention by any member of the Group or any Director of the Listing Rules or applicable laws; or
- (xi) non-compliance of the application proof, the post-hearing information proof, this prospectus, the **GREEN** Application Form, the formal notice (or any other documents used in connection with the contemplated offer and sale of the Offer Shares) or any aspect of the Global Offering with the Listing Rules or any other applicable laws; or
- (xii) the issue or requirement to issue by the Company of any supplement or amendment to this prospectus (or to any other documents issued or used in connection with the Global Offering) pursuant to the Companies Ordinance or the Companies (Winding Up and Miscellaneous Provisions) Ordinance or the Listing Rules or any requirement or request of the Stock Exchange and/or the SFC; or
- (xiii) any change or development involving a prospective change in, or a materialization of, any of the risks set out in the section headed "Risk Factors" of this prospectus; or
- (xiv) a valid demand by any creditor for repayment or payment of any indebtedness of any member of the Group or in respect of which any member of the Group is liable prior to its stated maturity; or

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## UNDERWRITING

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- (xv) a Director or any member of senior management of the Company as named in this prospectus vacating his or her office; or
- (xvi) an authority or a political body or organisation in any Relevant Jurisdiction commencing any investigation or other action, or announcing an intention to investigate or take other action, against any member of the Group or any Director or a member of the Company's senior management as named in this prospectus; or
- (xvii) any order or petition for the winding up or liquidation of any subsidiaries or consolidated affiliated entities of the Group (other than the Company) or any composition or arrangement made by any subsidiaries or consolidated affiliated entities of the Group (other than the Company) with its creditors or a scheme of arrangement entered into by any subsidiaries or consolidated affiliated entities of the Group (other than the Company) or any resolution for the winding-up of any subsidiaries or consolidated affiliated entities of the Group (other than the Company) or the appointment of a provisional liquidator, receiver or manager over all or part of the material assets or undertaking of any subsidiaries or consolidated affiliated entities of the Group (other than the Company) or anything analogous thereto occurring in respect of any subsidiaries or consolidated affiliated entities of the Group (other than the Company),

which, individually or in the aggregate, in the sole and absolute opinion of the Joint Representatives (1) has or will have or may have a material adverse effect on the assets, liabilities, business, general affairs, management, prospects, shareholders' equity, profits, losses, results of operations, position or condition, financial or otherwise, or performance of the Group as a whole; or (2) has or will have or may have a material adverse effect on the success of the Global Offering or the level of applications or the distribution of the Offer Shares under the Hong Kong Public Offering or the level of interest under the International Offering; or (3) makes or will make or may make it inadvisable or inexpedient or impracticable or incapable for any part of the Hong Kong Underwriting Agreement, or any part of the Hong Kong Public Offering or the Global Offering, or the delivery of the Offer Shares, to be performed or implemented or to proceed or to market the Global Offering in the manner contemplated by this prospectus; or (4) has or will have or may have the effect of making any part of the Hong Kong Underwriting Agreement (including underwriting of the Hong Kong Public Offering and/or the Global Offering) impracticable or incapable of performance in accordance with its terms or preventing or delaying the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof; or

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## UNDERWRITING

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- (b) there has come to the notice of the Joint Representatives:
- (i) that any statement contained in any of the Offering Documents (as defined in the Hong Kong Underwriting Agreement) and/or in any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of the Company in connection with the Hong Kong Public Offering (collectively, the “**Offer Related Documents**”) (including any supplement or amendment thereto) was, when it was issued, or has become, untrue, inaccurate, incorrect in any material respect, incomplete or misleading, or that any forecast, estimate, expression of opinion, intention or expectation contained in any of the Offer Related Documents (including any supplement or amendment thereto) is not fair and honest made on reasonable grounds or, where appropriate, and based on reasonable assumptions with reference to the facts and circumstances then subsisting in any material respect and when taken as a whole; or
  - (ii) that any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, constitute a material omission from any of the Offer Related Documents (including any supplement or amendment thereto); or
  - (iii) any breach of any of the obligations imposed upon any party to the Hong Kong Underwriting Agreement or the International Underwriting Agreement in any material respects (other than upon any of the Joint Sponsors, the Joint Representatives, the Joint Global Coordinators, the Hong Kong Underwriters or the International Underwriters); or
  - (iv) any event, act or omission which gives or is likely to give rise to any liability of any of the indemnifying parties (as defined in the Hong Kong Underwriting Agreement) pursuant to the provisions under the Hong Kong Underwriting Agreement; or
  - (v) any material adverse change, or any development involving a prospective material adverse change, in or affecting the assets, liabilities, business, general affairs, management, prospects, shareholders’ equity, profits, losses, results of operations, position or condition, financial or otherwise, or performance of the Company and the other members of the Group, taken as a whole; or
  - (vi) any breach of, or any event or matter or arising or has been discovered, or circumstance rendering untrue, incorrect, incomplete or misleading in any respect, any of the representations, warranties and undertakings given by the Company and the Controlling Shareholders in the Hong Kong Underwriting Agreement or the International Underwriting Agreement, as applicable, is (or would when repeated be); or

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## UNDERWRITING

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- (vii) a prohibition applicable to the Company, any of the Underwriters, and/or any of the foregoing's respective affiliates for whatever reason from offering, allotting, issuing or selling any of the Shares (including the Shares to be issued pursuant to the Over-allotment Option) pursuant to the terms of the Global Offering; or
- (viii) that approval by the Listing Committee of the listing of, and permission to deal in, the Shares to be issued (including any additional Shares that may be issued pursuant to the exercise of the Over-allotment Option) under the Global Offering is refused or not granted, other than subject to customary conditions, on or before the Listing Date, or if granted, the approval is subsequently withdrawn, cancelled, revoked or qualified (other than by customary conditions) or withheld; or
- (ix) the Company withdraws any of the Offering Documents (as defined in the Hong Kong Underwriting Agreement) or the Global Offering; or
- (x) any expert (other than the Joint Sponsors) has withdrawn its consent to being named as an expert in this prospectus or to the issue of any of the application proof, the post-hearing information proof, this prospectus, the **GREEN** Application Form or the formal notice or the inclusion of its reports, letters and/or legal opinions (as the case may be); or
- (xi) any order or petition for the winding up or liquidation of the Company or any composition or arrangement made by the Company with its creditors or a scheme of arrangement entered into by the Company or any resolution for the winding-up of the Company or the appointment of a provisional liquidator, receiver or manager over all or part of the material assets or undertaking of the Company or anything analogous thereto occurring in respect of the Company; or
- (xii) that a material portion of the orders placed or confirmed in the bookbuilding process, or of the investment commitments made by any cornerstone investors under agreements signed with such cornerstone investors, have been withdrawn, terminated or cancelled.

### *Undertakings to the Stock Exchange Pursuant to the Listing Rules*

#### *By our Company*

Pursuant to Rule 10.08 of the Listing Rules, we have undertaken to the Stock Exchange that no further Shares or securities convertible into equity securities of the Company (whether or not of a class already listed) may be issued by the Company or form the subject of any agreement to such an issue within six months from the Listing Date (whether or not such issue of Shares or securities of the Company will be completed within six months from the Listing Date) except for: (a) any capitalization issue, capital reduction or consolidation or sub-division of Shares; or (b) issue of Shares or securities pursuant to the Global Offering, the Over-Allotment Option and the options granted under the Pre-IPO Share Option Scheme; or (c) any other applicable circumstances provided under Rule 10.08 of the Listing Rules.

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## UNDERWRITING

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### *By the Controlling Shareholders*

In accordance with Rule 10.07(1) of the Listing Rules, each of the Controlling Shareholders has irrevocably and unconditionally undertaken to the Stock Exchange and us that, except pursuant to the Global Offering and the Over-allotment Option, he/it shall not:

- (a) in the period commencing on the date by reference (the “**Reference Date**”) to which disclosure of his/its shareholding is made in this prospectus and ending on the date (the “**End Date**”) which is six months from the Listing Date, dispose of, nor enter into any agreement to dispose of, or otherwise create any options, rights, interests or encumbrances (save as pursuant to a pledge or charge as security in favour of an authorized institution (as defined in the Banking Ordinance, Chapter 155 of the Laws of Hong Kong) for a bona fide commercial loan) in respect of, any of those securities of the Company in respect of which he/it is shown by this prospectus to be the beneficial owner (the “**Relevant Securities**”); and
- (b) in the period of six months commencing from the End Date, dispose of, nor enter into any agreement to dispose of, or otherwise create any options, rights, interests or encumbrances (save as pursuant to a pledge or charge as security in favour of an authorized institution (as defined in the Banking Ordinance, Chapter 155 of the Laws of Hong Kong) for a bona fide commercial loan) in respect of any of the Relevant Securities if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/it would cease to be the controlling shareholder (as defined in the Listing Rules) of the Company.

In accordance with Note 3 to Rule 10.07(2) of the Listing Rules, each of the Controlling Shareholders has also irrevocably and unconditionally undertaken to the Stock Exchange and us that within the period commencing on the Reference Date and ending on the date which is 12 months from the Listing Date, he/it shall:

- (i) when he/it pledges or charges any Shares or securities of the Company beneficially owned by him/it in favour of an authorized institution (as defined in the Banking Ordinance, Chapter 155 of the Laws of Hong Kong), pursuant to Note 2 to Rule 10.07(2) of the Listing Rules, immediately inform us in writing of such pledge or charge together with the number of such Shares or securities so pledged or charged; and
- (ii) when he/it receives any indications, either verbal or written, from the pledgee or chargee of any Shares that any of the pledged or charged Shares or securities of the Company will be disposed of, immediately inform the Company in writing of such indications.

We will inform the Stock Exchange as soon as we have been informed of the matters referred to in paragraphs (i) and (ii) above by the Controlling Shareholders and make a public disclosure in relation to such information by way of an announcement in accordance with the Listing Rules.

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## UNDERWRITING

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### *Undertakings Pursuant to the Hong Kong Underwriting Agreement*

#### *By our Company*

Except for the issue, offer and sale of the Shares pursuant to the Global Offering (including pursuant to the Over-allotment Option) and the Pre-IPO Share Option Scheme, during the period commencing on the date of the Hong Kong Underwriting Agreement and ending on, and including, the date that is six months after the Listing Date (the “**First Six-Month Period**”), the Company hereby undertakes to each of the Joint Representatives, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Hong Kong Underwriters and the Joint Sponsors not to, without the prior written consent of the Joint Sponsors and the Joint Representatives (for themselves and on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules:

- (a) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, hypothecate, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, or repurchase, any legal or beneficial interest in any Shares or other equity securities of the Company, as applicable, or any interest in any of the foregoing (including any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares, as applicable), or deposit any Shares or other securities of the Company, as applicable, with a depositary in connection with the issue of depositary receipts; or
- (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership (legal or beneficial) of any Shares or other securities of the Company, as applicable, or any interest in any of the foregoing (including any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares, as applicable); or
- (c) enter into any transaction with the same economic effect as any transaction specified in (a) or (b) above; or
- (d) offer to or agree to or announce any intention to effect any transaction specified in (a), (b) or (c) above,

in each case, whether any of the transactions specified in (a), (b) or (c) above is to be settled by delivery of Shares or other equity securities of the Company, as applicable, or in cash or otherwise (whether or not the issue of such Shares or other shares or securities will be completed within the First Six-Month Period).

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## UNDERWRITING

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In the event that, during the period of six months commencing on the date on which the First Six-Month Period expires (the “**Second Six-Month Period**”), the Company enters into any of the transactions specified in (a), (b) or (c) above or offers to or agrees to or announces any intention to effect any such transaction, the Company shall take all reasonable steps to ensure that it will not create a disorderly or false market in the securities of the Company.

Each of the Controlling Shareholders undertakes to each of the Joint Representatives, the Joint Global Coordinators, the Joint Lead Managers, the Joint Bookrunners, the Hong Kong Underwriters and the Joint Sponsors to procure the Company to comply with the undertakings.

*By the Controlling Shareholders*

Each of the Controlling Shareholders hereby jointly and severally undertakes to each of the Company, the Joint Representatives, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Hong Kong Underwriters and the Joint Sponsors that, except pursuant to the Global Offering (including pursuant to the Over-allotment Option) and the Stock Borrowing Agreement or permitted by Note 2 and 3 to Rule 10.07 of the Listing Rules, without the prior written consent of the Joint Sponsors and the Joint Representatives (for themselves and on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules:

- (a) he or she or it will not, and will procure that the relevant registered holder(s), any nominee or trustee holding on trust for him or her or it and the companies controlled by him or it will not, at any time during the First Six-Month Period, (i) sell, offer to sell, contract or agree to sell, hypothecate, lend, grant or sell any option, warrant, contract or right to purchase, grant or purchase any option, warrant, contract or right to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or other securities of the Company or any legal or beneficial interest therein (including any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares) (the “**Locked-up Securities**”), or deposit any Shares or other securities of the Company with a depositary in connection with the issue of depositary receipts, or (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any Locked-up Securities, or (iii) enter into any transaction with the same economic effect as any transaction specified in (a)(i) or (a)(ii) above, or offer to or agree to or announce any intention to effect any transaction specified in (a)(i), (a)(ii) or (a)(iii) above, in each case, whether any of the transactions specified in (a)(i), (a)(ii) or (a)(iii) above is to be settled by delivery of Shares or other securities of the Company or in cash or otherwise (whether or not the settlement or delivery of such Shares or other securities will be completed within the First Six-Month Period or the Second Six-Month Period);

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## UNDERWRITING

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- (b) he or she or it will not, during the Second Six-Month Period, enter into any of the transactions specified in (a)(i), (a)(ii), (a)(iii) or (a)(iv) above or offer to or agree to or contract or publicly announce any intention to effect any such transaction if, immediately following any sale, transfer or disposal or upon the exercise or enforcement of any option, right, interest or encumbrance pursuant to such transaction, the Controlling Shareholders will cease to be, as a group, controlling shareholders (as defined under the Listing Rules) of the Company; and
- (c) until the expiry of the Second Six-Month period, in the event that he or she or it enters into any of the transactions specified in (a)(i), (a)(ii) or (a)(iii) above or offer to or agrees to or announces any intention to effect any such transaction, he or she or it will take all reasonable steps to ensure that it will not create a disorderly or false market in the securities of the Company.

### *Indemnity*

Each of our Company and the Controlling Shareholders has agreed to indemnify each of the Joint Sponsors, the Joint Representatives, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters for certain losses which they may suffer, including any breach by them, respectively, of the Hong Kong Underwriting Agreement or certain provisions thereof.

### *Commission and Expenses*

The Hong Kong Underwriters will receive an underwriting commission of 3.5% of the aggregate Offer Price of all of the Hong Kong Offer Shares initially being offered under the Hong Kong Public Offering, out of which they will pay any sub-underwriting commission. For unsubscribed Hong Kong Offer Shares reallocated to the International Offering, if any, the International Underwriters will be paid an underwriting commission at the rate applicable to the International Offering and such commission will be paid to the International Underwriters, but not the Hong Kong Underwriters. In addition, the Joint Global Coordinators may receive a discretionary incentive fee of up to 1.0% of the Offer Price in respect of all of the Hong Kong Offer Shares (excluding any International Offer Shares reallocated to the Hong Kong Public Offering and any Hong Kong Offer Shares reallocated to the International Offering).

Assuming an Offer Price of HK\$30.52 per Share (being the mid-point of the indicative Offer Price range) and assuming that the Over-allotment Option is not exercised at all, the aggregate commissions and fees, together with listing fees, SFC transaction levy, the Stock Exchange trading fee, and FRC transaction levy legal and other professional fees, and printing and other expenses relating to the Global Offering are estimated to be approximately HK\$90.7 million in total and are payable by our Company (including underwriting commissions and incentive fees of approximately HK\$20.8 million).



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## UNDERWRITING

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Our Company expects to pay the International Underwriters a gross underwriting commission equal to 3.5% of the Offer Price for each International Offer Share (including any unsubscribed Hong Kong Offer Shares reallocated to the International Offering, each International Offer Share reallocated to the Hong Kong Public Offering and each Share to be issued pursuant to the Over-allotment Option, if any). Our Company may also in our sole and absolute discretion pay an additional discretionary incentive fee of up to 1.0% of the Offer Price for each of the International Offer Shares.

### *Undertakings by Existing Shareholders*

Each of our existing Shareholders (the “**Existing Shareholders**”, and each, an “**Existing Shareholder**”) have entered into a lock-up undertaking letter (the “**Lock-up Undertakings**”) in favour of the Company and/or the Joint Sponsors (for themselves and on behalf of the Underwriters). Pursuant to the Lock-up Undertakings, the Existing Shareholders are subject to lock-up arrangements ending on the date which is 6 months after the Listing Date, under similar terms and subject to certain exceptions.

### *Hong Kong Underwriters’ interests in our Company*

Save for their respective obligations under the Hong Kong Underwriting Agreement and as disclosed in this prospectus, as of the Latest Practicable Date, none of the Hong Kong Underwriters is interested directly or indirectly in any Shares or securities in our Company or any other member of the Group or has any right or option (whether legally enforceable or not) to subscribe for, or to nominate persons to subscribe for, any Shares or securities in our Company or any other member of the Group.

Following completion of the Global Offering, the Hong Kong Underwriters and their affiliated companies may hold a certain portion of the Shares as a result of fulfilling their obligations under the Hong Kong Underwriting Agreement.

### **International Offering**

In connection with the International Offering, we expect to enter into the International Underwriting Agreement with, among others, the International Underwriters. Under the International Underwriting Agreement, the International Underwriters would, subject to certain conditions, severally but not jointly agree to purchase the International Offer Shares or procure purchasers for the International Offer Shares initially being offered pursuant to the International Offering.

Under the International Underwriting Agreement, we intend to grant to the International Underwriters the Over-allotment Option, exercisable in whole or in part at one or more times, at the sole and absolute discretion of the Joint Representatives on behalf of the International Underwriters from the date of the International Underwriting Agreement until 30 days from the last day for the lodging of applications under the Hong Kong Public Offering to require us to

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## UNDERWRITING

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allot and issue up to an aggregate of 2,270,800 additional Shares, representing approximately 15.0% of the number of Offer Shares initially available under the Global Offering at the Offer Price to cover over-allocations in the International Offering, if any.

The International Underwriting Agreement is conditional on and subject to the Hong Kong Underwriting Agreement having been executed, becoming unconditional and not having been terminated. It is expected that undertakings similar to those given to the Hong Kong Underwriters will be given by our Company to the International Underwriters under the International Underwriting Agreement.

### ACTIVITIES BY SYNDICATE MEMBERS

We describe below a variety of activities that underwriters of the Hong Kong Public Offering and the International Offering, together referred to as “**Syndicate Members**”, may each individually undertake, and which do not form part of the underwriting or the stabilizing process. When engaging in any of these activities, it should be noted that the Syndicate Members are subject to restrictions, including the following:

- (a) under the agreement among the Syndicate Members, all of them (except for China International Capital Corporation Hong Kong Securities Limited and its affiliates as the stabilizing manager) must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Shares), whether in the open market or otherwise, with a view to stabilizing or maintaining the market price of any of the Offer Shares at levels other than those which might otherwise prevail in the open market; and
- (b) all of them must comply with all applicable laws, including the market misconduct provisions of the SFO, including the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

The Syndicate Members and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own account and for the account of others. In relation to the Shares, those activities could include acting as agent for buyers and sellers of the Shares, entering into transactions with those buyers and sellers in a principal capacity, proprietary trading in the Shares and entering into over-the-counter or listed derivative transactions or listed and unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have the Shares as their or part of their underlying assets. Those activities may require hedging activity by those entities involving, directly or indirectly, buying and selling the Shares.

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## UNDERWRITING

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All such activities could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in the Shares, in baskets of securities or indices including the Shares, in units of funds that may purchase the Shares, or in derivatives related to any of the foregoing.

In relation to issues by Syndicate Members or their affiliates of any listed securities having the Shares as their or part of their underlying assets, whether on the Stock Exchange or on any other stock exchange, the rules of the relevant exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in the Shares in most cases.

All of these activities may occur both during and after the end of the stabilizing period described under the section headed “Structure of the Global Offering – Stabilizing Action” in this prospectus. These activities may affect the market price or value of the Shares, the liquidity or trading volume in the Shares and the volatility of their share price, and the extent to which this occurs from day to day cannot be estimated.

### **JOINT SPONSORS’ INDEPENDENCE**

Each of the Joint Sponsors satisfies the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rules.

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## STRUCTURE OF THE GLOBAL OFFERING

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### THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. The Global Offering comprises of:

- (a) the Hong Kong Public Offering of initially 1,514,000 Offer Shares (subject to reallocation) in Hong Kong as described in the paragraph headed “– The Hong Kong Public Offering” in this section; and
- (b) the International Offering of an aggregate of 13,625,300 Offer Shares (subject to reallocation and the Over-allotment Option) outside the United States in offshore transactions in reliance on Regulation S.

Investors may apply for Hong Kong Offer Shares under the Hong Kong Public Offering or apply for or indicate an interest, if qualified to do so, for the International Offer Shares under the International Offering, but may not do both.

The number of Hong Kong Offer Shares and International Offer Shares to be offered under the Hong Kong Public Offering and the International Offering respectively may be subject to reallocation as described in the paragraph headed “– Pricing and Allocation” in this section.

References in this prospectus to applications, application monies or the procedure for application relate solely to the Hong Kong Public Offering.

### THE HONG KONG PUBLIC OFFERING

#### Number of Shares Initially Offered

We are initially offering 1,514,000 Hong Kong Offer Shares at the Offer Price, representing approximately 10.0% of the total number of Offer Shares initially available under the Global Offering, at the Offer Price for subscription by the public in Hong Kong. Subject to the reallocation of Shares between (i) the International Offering, and (ii) the Hong Kong Public Offering, the Hong Kong Offer Shares will represent approximately 0.4% of our Company’s enlarged issued share capital immediately after completion of the Global Offering, assuming that the Over-allotment Option and the options granted under the Pre-IPO Share Option Scheme are not exercised.

The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors. Professional investors generally include brokers, dealers and companies (including fund managers) whose ordinary business involves dealing in shares and other securities, and corporate entities which regularly invest in shares and other securities.

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## STRUCTURE OF THE GLOBAL OFFERING

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Completion of the Hong Kong Public Offering is subject to the conditions as set out in the paragraph headed “– Conditions of the Global Offering” in this section.

### **Allocation**

Allocation of Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

The total number of Hong Kong Offer Shares available under the Hong Kong Public Offering (after taking account of any reallocation referred to below) will be divided into two pools (with any odd board lots being allocated to pool A) for allocation purposes.

- **Pool A:** The Hong Kong Offer Shares in Pool A will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with a total subscription price of HK\$5 million (excluding the brokerage, SFC transaction levy, the Stock Exchange trading fee and the FRC transaction levy payable) or less.
- **Pool B:** The Hong Kong Offer Shares in Pool B will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with a total subscription price of more than HK\$5 million (excluding the brokerage, SFC transaction levy, the Stock Exchange trading fee and the FRC transaction levy payable) and up to the total value of pool B.

For the purpose of this sub-section only, the “subscription price” for Hong Kong Offer Shares means the price payable on application (without regard to the Offer Price as finally determined).

Applicants should be aware that applications in Pool A and applications in Pool B may receive different allocation ratios. If Hong Kong Offer Shares in one (but not both) of the two pools are undersubscribed, the surplus Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly.

Applicants can only receive an allocation of Hong Kong Offer Shares from either Pool A or Pool B, but not from both pools. Multiple or suspected multiple applications and any application for more than 757,000 Hong Kong Offer Shares will be rejected.

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## STRUCTURE OF THE GLOBAL OFFERING

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### Reallocation and Clawback

The allocation of the Offer Shares between the Hong Kong Public Offering and the International Offering is subject to the reallocation. Paragraph 4.2 of Practice Note 18 of the Listing Rules requires a clawback mechanism to be put in place which would have the effect of increasing the number of Offer Shares under the Hong Kong Public Offering to a certain percentage of the total number of Offer Shares offered under the Global Offering if the International Offering is fully subscribed or oversubscribed and the certain prescribed total demand levels are reached, subject to the following:

- If the number of the Offer Shares validly applied for under the Hong Kong Public Offering represents 15 times or more but less than 50 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then the Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of the Offer Shares available under the Hong Kong Public Offering will be 4,541,800 Shares, representing approximately 30% of Offer Shares initially available under the Global Offering.
- If the number of the Offer Shares validly applied for under the Hong Kong Public Offering represents 50 times or more but less than 100 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased so that the total number of the Offer Shares available under the Hong Kong Public Offering will be 6,055,800 Shares, representing approximately 40% of the Offer Shares initially available under the Global Offering.
- If the number of the Offer Shares validly applied for under the Hong Kong Public Offering represents 100 times or more the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased, so that the total number of Offer Shares available under the Hong Kong Public Offering will be 7,569,700 Shares, representing approximately 50% of Offer Shares initially available under the Global Offering.

The Offer Shares to be offered in the Hong Kong Public Offering and the International Offering may, in certain circumstances, be reallocated as between these offerings at the discretion of the Joint Representatives. Subject to the foregoing paragraph, the Joint Representatives may in their discretion reallocate Shares from the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering. In addition, if the Hong Kong Public Offering is not fully subscribed, the Joint Representatives will have the discretion (but shall not be under any obligation) to reallocate to the International Offering all or any unsubscribed Hong Kong Offer Shares in such amounts as they deem appropriate.

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## STRUCTURE OF THE GLOBAL OFFERING

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In each case, the additional Offer Shares reallocated to the Hong Kong Public Offering will be allocated between Pool A and Pool B and the number of Offer Shares allocated to the International Offering will be correspondingly reduced in such manner as the Joint Representatives deem appropriate. In the event of reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering in the circumstances where (a) the International Offer Shares are fully subscribed or oversubscribed and the Hong Kong Offer Shares are fully subscribed or oversubscribed by less than 15 times, or (b) the International Offer Shares are undersubscribed and the Hong Kong Offer Shares are fully subscribed or oversubscribed irrespective of the number of times, then up to 1,514,000 Offer Shares may be reallocated from the International Offering to the Hong Kong Public Offering, so that the total number of Offer Shares available for subscription under the Hong Kong Public Offering will increase up to 3,028,000 Shares, representing approximately 20% of the number of the Offer shares initially available under the Global Offering (before any exercise of the Over-allotment Option), and the Offer Price shall be fixed at HK\$27.75 per Offer Share (being the low-end of the indicative Offer Price range) in accordance with Guidance Letter HKEX-GL91-18.

### **Applications**

Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the application submitted by him that he and any person(s) for whose benefit he is making the application has not applied for or taken up, or indicated an interest in, and will not apply for or take up, or indicate an interest in, any International Offer Shares under the International Offering, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or it has been or will be placed or allocated International Offer Shares under the International Offering.

Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum price of HK\$33.30 per Offer Share in addition to the brokerage, SFC transaction levy, the Stock Exchange trading fee and the FRC transaction levy payable on each Offer Share, equal to a total of HK\$3,363.56 for one board lot of 100 Shares. If the Offer Price, as finally determined in the manner described in the paragraph headed “– Pricing and Allocation” in this section, is less than the maximum price of HK\$33.30 per Offer Share, appropriate refund payments (including the brokerage, SFC transaction levy, the Stock Exchange trading fee and the FRC transaction levy attributable to the surplus application monies) will be made to successful applicants, without interest. Further details are set out below in the section headed “How to Apply for Hong Kong Offer Shares” in this prospectus.

References in this prospectus to applications, application monies or the procedure for application relate solely to the Hong Kong Public Offering.

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## STRUCTURE OF THE GLOBAL OFFERING

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### THE INTERNATIONAL OFFERING

#### Number of Offer Shares Initially Offered

Subject to the reallocation as described above, the number of Offer Shares to be initially offered under the International Offering will be 13,625,300 Shares (subject to reallocation and the Over-allotment Option), representing approximately 90.0% of the total number of Offer Shares initially available under the Global Offering.

Subject to the reallocation of the Offer Shares between the International Offering and the Hong Kong Public Offering, the number of Offer Shares initially offered under the International Offering will represent approximately 3.8% of our Company's enlarged issued share capital immediately after completion of the Global Offering, assuming that the Over-allotment Option is not exercised.

#### Allocation

Pursuant to the International Offering, the International Offer Shares will be conditionally placed on behalf of our Company by the International Underwriters or through selling agents appointed by them. The International Offering will include selective marketing of Offer Shares to certain professional and institutional investors and other investors anticipated to have a sizeable demand for such Offer Shares in Hong Kong and other jurisdictions outside the United States in offshore transactions in reliance on Regulation S. The International Offering is subject to the Hong Kong Public Offering being unconditional.

Allocation of Offer Shares pursuant to the International Offering will be effected in accordance with the "book-building" process described in the paragraph headed "– Pricing and Allocation" in this section and based on a number of factors, including the level and timing of demand, total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further, and/or hold or sell, Shares, after the listing of our Shares on the Stock Exchange. Such allocation is intended to result in a distribution of the Shares on a basis which would lead to the establishment of a solid Shareholder base to the benefit of our Company and our Shareholders as a whole.

The Joint Representatives (for themselves and on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the International Offering and who has made an application under the Hong Kong Public Offering, to provide sufficient information to the Joint Representatives so as to allow them to identify the relevant applications under the Hong Kong Public Offering and to ensure that they are excluded from any application of Offer Shares under the Hong Kong Public Offering.



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## STRUCTURE OF THE GLOBAL OFFERING

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### **Reallocation**

The total number of Offer Shares to be issued or sold pursuant to the International Offering may change as a result of the clawback arrangement described in the paragraph headed “– The Hong Kong Public Offering – Reallocation and Clawback” in this section, the exercise of the Over-allotment Option in whole or in part described in the paragraph headed “– Over-allotment Option” in this section, and any reallocation of unsubscribed Offer Shares originally included in the Hong Kong Public Offering and/or any Offer Shares from the International Offering to the Hong Kong Public Offering at the discretion of the Joint Representatives.

### **OVER-ALLOTMENT OPTION**

In connection with the Global Offering, it is expected that our Company will grant the Over-allotment Option to the International Underwriters, which will be exercisable by the Joint Representatives (on behalf of the International Underwriters).

Pursuant to the Over-allotment Option, the International Underwriters have the right, exercisable by the Joint Representatives (on behalf of the International Underwriters) at any time from the Listing Date to the 30th day after the last day for lodging applications under the Hong Kong Public Offering, to require our Company to issue and allot up to 2,270,800 Shares, representing approximately 15.0% of the maximum number of Offer Shares initially available under the Global Offering, at the Offer Price under the International Offering, to cover over-allocations in the International Offering, if any.

If the Over-allotment Option is exercised in full, the additional International Offer Shares to be issued pursuant thereto will represent approximately 0.63% of our Company’s enlarged issued share capital immediately following the completion of the Global Offering and the exercise of the Over-allotment Option. In the event that the Over-allotment Option is exercised, an announcement will be made.

### **STABILIZING ACTION**

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilize, the underwriters may bid for, or purchase, the securities in the secondary market, during a specified period of time, to curb and, if possible, prevent any decline in the market price of the securities below the Offer Price. It may be effected in jurisdictions where it is permissible to do so and subject to all applicable laws and regulatory requirements. In Hong Kong and certain other jurisdictions, activity aimed at reducing the market price is prohibited. The price at which stabilization is effected is not permitted to exceed the Offer Price.

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## STRUCTURE OF THE GLOBAL OFFERING

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In connection with the Global Offering, the Stabilizing Manager, or any person acting for it, on behalf of the Underwriters, may to the extent permitted by applicable laws of Hong Kong or elsewhere, over-allocate or effect short sales or any other stabilizing transactions with a view to stabilizing or maintaining the market price of the Shares at a level higher than that which might otherwise prevail in the open market for a limited period after the last day of the lodging of applications under the Hong Kong Public Offering. Short sales involve the sale by the Stabilizing Manager of a greater number of Shares than the Underwriters are required to purchase in the Global Offering. “Covered” short sales are sales made in an amount not greater than the Over-allotment Option. The Stabilizing Manager may close out the covered short position by either exercising the Over-allotment Option to purchase additional Offer Shares or purchasing Shares in the open market. In determining the source of the Offer Shares to close out the covered short position, the Stabilizing Manager will consider, among other things, the price of Offer Shares in the open market as compared to the price at which they may purchase additional Offer Shares pursuant to the Over-allotment Option. Stabilizing transactions consist of certain bids or purchases made for the purpose of preventing or curbing a decline in the market price of the Offer Shares while the Global Offering is in progress. Any market purchases of the Shares will be effected on any stock exchange, including the Stock Exchange, any over-the-counter market or otherwise, provided that they are made in compliance with all applicable laws, rules and regulatory requirements. However, there is no obligation on the Stabilizing Manager or any person acting for it to conduct any such stabilizing action. Such stabilizing activity, if commenced, will be done at the absolute discretion of the Stabilizing Manager and may be discontinued at any time.

Any such stabilizing activity is required to be brought to an end within 30 days of the last day for the lodging of applications under the Hong Kong Public Offering. The number of Offer Shares that may be over-allocated will not exceed the number of Shares that may be sold under the Over-allotment Option, namely, 2,270,800 Offer Shares, which is approximately 15.0% of the number of Offer Shares initially available under the Global Offering, and cover such over-allocations by exercising the Over-allotment Option or by making purchases in the secondary market at prices that do not exceed the Offer Price or through stock borrowing arrangements or a combination of these means.

In Hong Kong, stabilizing activities must be carried out in accordance with the Securities and Futures (Price Stabilizing) Rules. Stabilizing actions permitted pursuant to the Securities and Futures (Price Stabilizing) Rules (Chapter 571W of the Laws of Hong Kong) under the SFO include:

- (a) over-allocation for the purpose of preventing or minimizing any reduction in the market price of our Shares;
- (b) selling or agreeing to sell the Shares so as to establish a short position in them for the purpose of preventing or minimizing any reduction in the market price of the Shares;

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## STRUCTURE OF THE GLOBAL OFFERING

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- (c) purchasing or subscribing for, or agreeing to purchase or subscribe for, our Shares pursuant to the Over-allotment Option in order to close out any position established under (a) or (b) above;
- (d) purchasing, or agreeing to purchase, any of the Shares for the sole purpose of preventing or minimizing any reduction in the market price of the Shares;
- (e) selling or agreeing to sell any of our Shares in order to liquidate any position held as a result of those purchases; and
- (f) offering or attempting to do anything as described in (b), (c), (d) or (e) above.

Stabilizing actions by the Stabilizing Manager, or any person acting for it, will be entered into in accordance with the laws, rules and regulations in place in Hong Kong on stabilization.

Prospective applicants for and investors in the Offer Shares should note that:

- the Stabilizing Manager or any person acting for it may, in connection with the stabilizing action, maintain a long position in our Shares;
- there is no certainty as to the extent to which and the time or period for which the Stabilizing Manager or any person acting for it will maintain such a long position;
- liquidation of any such long position by the Stabilizing Manager or any person acting for it and selling in the open market, may have an adverse impact on the market price of our Shares;
- no stabilizing action can be taken to support the price of our Shares for longer than the stabilization period, which will begin on the Listing Date, and is expected to expire on the 30th day after the last date for lodging applications under the Hong Kong Public Offering. After this date, when no further stabilizing action may be taken, demand for our Shares, and therefore the price of our Shares, could fall;
- the price of our Shares cannot be assured to stay at or above the Offer Price by the taking of any stabilizing action; and
- stabilizing bids or transactions effected in the course of the stabilizing action may be made at any price at or below the Offer Price and can, therefore, be done at a price below the price paid by applicants for, or investors in, the Offer Shares.

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## STRUCTURE OF THE GLOBAL OFFERING

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As a result of effecting transactions to stabilize or maintain the market price of the Shares, the Stabilizing Manager, or any person acting for it, may maintain a long position in the Shares. The size of the long position, and the period for which the Stabilizing Manager, or any person acting for it, will maintain the long position is at the discretion of the Stabilizing Manager and is uncertain. In the event that the Stabilizing Manager liquidates this long position by making sales in the open market, this may lead to a decline in the market price of the Shares.

Stabilizing action by the Stabilizing Manager, or any person acting for it, is not permitted to support the price of the Shares for longer than the stabilizing period, which begins on the day on which trading of the Shares commences on the Stock Exchange and ends on the 30th day after the last day for the lodging of applications under the Hong Kong Public Offering. The stabilizing period is expected to end on Friday, September 2, 2022. As a result, demand for the Shares and their market price, may fall after the end of the stabilizing period. These activities by the Stabilizing Manager may stabilize, maintain or otherwise affect the market price of the Shares. A public announcement in compliance with the Securities and Futures (Price Stabilizing) Rules will be made within seven days of the expiration of the stabilizing period.

### STOCK BORROWING AGREEMENT

In order to facilitate the settlement of over-allocations, if any, in connection with the Global Offering, the Stabilizing Manager (or any person acting for it) may choose to borrow up to 2,270,800 Shares (being the maximum number of Shares which may be issued pursuant to the exercise of the Over-allotment Option) from Lemontree Harvest, pursuant to the Stock Borrowing Agreement.

If the Stock Borrowing Agreement with Lemontree Harvest is entered into, the borrowing of Shares will only be effected by the Stabilizing Manager (or any person acting for it) for the settlement of over-allocations in the International Offering and such borrowing arrangement is not subject to the restrictions of Rule 10.07(1)(a) of the Listing Rules, provided that the requirements set out in Rule 10.07(3) of the Listing Rules, being that the Stock Borrowing Agreement will be for the sole purpose of covering any short position prior to the exercise of the Over-allotment Option in connection with the International Offering, are complied with.

The same number of Shares so borrowed must be returned to Lemontree Harvest or its nominees, as the case may be, on or before the third business day following the earlier of (a) the last day for exercising the Over-allotment Option and (b) the day on which the Over-allotment Option is exercised in full.

The Shares borrowing arrangement described above will be effected in compliance with all applicable laws, rules and regulatory requirements. No payment will be made to Lemontree Harvest by the Stabilizing Manager (or any person acting for it) in relation to such Shares borrowing arrangement.

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## STRUCTURE OF THE GLOBAL OFFERING

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### PRICING AND ALLOCATION

#### Determining the Offer Price

The International Underwriters will be soliciting from prospective investors' indications of interest in acquiring Offer Shares in the International Offering. Prospective professional and institutional investors will be required to specify the number of Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price. This process, known as “book-building”, is expected to continue up to, and to cease on or around, the last day for lodging applications under the Hong Kong Public Offering.

Pricing for the Offer Shares for the purpose of the various offerings under the Global Offering will be fixed on the Price Determination Date, which is expected to be on or around Wednesday, August 3, 2022 and, in any event, no later than Tuesday, August 9, 2022, by agreement between the Joint Representatives (for themselves and on behalf of the Underwriters), and our Company and the number of Offer Shares to be allocated under the various offerings will be determined shortly thereafter.

The Offer Price per Offer Share under the Hong Kong Public Offering will be identical to the Offer Price per Offer Share under the International Offering based on the Hong Kong dollar price per Offer Share under the International Offering, as determined by the Joint Representatives, for themselves and on behalf of the Underwriters, and our Company.

The Offer Price will not be more than HK\$33.30 per Offer Share and is expected to be not less than HK\$27.75 per Offer Share, unless otherwise announced by the Company no later than the morning of the last day for lodging applications under the Hong Kong Public Offering, as further explained below. Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range stated in this prospectus.

The Joint Representatives, for themselves and on behalf of the Underwriters, may, where considered appropriate, based on the level of interest expressed by prospective professional and institutional investors during the book-building process, and with the consent of our Company, reduce the number of Offer Shares and/or the indicative Offer Price range as stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such case, we will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering, cause to be published on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and the Company at [www.linmon.cn](http://www.linmon.cn), notices of the reduction. Upon issue of such a notice, the revised number of Offer Shares and/or indicative Offer Price range will be final and conclusive and the Offer Price, if agreed upon by the Joint Representatives, for themselves and on behalf of the Underwriters, and our Company, will be fixed within such a revised Offer Price range. The Company will also, as soon as practicable following the decision to make such change, issue a supplemental prospectus updating investors of the change in the number of Offer Shares

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## STRUCTURE OF THE GLOBAL OFFERING

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being offered under the Global Offering and/or the Offer Price, extend the period under which the Hong Kong Public Offering was opened for acceptance to allow potential investors sufficient time to consider their subscriptions or reconsider their submitted subscriptions, and give potential investors who had applied for the Hong Kong Offer Shares the right to withdraw their applications in light of the change in the number of Offer Shares and/or the Offer Price. Such notice will also include confirmation or revision, as appropriate, of the working capital statement and the Global Offering statistics as currently set out in the prospectus, use of proceeds, and any other financial information which may change materially as a result of such reduction. All applicants who have already submitted an application need to confirm their applications in accordance with the procedures set out in the announcement and all unconfirmed applications will not be valid. In the absence of any such notice so published, the number of Offer Shares will not be reduced and the Offer Price, if agreed upon by the Joint Representatives, for themselves and on behalf of the Underwriters, and our Company, will under no circumstances be set outside the Offer Price range as stated in this prospectus.

Supplemental listing documents will also be issued by the Company in the event of a reduction in the number of Offer Shares and/or the Offer Price. Such supplemental listing documents will also include confirmation or revision, as appropriate, of the working capital statement and the Global Offering statistics as currently set out in this Prospectus, and any other financial information which may change as a result of any such reduction. In the absence of any such notice so published, the number of Offer Shares and/or the Offer Price will not be reduced.

In the event of a reduction in the number of Offer Shares, the Joint Representatives may, at their discretion, reallocate the number of Offer Shares to be offered in the Hong Kong Public Offering and the International Offering, provided that the number of Offer Shares comprised in the Hong Kong Public Offering shall not be less than 10.0% of the total number of the Offer Shares available under the Global Offering (assuming the Over-allotment Option is not exercised).

The final Offer Price, the level of indications of interest in the Global Offering, the results of allocations and the basis of allotment of the Hong Kong Offer Shares are expected to be announced on Tuesday, August 9, 2022 on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and on the website of our Company at [www.linmon.cn](http://www.linmon.cn).

### UNDERWRITING

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement and is subject to our Company and the Joint Representatives, for themselves and on behalf of the Underwriters, agreeing on the Offer Price.

We expect to enter into the International Underwriting Agreement relating to the International Offering on or around the Price Determination Date.

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## STRUCTURE OF THE GLOBAL OFFERING

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These underwriting arrangements, and the Hong Kong Underwriting Agreement and the International Underwriting Agreement, are summarized in the section headed “Underwriting” in this prospectus.

### CONDITIONS OF THE GLOBAL OFFERING

Acceptance of all applications for Offer Shares pursuant to the Global Offering will be conditional on:

- (a) the Listing Committee granting approval for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering (including the additional Shares which may be available pursuant to the exercise of the Over-allotment Option), and such listing and permission not subsequently having been revoked prior to the commencement of dealings in the Shares on the Stock Exchange;
- (b) the Offer Price having been duly agreed between the Joint Representatives (for themselves and on behalf of the Underwriters) and the Company;
- (c) the execution and delivery of the International Underwriting Agreement on or about the Price Determination Date; and
- (d) the obligations of the Underwriters under the respective Underwriting Agreements becoming and remaining unconditional (including, if relevant, as a result of the waiver of any conditions by the Joint Representatives, for themselves and on behalf of the Underwriters) and not having been terminated in accordance with the terms of the respective agreements in each case on or before the dates and times as specified in the Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event no later than Sunday, August 28, 2022 (i.e., the 30th day after the date of this prospectus).

If, for any reason, the Offer Price is not agreed between our Company and the Joint Representatives (for themselves and on behalf of the Underwriters) on or before Tuesday, August 9, 2022, the Global Offering will not proceed and will lapse immediately.

The completion of each of the Hong Kong Public Offering and the International Offering is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with their respective terms.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Public Offering will be published by our Company and on the websites of Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and our Company at [www.linmon.cn](http://www.linmon.cn) on the next Business Day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set out in the section headed “How to Apply for Hong

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## STRUCTURE OF THE GLOBAL OFFERING

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Kong Offer Shares – 15. Despatch/Collection of Share Certificates and Refund Monies”. In the meantime, all application monies will be held in separate bank account(s) with the receiving bankers or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

Share certificates for the Offer Shares will only become valid evidence of title at 8:00 a.m. on the Listing Date provided that (i) the Global Offering has become unconditional in all respects, and (ii) the right of termination as described in the section headed “Underwriting – Underwriting Arrangements and Expenses – Hong Kong Public Offering – Grounds for Termination” has not been exercised.

### **Application for Listing on the Stock Exchange**

We have applied to the Listing Committee for the granting of the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering (including any Shares which may be issued under the exercise of the Over-allotment Option) on the Main Board of the Stock Exchange.

### **SHARES WILL BE ELIGIBLE FOR CCASS**

All necessary arrangements have been made enabling the Shares to be admitted into the Central Clearing and Settlement System, or CCASS, established and operated by the Hong Kong Securities Clearing Company Limited, or HKSCC.

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and our Company complies with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second settlement day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

### **DEALING ARRANGEMENTS**

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Wednesday, August 10, 2022, it is expected that dealings in the Shares on the Stock Exchange will commence at 9:00 a.m. on Wednesday, August 10, 2022.

The Shares will be traded in board lots of 100 Shares each and the stock code of the Shares will be 9857.



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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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### IMPORTANT NOTICE TO INVESTORS: FULLY ELECTRONIC APPLICATION PROCESS

**We have adopted a fully electronic application process for the Hong Kong Public Offering. We will not provide any printed copies of this prospectus or any printed copies of any application forms for use by the public.**

This Prospectus is available at the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) under the “*HKEXnews > New Listings > New Listing Information*” section, and our website at [www.linmon.cn](http://www.linmon.cn). If you require a printed copy of this prospectus, you may download and print from the website addresses above.

The contents of the electronic version of the prospectus are identical to the printed prospectus as registered with the Registrar of Companies in Hong Kong pursuant to Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

Set out below are procedures through which you can apply for the Hong Kong Offer Shares electronically. We will not provide any physical channels to accept any application for the Hong Kong Offer Shares by the public.

If you are an intermediary, broker or agent, please remind your customers, clients or principals, as applicable, that this prospectus is available online at the website addresses above.

#### 1. HOW TO APPLY

We will not provide any printed application forms for use by the public. To apply for Hong Kong Offer Shares, you may:

- (1) apply online via the **HK eIPO White Form** service in the **IPO App** (which can be downloaded by searching “**IPO App**” in App Store or Google Play or downloaded at [www.hkeipo.hk/IPOApp](http://www.hkeipo.hk/IPOApp) or [www.tricorglobal.com/IPOApp](http://www.tricorglobal.com/IPOApp)) or at [www.hkeipo.hk](http://www.hkeipo.hk); or
- (2) apply through the **CCASS EIPO** service to electronically cause HKSCC Nominees to apply on your behalf, including by:
  - (i) instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf; or

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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- (ii) (if you are an existing CCASS Investor Participant) giving **electronic application instructions** through the CCASS Internet System (<https://ip.ccass.com>) or through the CCASS Phone System by calling +852 2979 7888 (using the procedures in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time). HKSCC can also input **electronic application instructions** for CCASS Investor Participants through HKSCC’s Customer Service Centre at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong by completing an input request.

If you apply through channel (1) above, the Hong Kong Offer Shares successfully applied for will be issued in your own name.

If you apply through channels (2)(i) or (2)(ii) above, the Hong Kong Offer Shares successfully applied for will be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant’s stock account.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

The Company, the Joint Representatives, the **HK eIPO White Form** Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

## 2. WHO CAN APPLY

### Eligibility for the Application

You can apply for Hong Kong Offer Shares if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older; and
- are outside the United States.

If you are a firm, the application must be in the individual members’ names.

The number of joint applicants may not exceed four.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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Unless permitted by the Listing Rules and guidance letters issued by the Stock Exchange, or any relevant waivers that have been granted by the Stock Exchange, you cannot apply for any Hong Kong Offer Shares if you are:

- an existing beneficial owner of Shares in the Company and/or any its subsidiaries;
- a Director or chief executive officer of the Company and/or any of its subsidiaries;
- a close associate (as defined in the Listing Rules) of any of the above; and
- have been allocated or have applied for any International Offer Shares or otherwise participate in the International Offering.

### Items Required for the Application

If you apply for the Hong Kong Offer Shares online through the **HK eIPO White Form** service, you must:

- (a) have a valid Hong Kong identity card number/passport number (for individual applicant) or Hong Kong business registration number/certificate of incorporation number (for body corporate applicant);
- (b) have a Hong Kong address; and
- (c) provide a valid e-mail address and a contact telephone number.

If you are applying for the Hong Kong Offer Shares online by instructing your **broker** or **custodian** who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals, please contact them for the items required for the application.

### 3. APPLYING FOR HONG KONG OFFER SHARES

#### Which Application Channel to Use

For Hong Kong Offer Shares to be issued in your own name, apply online through the **HK eIPO White Form** service in the **IPO App** or at [www.hkeipo.hk](http://www.hkeipo.hk).

For Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, apply through the **CCASS eIPO** service to electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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### 4. TERMS AND CONDITIONS OF AN APPLICATION

By applying through the application channels specified in this prospectus, you:

- (i) **undertake** to execute all relevant documents and instruct and authorize the Company and/or the Joint Representatives (or their agents or nominees), as agents of the Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;
- (ii) **agree** to comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Cayman Companies Act and the Articles of Association;
- (iii) **confirm** that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
- (iv) **confirm** that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;
- (v) **confirm** that you are aware of the restrictions on the Global Offering in this prospectus;
- (vi) **agree** that none of the Company, the Joint Sponsors, the Joint Representatives, the Joint Global Coordinators, the Joint Bookrunner, the Joint Lead Managers, the Underwriters, the **HK eIPO White Form** Service Provider, their respective directors, officers, employees, partners, agents, advisors, and any other parties involved in the Global Offering is or will be liable for any information and representations not in this prospectus (and any supplement to it);
- (vii) **undertake** and **confirm** that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering nor participated in the International Offering;
- (viii) **agree** to disclose to the Company, our Hong Kong Share Registrar, the receiving bank, the Joint Sponsors, the Joint Representatives, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or their respective advisors and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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- (ix) if the laws of any place outside Hong Kong apply to your application, **agree** and **warrant** that you have complied with all such laws and none of the Company, the Joint Representatives, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, and the Underwriters nor any of their respective officers or advisors will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus;
- (x) **agree** that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (xi) **agree** that your application will be governed by the laws of Hong Kong;
- (xii) **represent, warrant** and **undertake** that (i) you understand that the Hong Kong Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Hong Kong Offer Shares are outside the United States or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;
- (xiii) **warrant** that the information you have provided is true and accurate;
- (xiv) **agree** to accept the Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application;
- (xv) **authorize** the Company to place your name(s) or the name of the HKSCC Nominees, on the Company's register of members as the holder(s) of any Hong Kong Offer Shares allocated to you, and the Company and/or its agents to send any Share certificate(s) and/or any e-Auto Refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you have fulfilled the criteria mentioned as set out in section “– Personal Collection” of this prospectus to collect the Share certificate(s) and/or refund cheque(s) in person;
- (xvi) **declare** and **represent** that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;
- (xvii) **understand** that the Company, the Joint Representatives and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;

## HOW TO APPLY FOR HONG KONG OFFER SHARES

- (xviii) (if the application is made for your own benefit) **warrant** that no other application has been or will be made for your benefit by giving **electronic application instructions** to HKSCC or to the **HK eIPO White Form** Service Provider by you or by any one as your agent or by any other person; and
- (xix) (if you are making the application as an agent for the benefit of another person) **warrant** that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person by giving **electronic application instructions** to HKSCC or the **HK eIPO White Form** Service Provider; and (ii) you have due authority to give **electronic application instructions** on behalf of that other person as their agent.

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant and CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

### 5. MINIMUM APPLICATION AMOUNT AND PERMITTED NUMBERS

Your application through the **HK eIPO White Form** service or the **CCASS EIPO** service must be for a minimum of 100 Hong Kong Offer Shares and in one of the numbers set out in the table. You are required to pay the amount next to the number you select.

No. of Hong Kong Offer Shares applied for	Amount payable on application <i>HK\$</i>	No. of Hong Kong Offer Shares applied for	Amount payable on application <i>HK\$</i>	No. of Hong Kong Offer Shares applied for	Amount payable on application <i>HK\$</i>	No. of Hong Kong Offer Shares applied for	Amount payable on application <i>HK\$</i>
100	3,363.56	2,500	84,089.03	30,000	1,009,068.42	600,000	20,181,368.43
200	6,727.12	3,000	100,906.85	40,000	1,345,424.56	700,000	23,544,929.84
300	10,090.68	3,500	117,724.65	50,000	1,681,780.71	757,000 <sup>(1)</sup>	25,462,159.84
400	13,454.25	4,000	134,542.46	60,000	2,018,136.85		
500	16,817.80	4,500	151,360.26	70,000	2,354,492.99		
600	20,181.37	5,000	168,178.08	80,000	2,690,849.13		
700	23,544.93	6,000	201,813.68	90,000	3,027,205.27		
800	26,908.49	7,000	235,449.30	100,000	3,363,561.41		
900	30,272.05	8,000	269,084.91	200,000	6,727,122.81		
1,000	33,635.62	9,000	302,720.53	300,000	10,090,684.22		
1,500	50,453.42	10,000	336,356.14	400,000	13,454,245.62		
2,000	67,271.23	20,000	672,712.28	500,000	16,817,807.03		

(1) Maximum number of Hong Kong Offer Shares you may apply for.

No application for any other number of the Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

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### 6. APPLYING THROUGH THE HK eIPO WHITE FORM SERVICE

#### General

Applicants who meet the criteria set out in the sub-section headed “– 2. Who Can Apply” in this section, may apply through the **HK eIPO White Form** service for the Offer Shares to be allotted and registered in their own names in the **IPO App** or on the designated website at [www.hkeipo.hk](http://www.hkeipo.hk).

Detailed instructions for application through the **HK eIPO White Form** service are in the **IPO App** or on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to the Company. If you apply through the **IPO App** or the designated website, you authorize the **HK eIPO White Form** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **HK eIPO White Form** service.

#### Time for Submitting Applications under the HK eIPO White Form Service

You may submit your application to the **HK eIPO White Form** Service Provider in the **IPO App** or at [www.hkeipo.hk](http://www.hkeipo.hk) (24 hours daily, except on the last application day) from 9:00 a.m. on Friday, July 29, 2022 until 11:30 a.m. on Wednesday, August 3, 2022 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Wednesday, August 3, 2022 or such later time under the “– 11. Effect of Bad Weather and/or Extreme Conditions on the Opening and Closing of the Application Lists” in this section.

#### No Multiple Applications

If you apply by means of the **HK eIPO White Form** service, once you complete payment in respect of any **electronic application instruction** given by you or for your benefit through the **HK eIPO White Form** service to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under the **HK eIPO White Form** service more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **HK eIPO White Form** service or by any other means, all of your applications are liable to be rejected.

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### 7. APPLYING THROUGH THE CCASS EIPO SERVICE

#### General

You may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf. CCASS Participants may give **electronic application instructions** to apply for the Hong Kong Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a **CCASS Investor Participant**, you may give these **electronic application instructions** through the CCASS Internet System (<https://ip.ccass.com>) or through the CCASS Phone System by calling +852 2979 7888 (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time). HKSCC can also input **electronic application instructions** for CCASS Investor Participants through HKSCC's Customer Service Center at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong if you complete an input request.

You will be deemed to have authorized HKSCC and/or HKSCC Nominees to transfer the details of your application to the Company, the Joint Representatives and our Hong Kong Share Registrar.

#### Applying through the CCASS EIPO Service

Where you have applied through the **CCASS EIPO** service (either indirectly through a **broker** or **custodian** or directly) and an application is made by HKSCC Nominees on your behalf:

- (i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of this prospectus;
- (ii) HKSCC Nominees will do the following things on your behalf:
  - agree that the Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
  - agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated;



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- undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering;
- (if the **electronic application instructions** are given for your benefit) declare that only one set of **electronic application instructions** has been given for your benefit;
- (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorized to give those instructions as their agent;
- confirm that you understand that the Company, the Directors, the Joint Representatives and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted if you make a false declaration;
- authorize the Company to place HKSCC Nominees' name on the Company's register of members as the holder of the Hong Kong Offer Shares allocated to you and to send Share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;
- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
- confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;
- agree that none of the Company, the Joint Representatives, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisors and any other parties involved in the Global Offering, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);
- agree to disclose your personal data to the Company, our Hong Kong Share Registrar, the receiving bank, the Joint Representatives, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or its respective advisors and agents;

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- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of the Company agreeing that it will not offer any Hong Kong Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;
- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by the Company's announcement of the Hong Kong Public Offering results;
- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving **electronic application instructions** to apply for Hong Kong Offer Shares; and
- agree that your application, any acceptance of it and the resulting contract will be governed by the Laws of Hong Kong.

### Effect of Applying through the CCASS EIPO Service

By applying through the **CCASS EIPO** service, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to the Company or any other person in respect of the things mentioned below:

- instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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- instructed and authorized HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy, the Stock Exchange trading fee and the FRC transaction levy by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy, the Stock Exchange trading fee and the FRC transaction levy) by crediting your designated bank account; and
- instructed and authorized HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in this prospectus.

### Time for Inputting Electronic Application Instructions<sup>(1)</sup>

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

**Friday, July 29, 2022 – 9:00 a.m. to 8:30 p.m.**  
**Saturday, July 30, 2022 – 8:00 a.m. to 1:00 p.m.**  
**Monday, August 1, 2022 – 8:00 a.m. to 8:30 p.m.**  
**Tuesday, August 2, 2022 – 8:00 a.m. to 8:30 p.m.**  
**Wednesday, August 3, 2022 – 8:00 a.m. to 12:00 noon**

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Friday, July 29, 2022 until 12:00 noon on Wednesday, August 3, 2022 (24 hours daily, except on Wednesday, August 3, 2022, the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Wednesday, August 3, 2022, the last application day or such later time as described in “– 11. Effect of Bad Weather and/or Extreme Conditions on the Opening and Closing of the Application Lists” in this section.

If you are instructing your **broker** or **custodian** who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf, you are advised to contact your **broker** or **custodian** for the latest time for giving such instructions which may be different from the latest time as stated above.

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*Note:*

- (1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants and/or CCASS Investor Participants.

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### **No Multiple Application**

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

### **Section 40 of the Hong Kong Companies (Winding Up and Miscellaneous Provisions) Ordinance**

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give electronic application instructions is a person who may be entitled to compensation under Section 40 of the Hong Kong Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

### **Personal Data**

The following Personal Information Collection Statement applies to any personal data held by the Company, the Hong Kong Share Registrar, the receiving bankers, the Joint Sponsors, the Joint Representatives, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and any of their respective advisors and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees. By applying through the **CCASS EIPO** service, you agree to all of the terms of the Personal Information Collection Statement below.

#### ***Personal Information Collection Statement***

This Personal Information Collection Statement informs applicant for, and holder of, the Hong Kong Offer Shares, of the policies and practices of the Company and its Hong Kong Share Registrar in relation to personal data and the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong).

#### ***Reasons for the collection of your personal data***

It is necessary for applicants and registered holders of the Hong Kong Offer Shares to supply correct personal data to the Company or its agents and the Hong Kong Share Registrar when applying for the Hong Kong Offer Shares or transferring the Hong Kong Offer Shares into or out of their names or in procuring the services of the Hong Kong Share Registrar.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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Failure to supply the requested data may result in your application for the Hong Kong Offer Shares being rejected, or in delay or the inability of the Company or its Hong Kong Share Registrar to effect transfers or otherwise render their services. It may also prevent or delay registration or transfers of the Hong Kong Offer Shares which you have successfully applied for and/or the dispatch of Share certificate(s) to which you are entitled.

It is important that the holders of the Hong Kong Offer Shares inform the Company and the Hong Kong Share Registrar immediately of any inaccuracies in the personal data supplied.

### *Purposes*

Your personal data may be used, held, processed, and/or stored (by whatever means) for the following purposes:

- processing your application and refund check, where applicable, verification of compliance with the terms and application procedures set out in this prospectus and announcing results of allocation of the Hong Kong Offer Shares;
- compliance with applicable laws and regulations in Hong Kong and elsewhere;
- registering new issues or transfers into or out of the names of the holders of the Company's Shares including, where applicable, HKSCC Nominees;
- maintaining or updating the Company's Register of Members;
- verifying identities of the holders of the Company's Shares;
- establishing benefit entitlements of holders of the Company's Shares, such as dividends, rights issues, bonus issues, etc.;
- distributing communications from the Company and its subsidiaries;
- compiling statistical information and profiles of the holder of the Company's Shares;
- disclosing relevant information to facilitate claims on entitlements; and
- any other incidental or associated purposes relating to the above and/or to enable the Company and the Hong Kong Share Registrar to discharge their obligations to holders of the Company's Shares and/or regulators and/or any other purposes to which the securities' holders may from time to time agree.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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### *Transfer of personal data*

Personal data held by the Company and its Hong Kong Share Registrar relating to the holders of the Hong Kong Offer Shares will be kept confidential but the Company and its Hong Kong Share Registrar may, to the extent necessary for achieving any of the above purposes, disclose, obtain or transfer (whether within or outside Hong Kong) the personal data to, from or with any of the following:

- the Company's appointed agents such as financial advisers, receiving bankers and overseas principal share registrar;
- where applicants for the Hong Kong Offer Shares request a deposit into CCASS, HKSCC or HKSCC Nominees, who will use the personal data for the purposes of operating CCASS;
- any agents, contractors or third-party service providers who offer administrative, telecommunications, computer, payment or other services to the Company or the Hong Kong Share Registrar in connection with their respective business operation;
- the Stock Exchange, the SFC and any other statutory regulatory or governmental bodies or otherwise as required by laws, rules or regulations; and
- any persons or institutions with which the holders of the Hong Kong Offer Shares have or propose to have dealings, such as their bankers, solicitors, accountants or stockbrokers etc.

### *Retention of personal data*

The Company and its Hong Kong Share Registrar will keep the personal data of the applicants and holders of the Hong Kong Offer Shares for as long as necessary to fulfil the purposes for which the personal data were collected. Personal data which is no longer required will be destroyed or dealt with in accordance with the Personal Data (Privacy) Ordinance.

### *Access to and correction of personal data*

Holders of the Hong Kong Offer Shares have the right to ascertain whether the Company or the Hong Kong Share Registrar hold their personal data, to obtain a copy of that data, and to correct any data that is inaccurate. The Company and the Hong Kong Share Registrar have the right to charge a reasonable fee for the processing of such requests. All requests for access to data or correction of data should be addressed to the Company, at the Company's registered address disclosed in the section headed "Corporate Information" in this prospectus or as notified from time to time, for the attention of the secretary, or the Company's Hong Kong Share Registrar for the attention of the privacy compliance officer.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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### 8. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Hong Kong Offer Shares by the **CCASS eIPO** service (directly or indirectly through your broker or custodian) is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Offer Shares through the **HK eIPO White Form** service is also only a facility provided by the **HK eIPO White Form** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. The Company, the Directors, the Joint Sponsors, the Joint Representatives, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **HK eIPO White Form** service will be allotted any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should go to HKSCC's Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Wednesday, August 3, 2022, the last day for applications, or such later time as described in "11. Effect of Bad Weather and/or Extreme Conditions on the Opening and Closing of the Application Lists" below.

### 9. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees. If you are a nominee and apply through the **HK eIPO White Form** service, in the box marked "For Nominees", you must include an account number or some other identification code for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner when you fill in the application details. If you do not include this information, the application will be treated as being made for your own benefit.

All of your applications will be rejected if more than one application through the **CCASS eIPO** service (directly or indirectly through your **broker** or **custodian**) or through the **HK eIPO White Form** service is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**), and the number of Hong Kong Offer Shares applied by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. If you are suspected of submitting more than one application through the **HK eIPO White Form** service or by any other means, all of your applications are liable to be rejected.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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If you apply by means of the **HK eIPO White Form** service, once you complete payment in respect of any **electronic application instruction** given by you or for your benefit through the **HK eIPO White Form** service to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made.

For the avoidance of doubt, giving an **electronic application instruction** under the **HK eIPO White Form** service more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application. However, any **electronic application instructions** to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC will be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

The Hong Kong Share Registrar will record all applications into its system and identify suspected multiple applications with identical names, identification document numbers and reference numbers according to the Best Practice Note on Treatment of Multiple/Suspected Multiple Applications issued by the Federation of Share Registrars Limited.

With regard to the announcement of results of allocations, under the section headed “Results of Applications Made by Giving Electronic Application Instructions to HKSCC via CCASS”, the list of identification document number(s) may not be a complete list of successful applicants, only successful applicants whose identification document numbers are provided to HKSCC by CCASS Participants are disclosed. Applicants who applied for the Offer Shares through their brokers can consult their brokers to enquire about their application results.

Since applications are subject to personal information collection statements, beneficial owner identification codes displayed are redacted. Applicants with beneficial names only but not identification document numbers are not disclosed due to personal privacy issue.

If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

“**Unlisted company**” means a company with no equity securities listed on the Stock Exchange.

“**Statutory control**” means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or



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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

### 10. HOW MUCH ARE THE HONG KONG OFFER SHARES

The maximum Offer Price is HK\$33.30 per Offer Share. You must also pay brokerage of 1%, SFC transaction levy of 0.0027%, Stock Exchange trading fee of 0.005% and FRC transaction levy of 0.00015%. This means that for one board lot of 100 Hong Kong Offer Shares, you will pay HK\$3,363.56.

You must pay the maximum Offer Price, brokerage, SFC transaction levy, the Stock Exchange trading fee and the FRC transaction levy in full upon application for the Hong Kong Offer Shares.

You may submit an application through the **HK eIPO White Form** service or the **CCASS EIPO** service in respect of a minimum of 100 Hong Kong Offer Shares. Each **electronic application instruction** in respect of more than 100 Hong Kong Offer Shares must be in one of the numbers set out in the table in “– 5. Minimum Application Amount and Permitted Numbers”, or as otherwise specified in the **IPO App** or on the designated website at [www.hkeipo.hk](http://www.hkeipo.hk).

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy, the Stock Exchange trading fee and the FRC transaction levy are paid to the Stock Exchange (in the case of the SFC transaction levy and the FRC transaction levy, collected by the Stock Exchange on behalf of the SFC and the FRC, respectively).

For further details on the Offer Price, see the section headed “Structure of the Global Offering – Pricing of The Global Offering” in this prospectus.

### 11. EFFECT OF BAD WEATHER AND/OR EXTREME CONDITIONS ON THE OPENING AND CLOSING OF THE APPLICATION LISTS

The application lists will not open if there is/are:

- a tropical cyclone warning signal number 8 or above;
- a “black” rainstorm warning; and/or
- Extreme Conditions

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Wednesday, August 3, 2022. Instead they will open between 11:45 a.m. and 12:00 noon on the next Business Day which does not have either of those warnings and/or Extreme Conditions in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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If the application lists do not open and close on Wednesday, August 3, 2022 or if there is/are a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal and/or Extreme Conditions in force in Hong Kong that may affect the dates mentioned in the section headed “Expected Timetable” in this prospectus, an announcement will be made on our website at [www.linmon.cn](http://www.linmon.cn) and the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk).

### 12. PUBLICATION OF RESULTS

The Company expects to announce the final Offer Price, the level of indication of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares on Tuesday, August 9, 2022 on the Company’s website at [www.linmon.cn](http://www.linmon.cn) and the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk).

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration/certification of incorporation numbers of successful applicants under the Hong Kong Public Offering will be available at the times and date and in the manner specified below:

- in the announcement to be posted on the Company’s website at [www.linmon.cn](http://www.linmon.cn) and the Stock Exchange’s website at [www.hkexnews.hk](http://www.hkexnews.hk) by no later than 9:00 a.m. on Tuesday, August 9, 2022;
- from the “IPO Results” function in the **IPO App** and the designated results of allocations website at [www.tricor.com.hk/ipo/result](http://www.tricor.com.hk/ipo/result) or [www.hkeipo.hk/IPOResult](http://www.hkeipo.hk/IPOResult) with a “search by ID” function on a 24-hour basis from 8:00 a.m. on Tuesday, August 9, 2022 to 12:00 midnight on Monday, August 15, 2022; and
- from the allocation results telephone enquiry line by calling +852 3691 8488 between 9:00 a.m. and 6:00 p.m. from Tuesday, August 9, 2022 to Friday, August 12, 2022.

If the Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are contained in the section headed “Structure of the Global Offering” in this prospectus.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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### 13. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOCATED HONG KONG OFFER SHARES

You should note the following situations in which the Hong Kong Offer Shares will not be allotted to you:

**(i) If your application is revoked:**

By applying through the **CCASS EIPO** service or through the **HK eIPO White Form** service, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with the Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before the fifth day after the time of the opening of the application lists (excluding any days which is a Saturday, Sunday or public holiday in Hong Kong) in the following circumstances:

- (a) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section on or before the fifth day after the time of the opening of the application lists (excluding any days which is a Saturday, Sunday or public holiday in Hong Kong) which excludes or limits that person's responsibility for this prospectus; or
- (b) if any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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**(ii) If the Company or its agents exercise their discretion to reject your application:**

The Company, the Joint Representatives, the **HK eIPO White Form** Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

**(iii) If the allotment of Hong Kong Offer Shares is void:**

The allotment of Hong Kong Offer Shares will be void if the Listing Committee does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies the Company of that longer period within three weeks of the closing date of the application lists.

**(iv) If:**

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Offer Shares and International Offer Shares;
- your **electronic application instructions** through the **HK eIPO White Form** service are not completed in accordance with the instructions, terms and conditions in the **IPO App** or on the designated website at [www.hkeipo.hk](http://www.hkeipo.hk);
- your payment is not made correctly;
- the Underwriting Agreements do not become unconditional or are terminated;
- our Company or the Joint Representatives believe that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 50% of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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### 14. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the Maximum Offer Price per Offer Share (excluding brokerage, SFC transaction levy, the Stock Exchange trading fee and the FRC transaction levy thereon), or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with “Structure of the Global Offering – Conditions of the Global Offering” in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy, the Stock Exchange trading fee and the FRC transaction levy, will be refunded, without interest.

Any refund of your application monies will be made on or before Tuesday, August 9, 2022.

### 15. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one Share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made through the **CCASS EIPO** service where the Share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application.

Subject to arrangement on dispatch/collection of Share certificates and refund monies as mentioned below, any refund cheques and Share certificates are expected to be posted on or before Tuesday, August 9, 2022. The right is reserved to retain any Share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker’s cashier’s order(s).

Share certificates will only become valid at 8:00 a.m. on Wednesday, August 10, 2022, provided that the Global Offering has become unconditional and the right of termination described in the section headed “Underwriting” in this prospectus has not been exercised. Investors who trade Shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk.

#### **Personal Collection**

*(i) If you apply through the HK eIPO White Form service*

If you apply for 500,000 Hong Kong Offer Shares or more and your application is wholly or partially successful, you may collect any refund checks (where applicable) and/or your Share certificate(s) from Hong Kong Share Registrar, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Tuesday, August 9, 2022, or such other date as notified by the Company as the date of despatch/collection of Share certificates/e-Auto Refund payment instructions/refund cheques.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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If you are an individual who is eligible for personal collection, you must not authorize any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorized representative must bear a letter of authorization from your corporation stamped with your corporation's chop. Both individuals and authorized representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Share Registrar.

If you do not collect your Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 500,000 Hong Kong Offer Shares, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on or before Tuesday, August 9, 2022 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Auto Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address as specified in your application instructions in the form of refund cheque(s) in favour of the applicant (or, in the case of joint applicants, the first-named applicant) by ordinary post at your own risk.

*(ii) If you apply through the CCASS EIPO service*

*Allocation of Hong Kong Offer Shares*

For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

*Deposit of Share Certificates into CCASS and Refund of Application Monies*

- If your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Tuesday, August 9, 2022, or, on any other date determined by HKSCC or HKSCC Nominees.
- The Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, the Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offering in the manner specified in "– 12. Publication of Results" above on

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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Tuesday, August 9, 2022. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Tuesday, August 9, 2022 or such other date as determined by HKSCC or HKSCC Nominees.

- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.
- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Tuesday, August 9, 2022. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.
- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy, the Stock Exchange trading fee and the FRC transaction levy but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Tuesday, August 9, 2022.

### 16. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second settlement day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional advisor for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

*The following is the text of a report received from the Company's reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.*



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## **ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF LINMON MEDIA LIMITED AND MORGAN STANLEY ASIA LIMITED AND CHINA INTERNATIONAL CAPITAL CORPORATION HONG KONG SECURITIES LIMITED**

### **Introduction**

We report on the historical financial information of Linmon Media Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages I-4 to I-96, which comprises the consolidated statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group for each of the years ended 31 December 2019, 2020 and 2021, and the three months ended 31 March 2022 (the "Relevant Periods"), the consolidated statements of financial position of the Group as at 31 December 2019, 2020 and 2021 and 31 March 2022 and the statement of financial position of the Company as at 31 December 2021 and 31 March 2022 and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-4 to I-96 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 29 July 2022 (the "Prospectus") in connection with the initial listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

### **Directors' responsibility for the Historical Financial Information**

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively, and for such internal control as the directors determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.



**Reporting accountants' responsibility**

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively, in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Opinion**

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the financial position of the Group as at 31 December 2019, 2020 and 2021 and 31 March 2022 and the financial position of the Company as at 31 December 2021 and 31 March 2022 and of the financial performance and cash flows of the Group for each of the Relevant Periods in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively.

**Review of interim comparative financial information**

We have reviewed the interim comparative financial information of the Group which comprises the consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the three months ended 31 March 2021 and other explanatory information (the "Interim Comparative Financial Information"). The directors of the Company are responsible for the preparation and presentation of the Interim Comparative Financial Information in accordance with the basis of

presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively. Our responsibility is to express a conclusion on the Interim Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Interim Comparative Financial Information, for the purpose of the accountants' report, is not prepared, in all material respects, in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively.

**Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance**

*Adjustments*

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

*Dividends*

We refer to note 11 to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Relevant Periods.

*No historical financial statements for the Company*

As at the date of this report, no statutory financial statements have been prepared for the Company since its date of incorporation.

**Ernst & Young**

*Certified Public Accountants*

Hong Kong

29 July 2022

**I HISTORICAL FINANCIAL INFORMATION****Preparation of Historical Financial Information**

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The financial statements of the Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by Ernst & Young in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the "Underlying Financial Statements").

The Historical Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

**CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

	Notes	Year ended 31 December			Three months ended 31 March	
		2019 RMB'000	2020 RMB'000	2021 RMB'000	2021 RMB'000	2022 RMB'000
REVENUE	5	1,794,164	1,426,159	1,248,964	48,083	470,648
Cost of sales		<u>(1,393,316)</u>	<u>(880,403)</u>	<u>(689,934)</u>	<u>(6,037)</u>	<u>(287,469)</u>
Gross profit		400,848	545,756	559,030	42,046	183,179
Other income and gains	5	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	7	(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	26	<u>(93,924)</u>	<u>(239,176)</u>	<u>(225,852)</u>	<u>(49,665)</u>	<u>(70,539)</u>
PROFIT/(LOSS) BEFORE TAX	6	107,697	94,039	123,789	(17,553)	25,970
Income tax expense	10	<u>(27,299)</u>	<u>(31,494)</u>	<u>(62,876)</u>	<u>5,625</u>	<u>(28,093)</u>
PROFIT/(LOSS) AND TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR/PERIOD		<u>80,398</u>	<u>62,545</u>	<u>60,913</u>	<u>(11,928)</u>	<u>(2,123)</u>
Attributable to:						
Owners of the parent		82,951	50,130	60,913	(11,928)	(2,123)
Non-controlling interests		<u>(2,553)</u>	<u>12,415</u>	<u>–</u>	<u>–</u>	<u>–</u>
		<u>80,398</u>	<u>62,545</u>	<u>60,913</u>	<u>(11,928)</u>	<u>(2,123)</u>
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT						
– Basic (RMB yuan)	12	<u>N/A</u>	<u>N/A</u>	<u>0.61</u>	<u>N/A</u>	<u>(0.01)</u>
– Diluted (RMB yuan)	12	<u>N/A</u>	<u>N/A</u>	<u>0.60</u>	<u>N/A</u>	<u>(0.01)</u>

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Notes	As at 31 December			As at
		2019	2020	2021	31 March
		RMB'000	RMB'000	RMB'000	2022
					RMB'000
<b>NON-CURRENT ASSETS</b>					
Property, plant and equipment	13	8,849	1,676	5,908	5,237
Right-of-use assets	14(a)	46,358	23,112	28,893	24,635
Goodwill	15	30,418	–	–	–
Other intangible assets	16	2,740	1,301	2,759	2,569
Investments in associates	17	53,769	52,890	55,090	54,395
Advance payments for other intangible assets		–	828	–	–
Deferred tax assets	27	389,000	457,157	54,281	51,213
Financial assets at fair value through profit or loss	21	11,600	9,609	58,690	57,720
Prepayments, other receivables and other assets	20	70,328	82,177	113,665	76,674
Trade receivables	19	–	–	–	48,209
Time deposits	22	–	350,000	350,000	350,000
Total non-current assets		<u>613,062</u>	<u>978,750</u>	<u>669,286</u>	<u>670,652</u>
<b>CURRENT ASSETS</b>					
Inventories	18	825,294	336,922	554,213	353,118
Trade and notes receivables	19	462,118	255,759	385,582	501,886
Prepayments, other receivables and other assets	20	188,439	175,047	203,990	208,765
Financial assets at fair value through profit or loss	21	591,164	670,245	325,124	216,715
Restricted cash	22	119,760	–	–	–
Cash and cash equivalents	22	<u>202,737</u>	<u>125,254</u>	<u>824,952</u>	<u>1,116,597</u>
Total current assets		<u>2,389,512</u>	<u>1,563,227</u>	<u>2,293,861</u>	<u>2,397,081</u>
<b>CURRENT LIABILITIES</b>					
Trade payables	23	57,596	12,216	76,246	46,953
Other payables and accruals	24	784,705	311,835	466,669	462,023
Interest-bearing bank and other borrowings	25	281,519	17,230	–	–
Convertible redeemable preferred shares	26	–	3,055,412	3,276,406	3,346,945
Lease liabilities	14(b)	15,489	13,090	16,941	14,381
Tax payable		<u>7,250</u>	<u>63,918</u>	<u>74,835</u>	<u>31,932</u>
Total current liabilities		<u>1,146,559</u>	<u>3,473,701</u>	<u>3,911,097</u>	<u>3,902,234</u>

	Notes	As at 31 December			As at
		2019	2020	2021	31 March
		RMB'000	RMB'000	RMB'000	2022
					RMB'000
<b>NET CURRENT</b>					
<b>ASSETS/(LIABILITIES)</b>					
		<u>1,242,953</u>	<u>(1,910,474)</u>	<u>(1,617,236)</u>	<u>(1,505,153)</u>
<b>TOTAL ASSETS LESS</b>					
<b>CURRENT LIABILITIES</b>					
		<u>1,856,015</u>	<u>(931,724)</u>	<u>(947,950)</u>	<u>(834,501)</u>
<b>NON-CURRENT</b>					
<b>LIABILITIES</b>					
Other payables and accruals	24	–	–	362,769	472,477
Interest-bearing bank and other borrowings	25	2,830	–	–	–
Convertible redeemable preferred shares	26	2,728,796	–	–	–
Lease liabilities	14(b)	<u>30,419</u>	<u>9,855</u>	<u>11,761</u>	<u>9,388</u>
Total non-current liabilities		<u>2,762,045</u>	<u>9,855</u>	<u>374,530</u>	<u>481,865</u>
Net liabilities		<u>(906,030)</u>	<u>(941,579)</u>	<u>(1,322,480)</u>	<u>(1,316,366)</u>
<b>EQUITY</b>					
<b>Equity attributable to owners of the parent</b>					
Share capital	28	–	–	28	28
Share premium	28	–	–	23,983	23,983
Reserves	29	<u>(906,130)</u>	<u>(941,579)</u>	<u>(1,346,491)</u>	<u>(1,340,377)</u>
		<u>(906,130)</u>	<u>(941,579)</u>	<u>(1,322,480)</u>	<u>(1,316,366)</u>
Non-controlling interests		<u>100</u>	<u>–</u>	<u>–</u>	<u>–</u>
Total deficits		<u>(906,030)</u>	<u>(941,579)</u>	<u>(1,322,480)</u>	<u>(1,316,366)</u>

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the parent						
	Share capital	Capital reserve	Share award reserve	Accumulated losses	Total	Non-controlling interests	Total deficits
	RMB'000 (note 28)	RMB'000 (note 29)	RMB'000 (note 30)	RMB'000	RMB'000	RMB'000	RMB'000
<b>Year ended 31 December 2019</b>							
At 1 January 2019	–	(206,424)	785	(783,929)	(989,568)	2,653	(986,915)
Profit/(loss) and total comprehensive income/(loss) for the year	–	–	–	82,951	82,951	(2,553)	80,398
Equity-settled share award arrangements	–	–	487	–	487	–	487
At 31 December 2019	–	(206,424)*	1,272*	(700,978)*	(906,130)	100	(906,030)
<b>Year ended 31 December 2020</b>							
At 1 January 2020	–	(206,424)	1,272	(700,978)	(906,130)	100	(906,030)
Profit and total comprehensive income for the year	–	–	–	50,130	50,130	12,415	62,545
Equity-settled share award arrangements	–	–	672	–	672	–	672
Acquisition of non-controlling interests	–	1,189	–	–	1,189	(1,189)	–
Deemed distribution to shareholders (note 26)	–	(87,440)	–	–	(87,440)	–	(87,440)
Disposal of subsidiaries (note 31)	–	–	–	–	–	12,536	12,536
Dividends paid to non-controlling shareholders (note 11)	–	–	–	–	–	(23,862)	(23,862)
At 31 December 2020	–	(292,675)*	1,944*	(650,848)*	(941,579)	–	(941,579)
<b>Attributable to owners of the parent</b>							
	Share capital	Share premium	Capital reserve	Share award reserve	Accumulated losses	Total deficits	
	RMB'000 (note 28)	RMB'000 (note 28)	RMB'000 (note 29)	RMB'000 (note 30)	RMB'000	RMB'000	
<b>Year ended 31 December 2021</b>							
At 1 January 2021	–	–	(292,675)	1,944	(650,848)	(941,579)	
Profit and total comprehensive income for the year	–	–	–	–	60,913	60,913	
Issue of ordinary shares (note 28)	29	23,983	–	–	–	24,012	
Redesignated as preferred shares (note 28)	(1)	–	–	–	–	(1)	
Equity-settled share award arrangements	–	–	–	9,304	–	9,304	
Deferred tax impact as part of the Reorganisation <sup>#</sup>	–	–	(451,129)	–	–	(451,129)	
Repurchase of shares of a subsidiary as part of the Reorganisation	–	–	(24,000)	–	–	(24,000)	
At 31 December 2021	28	23,983	(767,804)*	11,248*	(589,935)*	(1,322,480)	

	Attributable to owners of the parent					Total deficits RMB'000
	Share capital RMB'000 (note 28)	Share premium RMB'000 (note 28)	Capital reserve RMB'000 (note 29)	Share award reserve RMB'000 (note 30)	Accumulated losses RMB'000	
<b>Three months ended 31 March 2022</b>						
At 1 January 2022	28	23,983	(767,804)	11,248	(589,935)	(1,322,480)
Loss and total comprehensive loss for the period	-	-	-	-	(2,123)	(2,123)
Equity-settled share award arrangements	-	-	-	8,237	-	8,237
At 31 March 2022	<u>28</u>	<u>23,983</u>	<u>(767,804)*</u>	<u>19,485*</u>	<u>(592,058)*</u>	<u>(1,316,366)</u>

\* These reserve accounts comprise the consolidated reserves of RMB(906,130,000), RMB(941,579,000), RMB(1,346,491,000) and RMB(1,340,377,000) in the consolidated statements of financial position as at 31 December 2019, 2020 and 2021 and 31 March 2022, respectively.

# “Deferred tax impact as part of the Reorganisation” represented the tax impact derived from the repurchase of preferred shares by Shanghai Linmon and the issuance of preferred shares by the Company at the same original investment costs as part of the Reorganisation, which were initiated by the owners of the Company with no commercial substance and changed the tax rate applicable to measurement of related deferred tax asset from 25%, the statutory tax rate of Shanghai Linmon, to nil, the one of the Company. The tax impact was recognized in equity, as there was no changes in rights and obligations in terms of the preferred shares but only reflects the respective investors’ interests in Shanghai Linmon to those in the Company for the purpose of the Reorganisation.

The directors of the Company applied the paragraph 63 of HKAS 12 to allocate the full amount of the deferred tax impact directly in equity, taking into account the following considerations:

- The tax consequence is as a result of the Reorganisation which, as disclosed in the note 2.1 to the Historical Financial Information, has not resulted in any change of the respective voting and beneficial interests and has accounted for by applying the principles of merger accounting.
- Due to the Reorganisation, the preferred shares were transferred from Shanghai Linmon to the Company at the original issuance price, rather than at fair value, which made the temporary difference between the tax base (i.e. the original issuance price) and the carrying amount (i.e. fair value) previously recognised by Shanghai Linmon no longer realisable. This tax consequence is not due to an arm’s length transaction but as a part of the whole Reorganisation with no commercial substance.
- The Reorganisation is to mirror the shareholders’ interests in Shanghai Linmon to those in the Company, there were no changes to the carrying values of the preferred shares recognised in the consolidated financial statements of the Group as the rights and obligations in terms of the preferred shares between the Group and the investors remained unchanged.



## For the three months ended 31 March 2021

	Attributable to owners of the parent					Total deficits RMB'000
	Share capital	Share premium	Capital reserve	Share award reserve	Accumulated losses	
	RMB'000 (note 17)	RMB'000 (note 17)	RMB'000	RMB'000 (note 18)	RMB'000	
<b>Three months ended 31 March 2021</b>						
At 1 January 2021	-	-	(292,675)	1,944	(650,848)	(941,579)
Loss and total comprehensive loss for the period ( <i>unaudited</i> )	-	-	-	-	(11,928)	(11,928)
Equity-settled share award arrangements ( <i>unaudited</i> )	-	-	-	213	-	213
At 31 March 2021 ( <i>unaudited</i> )	-	-	(292,675)	2,157	(662,776)	(953,294)

## CONSOLIDATED STATEMENTS OF CASH FLOWS

	Notes	Year ended 31 December			Three months ended	
		2019	2020	2021	31 March	2022
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
					(Unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES						
Profit/(loss) before tax		107,697	94,039	123,789	(17,553)	25,970
Adjustments for:						
Depreciation of property, plant and equipment	6	4,849	1,237	1,415	298	904
Depreciation of right-of-use assets	6	16,226	14,717	16,259	3,594	4,453
Amortisation of other intangible assets	6	4,739	689	636	53	267
Share of profits and losses of associates		3,140	879	(2,200)	(174)	695
Finance costs	7	21,446	12,289	4,844	968	565
Investment income from financial assets at fair value through profit or loss	5	(9,706)	(13,146)	(24,023)	(2,638)	(1,442)
Write-down of inventories to net realisable value	6	13,836	60,556	12,632	5,935	1,011
Changes in fair value of financial assets at fair value through profit or loss	5	(9,060)	(12,521)	(2,913)	(2,376)	(2,048)
Changes in fair value of convertible redeemable preferred shares	6	93,924	239,176	225,852	49,665	70,539
Fair value losses on financial liabilities under co-investment arrangements	6	7,283	13,699	39,261	51	–
Impairment of trade receivables, net	19	3,760	534	10,980	(2,281)	545
Gain on disposal of subsidiaries	31	–	(487)	–	–	–
Bank interest income from time deposits	5	–	(8,442)	(13,310)	(3,282)	(3,282)
Bank interest income from cash and bank balances	5	(1,598)	(1,883)	(2,711)	(596)	(801)
Interest income arising from revenue contracts		–	–	(1,707)	–	(374)
Loss on disposal of items of intangible assets	6	–	–	486	–	–
Loss on disposal of items of property, plant and equipment	6	–	4	3	–	–
Foreign exchange losses, net		–	–	11,284	(150)	3,091
Equity-settled share award expense	6	134	477	7,389	205	6,833
		<u>256,670</u>	<u>401,817</u>	<u>407,966</u>	<u>31,719</u>	<u>106,926</u>

	Year ended 31 December			Three months ended		
				31 March		
	2019	2020	2021	2021	2022	
Note	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
	<i>(Unaudited)</i>					
Decrease/(increase) in inventories		586,396	426,523	(227,715)	(265,040)	201,768
Decrease/(increase) in trade and notes receivables		(399,179)	193,584	(139,096)	77,442	(164,684)
Decrease/(increase) in prepayments, other receivables and other assets		35,298	(4,006)	(41,066)	(80,635)	37,310
Increase/(decrease) in trade payables		(75,403)	34,489	64,030	15,732	(29,293)
Increase/(decrease) in other payables and accruals		(120,198)	(489,456)	469,485	464,049	105,061
Cash generated from operations		283,584	562,951	533,604	243,267	257,088
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		<u>193,398</u>	<u>523,168</u>	<u>436,103</u>	<u>180,309</u>	<u>189,961</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
Purchases of items of property, plant and equipment		(1,014)	(350)	(5,650)	(135)	(233)
Proceeds from disposal of items of property, plant and equipment		41	–	–	–	–
Additions of other intangible assets		–	(828)	(1,752)	(249)	(77)
Disposal of subsidiaries	31	–	(4,453)	–	–	–
Purchases of financial assets at fair value through profit or loss		(2,107,000)	(2,017,285)	(3,850,183)	(940,000)	(570,000)
Increase in time deposits		–	(350,000)	–	–	–
Proceeds from disposal of financial assets at fair value through profit or loss		<u>2,007,892</u>	<u>1,965,862</u>	<u>4,186,481</u>	<u>782,372</u>	<u>682,869</u>
Net cash flows from/(used in) investing activities		<u>(100,081)</u>	<u>(407,054)</u>	<u>328,896</u>	<u>(158,012)</u>	<u>112,559</u>

	Note	Year ended 31 December			Three months ended	
		2019	2020	2021	31 March	2022
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<i>(Unaudited)</i>						
CASH FLOWS FROM FINANCING ACTIVITIES						
Proceeds from issue of ordinary shares		–	–	23,983	–	–
Proceeds from issue of preferred shares		–	–	1,284,991	–	–
Repurchase of ordinary shares		–	–	(24,000)	–	–
Repurchase of preferred shares		–	–	(1,289,850)	–	–
Decrease/(increase) in restricted cash		(32,826)	119,760	–	–	–
Payment for deferred listing expenses		–	–	(6,015)	–	(1,812)
Proceeds from bank loans and other borrowings		294,925	14,400	496,400	–	–
Repayment of bank loans and other borrowings		(375,325)	(281,519)	(513,630)	(14,400)	–
Dividends paid to non-controlling shareholders		–	(23,862)	–	–	–
Interest paid		(34,231)	(9,113)	(9,319)	(968)	(565)
Repayment of principal portion of lease liabilities		(15,110)	(13,263)	(16,577)	(4,242)	(5,407)
Net cash flows used in financing activities		(162,567)	(193,597)	(54,017)	(19,610)	(7,784)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS						
Cash and cash equivalents at beginning of year/period	22	271,987	202,737	125,254	125,254	824,952
Effect of foreign exchange rate changes, net		–	–	(11,284)	150	(3,091)
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD		<u>202,737</u>	<u>125,254</u>	<u>824,952</u>	<u>128,091</u>	<u>1,116,597</u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS						
Cash and bank balances	22	<u>202,737</u>	<u>125,254</u>	<u>824,952</u>	<u>128,091</u>	<u>1,116,597</u>
Cash and cash equivalents as stated in the consolidated statements of financial position and the consolidated statements of cash flows		<u>202,737</u>	<u>125,254</u>	<u>824,952</u>	<u>128,091</u>	<u>1,116,597</u>

## STATEMENT OF FINANCIAL POSITION OF THE COMPANY

		As at 31 December 2021 RMB'000	As at 31 March 2022 RMB'000
	<i>Notes</i>		
<b>NON-CURRENT ASSETS</b>			
Investments in subsidiaries		3,101,704	3,101,704
Total non-current assets		3,101,704	3,101,704
<b>CURRENT ASSETS</b>			
Prepayments, other receivables and other assets	20	4,400	5,630
Cash and cash equivalents	22	82,520	80,388
Total current assets		86,920	86,018
<b>CURRENT LIABILITIES</b>			
Other payables and accruals	24	1,922	5,979
Convertible redeemable preferred shares	26	3,276,406	3,346,945
Total current liabilities		3,278,328	3,352,925
<b>NET CURRENT LIABILITIES</b>		<u>(3,191,408)</u>	<u>(3,266,907)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>(89,704)</u>	<u>(165,202)</u>
Net liabilities		<u>(89,704)</u>	<u>(165,202)</u>
<b>EQUITY</b>			
Share capital	28	28	28
Share premium	28	23,983	23,983
Reserves		(113,715)	(189,213)
Total deficits		<u>(89,704)</u>	<u>(165,202)</u>

## II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

## 1. CORPORATE INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands on 10 June 2021. The registered office 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. During the Relevant Periods, the Company's subsidiaries were principally involved in the production, distribution and licensing of broadcasting rights of TV series ("drama series").

The Company and its subsidiaries now comprising the Group underwent the Reorganisation as set out in the paragraph headed "Reorganisation" in the section headed "History, Reorganisation and Corporate Development" in the Prospectus. Apart from the Reorganisation, the Company has not commenced any business or operation since its incorporation.

As at the date of this report, the Company had direct and indirect interests in its subsidiaries, all of which are private limited liability companies (or, if incorporated outside Hong Kong, have substantially similar characteristics to a private company incorporated in Hong Kong), the particulars of which are set out below:

Name	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Linmon Media (BVI) Limited ( <i>note (a)</i> )	British Virgin Islands 15 June 2021	US\$1	100%	–	Investment holding
Linmon Media Holding Limited ( <i>note (a)</i> )	Hong Kong 6 July 2021	HK\$1	–	100%	Investment holding
Linmon Media International Co., Limited ( <i>note (a)</i> )	Hong Kong 4 February 2021	HK\$1	–	100%	Investment holding
Linmon International Limited ("Linmon International") (寧萌國際傳媒有限公司) ( <i>note (c)</i> )	Hong Kong 12 June 2016	HK\$10,000	–	100%	Investment in, distribution and licensing of broadcasting rights of drama series
Shanghai Ninghe Culture and Media Co., Ltd.* ("Shanghai Ninghe") (上海寧合文化傳媒有限公司) ( <i>note (d)</i> )	People's Republic of China ("PRC")/ Mainland China 27 July 2021	RMB500,000,000	–	100%	Investment holding
Shanghai Linmon Picture Media Co., Ltd. ("Shanghai Linmon")* (上海寧萌影視傳媒股份有限公司) ( <i>note (e)</i> )	PRC/Mainland China 25 July 2014	RMB255,506,000	–	100%	Investment, production, distribution and operation of drama series and relevant derivatives
Hainan Linmon Kaixin Film and Television Media Co., Ltd.* (海南寧萌開新影視傳媒有限公司) ( <i>note (b)</i> )	PRC/Mainland China 8 May 2021	RMB3,000,000	–	100%	Investment in, production, distribution and licensing of broadcasting rights of drama series

Name	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Hangzhou Wuren Guanji Culture and Media Co., Ltd.* (杭州無人關機文化傳媒有限公司) (note (b))	PRC/Mainland China 6 March 2021	RMB3,000,000	–	100%	Investment in, internet live technical services
Shanghai Ningchuan Culture and Media Co., Ltd.* (上海寧川文化傳媒有限公司) (note (b))	PRC Mainland China 12 May 2021	RMB3,000,000	–	100%	Shooting and production of product placement advertisements in drama series
Zhejiang Dongyang Linmon Film and Television Media Co., Ltd. ("Dongyang Linmon")* (浙江東陽樟萌影視傳媒有限公司) (note (e))	PRC/Mainland China 22 April 2019	RMB3,000,000	–	100%	Radio and TV programs production, operation and distribution
Shanghai Linmon Kaixin Film and Television Media Co., Ltd. ("Shanghai Linmon Kaixin")* (上海寧開新影視傳媒有限公司) (notes (e) and notes (f))	PRC/Mainland China 2 November 2015	RMB3,000,000	–	100%	Radio and TV programs production, operation and distribution
Shanghai Linmon Yuexin Film and Television Media Co., Ltd. ("Shanghai Linmon Yuexin")* (上海寧萌悅心影視傳媒有限公司) (notes (e) and (f))	PRC/Mainland China 12 January 2015	RMB3,000,000	–	100%	Radio and TV programs production, operation and distribution
Zhejiang Dongyang Linmon Kaixin Film and Television Media Co., Ltd. ("Dongyang Linmon Kaixin")* (浙江東陽樟萌開新影視傳媒有限公司) (notes (e) and (f))	PRC/Mainland China 29 May 2019	RMB3,000,000	–	100%	Radio and TV programs production, operation and distribution
Zhejiang Dongyang Linmon Yuexin Film and Television Media Co., Ltd. ("Dongyang Linmon Yuexin")* (浙江東陽樟萌悅心影視傳媒有限公司) (notes (e) and (f))	PRC/Mainland China 2 December 2019	RMB3,000,000	–	100%	Radio and TV programs production, operation and distribution
Horgos Linmon Black Tea Film and Television Media Co., Ltd. ("Horgos Linmon Black Tea")* (霍爾果斯樟萌紅茶影視傳媒有限公司) (notes (e) and (f))	PRC/Mainland China 5 April 2017	RMB3,000,000	–	100%	Radio and TV programs production, operation and distribution
Shanghai Ningxin Culture Investment Management Co., Ltd. ("Shanghai Ningxin")* (上海寧新文化投資管理有限公司) (note (a))	PRC/Mainland China 16 February 2017	RMB10,000,000	–	100%	Investment holding

Name	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Horgos Linmon Film and Television Media Co., Ltd. ("Horgos Linmon")* (霍爾果斯檸檬影視傳媒有限公司) (note (e))	PRC/Mainland China 20 April 2016	RMB3,000,000	–	100%	Radio and TV programs production, operation and distribution
Shanghai Ningshi Enterprise Management Co., Ltd. ("Shanghai Ningshi")* (上海寧視企業管理有限公司) (note (b))	PRC/Mainland China 8 January 2021	RMB3,000,000	–	100%	Investment holding
Shanghai Ningjie Culture Media Co., Ltd. ("Shanghai Ningjie")* (上海寧捷文化傳媒有限公司) (note (b))	PRC/Mainland China 31 August 2021	RMB500,000,000	–	100%	Investment holding
Beijing Haoyou Benling Culture Media Co., Ltd. ("Haoyou Benling")* (北京好有本領文化傳媒有限公司) (note (b))	PRC/Mainland China 25 August 2021	RMB3,000,000	–	100%	Investment in, production, distribution and licensing of broadcasting rights of drama series
Beijing Ningle Film and Television Media Co., Ltd. ("Beijing Ningle")* (北京寧樂影視傳媒有限公司) (note (a))	PRC/Mainland China 19 January 2022	RMB3,000,000	–	100%	Radio and TV programs production, operation and distribution
Shanghai Yuri Juzeng Culture Media Co., Ltd ("Yuri Juzeng")* (上海與日俱增文化傳媒有限公司) (note (a))	PRC/ Mainland China 10 February 2022	RMB 3,000,000	–	100%	Investment in, production, distribution and licensing of broadcasting rights of drama series

## Notes:

- (a) No audited financial statements have been prepared for these entities since their dates of incorporation, as these entities were not subject to any statutory audit requirements under the relevant rules and regulations in their jurisdiction of incorporation or newly incorporated.
- (b) These entities are limited liability enterprises established under PRC law. The statutory financial statements for the period from the date of incorporation to 31 December 2021 prepared under PRC Generally Accepted Accounting Principles were audited by Zhonghua Certified Public Accountants LLP (眾華會計師事務所(特殊普通合夥)), certified public accountants registered in the PRC.
- (c) The entity is a limited liability enterprise established under Hong Kong law. The statutory financial statements of Linmon International for the year ended 31 December 2019 and the period from 1 January 2020 to 31 March 2021 prepared in accordance with the Small and Medium-sized Entity Financial Reporting Standard were audited by PETER W.H.MA & CO., certified public accountants registered in Hong Kong. The entity was approved by the Registrar of Companies to terminate its registration in June 2022.
- (d) The entity is registered as a wholly-foreign-owned enterprise under PRC law. No audited financial statements have been prepared for this entity since its date of incorporation.



- (e) These entities are limited liability enterprises established under PRC law. The statutory financial statements for the years ended 31 December 2019, 2020 and 2021 prepared under PRC Generally Accepted Accounting Principles were audited by Zhonghua Certified Public Accountants LLP (眾華會計師事務所(特殊普通合夥)), certified public accountants registered in the PRC.
- (f) The Group acquired the remaining 30% and 20% equity interests in Shanghai Linmon Kaixin (including its subsidiary Dongyang Linmon Kaixin) and Shanghai Linmon Yuexin (including its subsidiaries Dongyang Linmon Yuexin and Horgos Linmon Black Tea) from their non-controlling shareholders in June 2020 and September 2020, respectively. Since then the both entities became wholly-owned subsidiaries of the Group.
- \* The English names of these entities registered in the PRC represent the best efforts made by the management of the Company to directly translate their Chinese names as they did not register any official English names.

## 2.1 BASIS OF PRESENTATION

Pursuant to the Reorganisation, as more fully explained in the paragraph headed “Reorganisation” in the section headed “History, Reorganisation and Corporate Development” in the Prospectus, the Company became the holding company of the companies now comprising the Group on 31 August 2021.

Shanghai Linmon and its subsidiaries (the “Consolidated Affiliated Entities”) are engaged in the production, distribution and licensing of broadcasting rights of drama series business, which was prohibited or restricted from foreign ownership due to regulatory prohibitions. A wholly-owned subsidiary of the Company, Shanghai Ninghe, has entered into a series of contractual arrangements (the “Contractual Arrangements”) with the Consolidated Affiliated Entities and their respective equity holders (hereafter the equity holders of the Consolidated Affiliated Entities referred to as the “Registered Shareholders”). The Contractual Arrangements enable Shanghai Ninghe to exercise effective control over the Consolidated Affiliated Entities and obtain substantially all economic benefits of the Consolidated Affiliated Entities. Accordingly, the Consolidated Affiliated Entities are controlled by the Company based on the Contractual Arrangements though the Company does not have any direct or indirect equity interest in the Consolidated Affiliated Entities. Details of the Contractual Arrangements are disclosed in the section headed “Contractual Arrangements” in the Prospectus.

As the Reorganisation only involved inserting new holding companies at the top of an existing company, that has not resulted in any change of the respective voting and beneficial interests, the Historical Financial Information for the Relevant Periods and the three months ended 31 March 2021 has been presented as a continuation of the then holding company by applying the principles of merger accounting as if the Reorganisation had been completed at the beginning of the Relevant Periods.

The consolidated statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group for the Relevant Periods include the results and cash flows of all companies now comprising the Group from the earliest date presented or since the date of incorporation of the subsidiaries, where this is a shorter period. The consolidated statements of financial position of the Group as at 31 December 2019, 2020 and 2021 and 31 March 2022 have been prepared to present the assets and liabilities of the subsidiaries now comprising the Group using the existing book values. No adjustments are made to reflect fair values, or recognise any new assets or liabilities as a result of the Reorganisation.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group transactions and balances have been eliminated on consolidation.

## 2.2 BASIS OF PREPARATION

The Historical Financial Information has 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 HKICPA and accounting principles generally accepted in Hong Kong. All HKFRSs effective for the accounting period commencing from 1 January 2022, together with the relevant transitional provisions, have been consistently applied by the Group in the preparation of the Historical Financial Information throughout the Relevant Periods and in the period covered by the Interim Comparative Financial Information.

The Historical Financial Information has 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.

The Group had total deficits of approximately RMB1,316,366,000 and recorded net current liabilities of RMB1,505,153,000 as at 31 March 2022, which was primarily due to the convertible redeemable preferred shares of RMB3,346,945,000 being classified as current liabilities as set out in note 26 to the Historical Financial Information. The directors of the Group have given careful consideration to the future liquidity and performance of the Group and its available sources of finance in assessing whether the Group will have sufficient financial resources to continue as a going concern. As at 31 March 2022, the Group had available bank facilities with a total amount of RMB1,992,500,000 which can be utilised in the next twelve months. The founders of the Group have also agreed to provide additional financial support to enable the Group to meet in full its financial obligations as and when they fall due for the foreseeable future. Taking into account these additional financial resources available to the Group and the internally generated funds from operations, the directors believe that the Group has sufficient cash flows in the foreseeable future to enable it to continue its operations and meet its liabilities as and when they fall due. Therefore, the Historical Financial Information has been prepared on a going concern basis.

### 2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in the Historical Financial Information.

Amendments to HKFRS 10 and HKAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> <sup>2</sup>
HKFRS 17	<i>Insurance Contracts</i> <sup>1</sup>
Amendments to HKFRS 17	<i>Insurance Contracts</i> <sup>1, 4</sup>
Amendment to HKFRS 17	<i>Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information</i> <sup>1</sup>
Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-current</i> <sup>1, 3</sup>
Amendments to HKAS 1 and HKFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i> <sup>1</sup>
Amendments to HKAS 8	<i>Definition of Accounting Estimates</i> <sup>1</sup>
Amendments to HKAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i> <sup>1</sup>

1 Effective for annual periods beginning on or after 1 January 2023

2 No mandatory effective date yet determined but available for adoption

3 As a consequence of the amendments to HKAS 1, Hong Kong Interpretation 5 *Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised in October 2020 to align the corresponding wording with no change in conclusion

4 As a consequence of the amendments to HKFRS 17 issued in October 2020, HKFRS 4 was amended to extend the temporary exemption that permits insurers to apply HKAS 39 rather than HKFRS 9 for annual periods beginning before 1 January 2023

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. The Group expects that the adoption of the new and revised HKFRSs will have no significant financial effect on the Group's results of operations and financial position.

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Subsidiaries

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).

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 results of subsidiaries are included in the Company's profit or loss to the extent of dividends received and receivable. The Company's investments in subsidiaries are stated at cost less any impairment losses.

The financial information of the subsidiaries is 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.

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 investments 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.

#### **Subsidiaries arising from the Reorganisation**

The Registered Shareholders, Shanghai Linmon and Shanghai Ninghe have entered into the Contractual Arrangements which became effective on 31 August 2021. Each of the shareholders of Shanghai Linmon authorised and appointed Shanghai Ninghe, as his or her agent to act on his or her behalf to exercise or delegate the exercise of all his or her rights as equity holders of Shanghai Linmon. In particular, Shanghai Ninghe undertakes to provide the Consolidated Affiliated Entities with certain technical services as required to support their operations. In return, Shanghai Ninghe is entitled to substantially all of the operating profits and residual benefits generated by the Consolidated Affiliated Entities through intercompany charges levied on these services rendered. The Registered Shareholders are also required to transfer their equity interests in Shanghai Linmon to Shanghai Ninghe or the designee appointed by Shanghai Ninghe upon a request made by Shanghai Ninghe when permitted by the PRC laws for a consideration. The equity interests in Shanghai Linmon have also been pledged by the Registered Shareholders to Shanghai Ninghe in respect of the continuing obligations of the Consolidated Affiliated Entities. Accordingly, the Group has rights to variable returns from its involvement with the Consolidated Affiliated Entities and has the ability to affect those returns through its power, and thus control over the Consolidated Affiliated Entities.

#### **Investments in associates**

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The Group's investments in associates are stated in the consolidated statements of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The Group's share of the post-acquisition results and other comprehensive income of associates is included in the consolidated statements of profit or loss and other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the consolidated statements of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's investments in the associates, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates is included as part of the Group's investments in associates.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

#### **Business combinations and goodwill**

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performed its annual impairment test of goodwill as at 31 December 2019. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

**Fair value measurement**

The Group measures its financial assets at fair value through profit or loss at the end of each of the reporting periods. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the Historical Financial Information are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
- Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the Historical Financial Information on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each of the reporting periods.

**Impairment of non-financial assets**

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than deferred tax assets and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs. In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each of the reporting periods as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

**Related parties**

A party is considered to be related to the Group if:

- (a) the party is a person or a close member of that person's family and that person
  - (i) has control or joint control over the Group;
  - (ii) has significant influence over the Group; or
  - (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

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

**Property, plant and equipment and depreciation**

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Office equipment	19.0%
Electronic equipment	32.0%
Leasehold improvements	22.2%-33.3%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

#### **Intangible assets (other than goodwill)**

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

#### *Software*

Purchased software is stated at cost less any impairment loss and is amortised on the straight-line basis over its estimated useful life of 3 years.

#### *Trademarks*

Trademarks are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives of 10 years, which is shorter of legal registered period and the period over which the trademark is expected to generate net cash inflows from the commercialisation of product.

#### *Artiste management agreements*

Artiste management agreements are stated at cost less any impairment loss and are amortised on the straight-line basis over the contract periods of artiste management agreements of 33 months.

#### *Non-compete agreements*

Non-compete agreements are stated at cost less any impairment loss and are amortised on the straight-line basis over the contract periods of non-compete agreements of 40 months.

#### **Leases**

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

#### *Group as a lessee*

The Group applies a single recognition and measurement approach for all leases, except for short-term leases. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

#### *(a) Right-of-use assets*

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Office premises	3-4 years
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If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

*(b) Lease liabilities*

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

The Group's lease liabilities are presented separately in the statements of financial position.

*(c) Short-term leases*

The Group applies the short-term lease recognition exemption to its short-term leases of studio, electronic equipment and vehicles (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments on short-term leases are recognised as an expense on a straight-line basis over the lease term.

**Investments and other financial assets*****Initial recognition and measurement***

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.



***Subsequent measurement***

The subsequent measurement of financial assets depends on their classification as follows:

***Financial assets at fair value through other comprehensive income (debt instruments)***

For debt investments at fair value through other comprehensive income, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to the statement of profit or loss.

***Financial assets at amortised cost (debt instruments)***

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

***Financial assets at fair value through profit or loss***

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in profit or loss.

This category includes equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value through profit or loss are also recognised as other income in profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

During the Relevant Periods, the Group made investments in certain convertible redeemable preferred shares or ordinary shares with preferential rights issued by the investee companies. The Group maintained significant influence in these companies but in substance had risks and returns different with those of interests in associates. The Group also has interests in certain investee companies in the form of ordinary shares without significant influence, which are managed and their performance are evaluated on a fair value basis. The Company designated the whole instruments as financial assets at fair value through profit or loss.

**Derecognition of financial assets**

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statements of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

**Impairment of financial assets**

The Group recognises an allowance for expected credit losses (“ECLs”) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

***General approach***

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Debt investments at fair value through other comprehensive income and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables which apply the simplified approach as detailed below.

- Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs
- Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs
- Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

***Simplified approach***

For trade receivables and that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

**Financial liabilities*****Initial recognition and measurement***

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, lease liabilities, financial liabilities at fair value through profit or loss, amounts due to a joint venture and a related party, dividend payable and interest-bearing bank and other borrowings.

#### ***Subsequent measurement***

The subsequent measurement of financial liabilities depends on their classification as follows:

#### ***Financial liabilities at fair value through profit or loss***

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in profit or loss. The net fair value gain or loss recognised in profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in HKFRS 9 are satisfied. Gains or losses on liabilities designated at fair value through profit or loss are recognised in profit or loss, except for the gains or losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to profit or loss. The net fair value gain or loss recognised in profit or loss does not include any interest charged on these financial liabilities.

The Group designated the convertible redeemable preferred shares upon initial recognition as financial liabilities at fair value through profit or loss. They are initially recognised at fair value. Any directly attributable transaction costs are recognised as finance costs in profit or loss.

Subsequent to initial recognition, the convertible redeemable preferred shares are carried at fair value with changes in fair value recognised in profit or loss.

The convertible redeemable preferred shares are classified as non-current liabilities when the holders of the convertible redeemable preferred shares cannot demand the Company to redeem the convertible redeemable preferred shares until at least 12 months after the end of each reporting period.

#### ***Financial liabilities at amortised cost (loans and borrowings)***

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

#### ***Derecognition of financial liabilities***

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

#### **Offsetting of financial instruments**

Financial assets and financial liabilities are offset and the net amount is reported in the statements of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

#### **Provisions**

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in other expenses in the statement of profit or loss.

#### **Inventories**

Inventories include the cost of completed drama series, drama series in production and undeveloped scripts and purchased copyrights or broadcasting rights of drama series. Inventories are stated at the lower of cost and net realisable value. Net realisable value of inventories is the estimated selling price in the ordinary business, less estimated costs of completion and selling expenses.

The amounts of inventories recognised as cost of sales for a given period are determined using the drama series forecast computation method. Under this method, the amortisation of inventories and the accrual of participations and residuals are based on the proportion of the drama series' revenues recognised for such period to the drama series' estimated remaining ultimate revenues (i.e., the total revenue to be received throughout a drama series' life cycle).

#### **Accounting for the co-investment arrangements and co-financing arrangements**

Under the co-investment arrangements where the Group acts as an executive producer, the investment from the other co-investors is considered as the selling of shares of interests and copyrights in drama series to such co-investors by the Group. If the co-investors bear full risk for the shares of interests and copyrights of drama series they invested in, the amounts received from such co-investors are recognised as reductions of the costs of the drama series upon the receipt of the license for distribution of drama series from the National Radio and Television Administration of the PRC ("NRTA"). The amounts paid to such co-investors for the share of interests of drama series pursuant to the co-investment arrangements are recognised as deductions of revenue.

When co-investors are not entitled to any shares of copyrights in drama series they invested in under co-investment arrangements and the Group acts as principal and is obligated to share the licensing revenue with such co-investors at a fixed return basis or based on the respective investment ratio, the amounts received from such co-investors are recognised as financial liabilities. The financial liabilities are subsequently measured at amortised costs (for fixed return investments) or fair value (for variable return investments), with gains or losses recognised in finance costs (for fixed return investments) or other expenses (for variable return investments), respectively.

The amount paid under co-financing arrangements to the third-party investors by the Group in order to obtain shares of legal rights (i.e. copyrights, broadcasting rights) of drama series is recognised as prepayments under the co-investment arrangements and reclassified as inventories upon the receipt of the license for distribution of drama series from the NRTA. The amounts received for the share of legal rights of drama series are recognised as revenue.

The amount paid under co-financing arrangements to third-party investors by the Group where the Group is not entitled to any shares of legal rights (i.e. copyrights, broadcasting rights) of the drama series is recognised as financial assets. The financial assets are subsequently measured at amortised costs (for fixed return investments) or fair value (for variable return investments), with gains or losses recognised in other income (for fixed return investments) or revenue (for variable return investments), respectively.

**Cash and cash equivalents**

For the purpose of the consolidated statements of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short-term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statements of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

**Income tax**

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each of the reporting periods, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of each of the reporting periods between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each of the reporting periods and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each of the reporting periods and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each of the reporting periods.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

**Government grants**

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

**Revenue recognition*****Revenue from contracts with customers***

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

The Group is mainly involved in the licensing of broadcasting rights of drama series. Revenue is measured based on the fair value of consideration received or receivable specified in the contracts with customers.

***(a) Licensing of broadcasting rights of original drama series***

Revenue from the licensing of broadcasting rights of drama series is recognised at the point in time when the drama series are available to the licensee and the licensee is able to use and benefit from the license, generally on delivery of the drama series after the approval from the NRTA or receipt of the licence for distribution of drama series from the provincial counterpart of the NRTA when a customer is provided with a right to broadcast the drama series as it exists at the point in time when the licence is granted.

In certain agreements with online video platform customers, the Group is entitled to additional bonus based on the actual broadcasting performance, the additional or renewal of membership subscriptions. Revenue from such additional bonus is recognised when the amount is determined and confirmed by the customers.

Retrospective price adjustments may be provided to certain customers if the drama series licensed by the Group are taken down from broadcasting channels during the license period. To estimate the variable consideration for the expected future price adjustments, the expected value method is used.

***(b) Production of made-to-order drama series***

The Group determines whether it is a principal or an agent in production of made-to-order drama series by evaluating the nature of its promise to the customer. The Group is a principal and therefore records revenue on a gross basis if it controls promised services before transferring the services to the customer. Otherwise, the Group is an agent and records as revenue the net amount that it retains for its agency services if its role is to arrange to provide the services. To assess whether the Group controls the services before they are transferred to the customer, the Group has considered various factors, including but not limited to whether the Group is (i) the primary obligor in the arrangement, (ii) has general inventory risk, (iii) has discretion in establishing the selling price.

As the consideration for the production of made-to-order drama series is fully constrained until broadcasting, revenue from production of made-to-order drama series is recognised at point in time when made-to-order drama series are accepted by the customers, which is usually when the first broadcast occurs.

*(c) Content marketing*

Content marketing involves the production of advertisements which are either placed in the drama series produced by the Group, or will be broadcasted together with the drama series. It also involves provision of marketing campaign services which usually consists of multiple performance obligations. Revenue from production of advertisements is recognised at the point in time when the advertisements are accepted by the customers and the contract amount is determinable. Revenue from each performance obligation in marketing campaign services is recognised over time in which the services are rendered to or consumed by the customer simultaneously, or at a point in time upon the delivery and acceptance of the products by the customer.

*(d) Licensing of drama elements*

Revenue from the sale of license of drama elements (script material, clips, music, etc.) is recognised at the point in time when the right to use the relevant intangible property in the drama series is transferred to licensee and the contract amount is determinable.

A sales-based royalty is recognised as revenue only when (or as) the later of the following events occurs: (a) the subsequent sale occurs; and (b) the performance obligation to which some or all of the sales-based royalty has been allocated has been satisfied (or partially satisfied).

*(e) Artiste management service income*

Artiste management service income is derived from sourcing drama actor services, entertainment events and TV programs to the artistes. Revenue is recognised over the time of the service period. The Group has discontinued artiste management services since February 2020 when Shanghai Mengyang Culture and Artiste Management Co., Ltd. was disposed of.

**Revenue from other sources**

Under co-financing arrangements where the Group is not entitled to any shares of legal rights (i.e. copyrights, broadcasting rights) of drama series, the investment amount paid by the Group is recognised as financial assets which are subsequently measured at amortised costs (for fixed return investments) or fair value (for variable return investments), with gains or losses recognised in other income (for fixed return investments) or revenue (for variable return investments), respectively.

*Other income*

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

*Dividend income*

Dividend income is recognised when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

**Contract liabilities**

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

***Refund liabilities***

A refund liability is recognised for the obligation to refund some or all of the consideration received (or receivable) from a customer and is measured at the amount the Group ultimately expects it will have to return to the customer. The Group updates its estimates of refund liabilities (and the corresponding change in the transaction price) at the end of each reporting period.

**Share-based payments**

The Company operates a share award plan for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) and non-employees of the Group receive remuneration in the form of share-based payments, whereby they render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees is measured by reference to the fair value of the shares at the date at which they are granted. The cost of equity-settled transactions with non-employees is measured by reference to the fair value of the goods or services received at the date they are received. The fair value is measured at the market value of the shares, adjusted for the exclusion of expected dividends to be received in the vesting period, further details of which are given in note 30 to the Historical Financial Information.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings/(loss) per share.

**Other employee benefits*****Pension schemes***

Contributions made to the government retirement benefit fund under defined contribution retirement plans are charged to profit or loss as incurred.



The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations.

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in central pension schemes operated by the local municipal government and the central government, respectively. These subsidiaries are required to contribute a certain percentage of payroll costs to the central pension schemes. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension schemes.

#### **Borrowing costs**

All borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

#### **Dividends**

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting.

#### **Foreign currencies**

The Historical Financial Information is presented in RMB, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of each of the reporting periods. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

### **3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES**

The preparation of the Group's Historical Financial Information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

#### **Judgements**

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the Historical Financial Information:

#### ***Contractual Arrangements***

The Consolidated Affiliated Entities are engaged in the production, distribution and licensing of broadcasting rights of drama series. Under the scope of "Special Management Measures for Access of Foreign Investment (2020 Edition)", foreign investors are prohibited to invest in such business.

As disclosed in note 2.1 to the Historical Financial Information, as part of the Reorganisation, the Group exercises control over the Consolidated Affiliated Entities and enjoys substantially all economic benefits of the Consolidated Affiliated Entities through the Contractual Arrangements.

The Group does not have any equity interests in the Consolidated Affiliated Entities. However, as a result of the Contractual Arrangements, the Company has power over the Consolidated Affiliated Entities, has rights to variable returns from its involvement with the Consolidated Affiliated Entities and has the ability to affect those returns through its power over the Consolidated Affiliated Entities and is therefore considered to have control over them. Consequently, the Company regards the Consolidated Affiliated Entities as indirect subsidiaries. The Group has consolidated the financial position and results of the Consolidated Affiliated Entities in the Historical Financial Information during the reporting period.

#### ***Income taxes***

The Group has exposure to income taxes in several jurisdictions. Significant judgement is involved in determining the Group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the year in which such determination is made.

The carrying amounts of the Group's tax payable as at 31 December 2019, 2020 and 2021 and 31 March 2022 were RMB7,250,000, RMB63,918,000, RMB74,835,000 and RMB31,932,000, respectively.

The carrying amounts of the Group's deferred tax assets as at 31 December 2019, 2020 and 2021 and 31 March 2022 were RMB389,000,000, RMB457,157,000 and RMB54,281,000 and RMB51,213,000, respectively.

#### ***Estimation uncertainty***

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each of the reporting periods, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

#### ***Determining the method to estimate variable consideration and assessing the constraint for the revenue from licensing of broadcasting rights of original drama series***

Certain contracts for the revenue from licensing of broadcasting rights of original drama series include retrospective price adjustments that give rise to variable consideration. In estimating the variable consideration, the Group is required to use either the expected value method or the most likely amount method based on which method better predicts the amount of consideration to which it will be entitled.

The Group determined that the expected value method is the appropriate method to use in estimating the variable consideration for the revenue from licensing of broadcasting rights of original drama series with price adjustments, given there is a range of possible outcomes which are subject to negotiations with customers.

Before including any amount of variable consideration in the transaction price, the Group considers whether the amount of variable consideration is constrained. The Group determined that the estimates of variable consideration are not constrained based on its historical experience, negotiations with customer, current industry practice and economic conditions.

#### ***Write-down of inventories to net realisable value***

The Group's management reviews the conditions of inventories of the Group and makes provision for obsolete and slow-moving inventory items. The Group carries out an inventory review on a project-by-project basis at the end of each Relevant Periods and makes provision for obsolete projects. Net realisable value of inventories is the estimated selling price in the ordinary business, less estimated costs of completion and selling expenses. These estimates are based on the current market condition at the end of each Relevant Periods and the historical experience of producing and distributing drama series of a similar nature. The Group's management reassesses the estimation at the end of the reporting period.

***Impairment of non-financial assets (other than goodwill)***

The Group assesses whether there are any indicators of impairment for all non-financial assets (including the right-of-use assets) at the end of each of the Relevant Periods. All non-financial assets of the Group are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

***Provision for expected credit losses on trade receivables***

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on ageing period and days past due for groups of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Group's historical expected default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information such as the debtors and the economic environment. For instance, if forecast economic conditions are expected to deteriorate over the next year which can lead to an increased number of defaults, the historical default rates are adjusted. At every reporting date, the historical expected default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical expected default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customers' actual default in the future. The provision for impairment of trade receivables at 31 December 2019, 2020 and 2021 and 31 March 2022 amounted to RMB25,998,000, RMB26,488,000, RMB37,468,000 and RMB38,013,000, respectively, details of which are set out in note 19 to the Historical Financial Information.

***Amortisation of inventories***

The amount of inventories recognised as costs of sales for a given period is determined using the drama series forecast computation method. Under this method, the amortisation of inventories and the accrual of participations and residuals are based on the proportion of the drama series' revenues recognised for such period to the drama series' estimated remaining ultimate revenues (i.e., the total revenue to be received throughout a drama series' life cycle).

Management regularly reviews the basis of the amortisation and will adjust the amortisation amount when expected changes in the drama series' estimated remaining ultimate revenues arise.

***Deferred tax assets***

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The amounts of unrecognised tax losses at 31 December 2019, 2020 and 2021 and 31 March 2022 were RMB25,032,000, RMB15,915,000, RMB24,705,000 and RMB29,376,000, respectively. Further details are contained in note 27 to the Historical Financial Information.

The Group is subject to income taxes in various regions and objective estimates and judgements based on currently enacted tax laws, regulations and other related policies are required in determining the provision for corporate income taxes. Where the final tax outcome is different from the amounts originally recorded, the differences will impact on the tax provisions over the period in which the differences are realised.

***Impairment of goodwill***

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2019 was RMB30,418,000. Further details are given in note 15 to the Historical Financial Information.

*Estimation of the fair value of convertible redeemable preferred shares*

The convertible redeemable preferred shares issued by the Group are not traded in an active market and the respective fair value is determined by using valuation techniques. The Group applied the discounted cash flow method and back-solve method to determine the underlying equity value of the Company and adopted the option-pricing method and equity allocation model to determine the fair value of the convertible redeemable preferred shares. Key assumptions such as the timing of the liquidation, redemption or the liquidation event as well as the probability of the various scenarios were based on the Group's best estimates. Further details are included in note 26 to the Historical Financial Information.

*Fair value of unlisted equity investments*

The unlisted equity investments have been valued based on a market-based valuation technique as detailed in note 36 to the Historical Financial Information. The valuation requires the Group to determine the comparable public companies (peers) and select the price multiple. In addition, the Group makes estimates about the discount for illiquidity and size differences. The Group classifies the fair value of these investments as Level 3. Further details are included in note 21 to the Historical Financial Information.

*Fair value of share options*

The Group has adopted a Pre-IPO Share Option Scheme and granted share options to certain eligible non-employees and employees. The fair value of the share options to employees is determined by a binomial model at the date they are granted. The fair value of the share options to non-employees is determined by a binomial model at the date the services are received. Significant estimates on assumptions, including the expected volatility, risk-free interest rate and expected life of options, are made by the board of directors of the Company. Further details are included in note 30 to the Historical Financial Information.

**4. 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 Relevant Periods and the three months ended 31 March 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 Relevant Periods and the three months ended 31 March 2021 is set out below:

	Year ended 31 December			Three months ended	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(Unaudited)</i>	
Customer A	371,436	267,050	282,040	–	196,604
Customer B	N/A*	466,673	211,397	9,434	74,226
Customer C	887,828	315,472	268,079	–	65,533
Customer D	213,041	–	–	–	–
Customer E	–	N/A*	132,274	–	N/A*

\* 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 Relevant Periods and the three months ended 31 March 2021.

## 5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	Year ended 31 December			Three months ended 31 March	
	2019 RMB'000	2020 RMB'000	2021 RMB'000	2021 RMB'000	2022 RMB'000
<i>Revenue from contracts with customers</i>	1,794,164	1,426,159	1,201,375	9,608	470,648
<i>Revenue from other sources</i>					
Net licensing fee received from investments in drama series under co-financing arrangement	–	–	47,589	38,475	–
	<u>1,794,164</u>	<u>1,426,159</u>	<u>1,248,964</u>	<u>48,083</u>	<u>470,648</u>

**Revenue from contracts with customers***(i) Disaggregated revenue information*

	Year ended 31 December			Three months ended 31 March	
	2019 RMB'000	2020 RMB'000	2021 RMB'000	2021 RMB'000	2022 RMB'000
<b>Types of goods or services</b>					
Licensing of broadcasting rights of original drama series	1,632,658	1,207,423	1,051,435	9,608	456,190
Content marketing	58,832	65,961	109,766	–	14,119
Others*	102,674	152,775	40,174	–	339
Total revenue from contracts with customers	<u>1,794,164</u>	<u>1,426,159</u>	<u>1,201,375</u>	<u>9,608</u>	<u>470,648</u>

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

**Geographical markets**

The Group's revenue was mainly generated from customers located in Mainland China during the Relevant Periods and the three months ended 31 March 2021.

	Year ended 31 December			Three months ended 31 March	
	2019 RMB'000	2020 RMB'000	2021 RMB'000	2021 RMB'000	2022 RMB'000
<b>Timing of revenue recognition</b>					
Goods transferred at a point in time	1,688,869	1,406,969	1,148,009	9,608	461,324
Services transferred over time	23,872	422	–	–	2,990
Services transferred at a point in time	81,423	18,768	53,366	–	6,334
Total revenue from contracts with customers	<u>1,794,164</u>	<u>1,426,159</u>	<u>1,201,375</u>	<u>9,608</u>	<u>470,648</u>

The following table shows the amounts of revenue recognised that were included in the contract liabilities at the beginning of each of the Relevant Periods and the three months ended 31 March 2021:

	Year ended 31 December			Three months ended	
	2019	2020	2021	31 March	
	RMB'000	RMB'000	RMB'000	2021	2022
				RMB'000	RMB'000
				<i>(Unaudited)</i>	
Licensing of the broadcasting rights of original drama series	555,360	381,509	152,661	–	72,604
Content marketing	19,189	21,528	17,707	–	3,738
Others	9,741	–	–	–	–
	<u>584,290</u>	<u>403,037</u>	<u>170,368</u>	<u>–</u>	<u>76,342</u>

(ii) *Performance obligations*

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

*Licensing of the broadcasting rights of original drama series*

The performance obligation is satisfied at 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 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 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 licensing of drama elements is satisfied at point in time when the right to use the relevant intangible property in the drama series is transferred to licensee 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 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 2019, 2020 and 2021 and 31 March 2022 are as follows:

	As at 31 December			As at
	2019	2020	2021	31 March
	RMB'000	RMB'000	RMB'000	2022
				RMB'000
Amounts expected to be recognised as revenue:				
Within one year	724,873	580,894	1,077,510	1,093,486
Over one year	–	–	1,268,704	1,768,704
	<u>724,873</u>	<u>580,894</u>	<u>2,346,214</u>	<u>2,862,190</u>

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 licensing of the broadcasting rights of original drama series and content marketing, of which the performance obligations are to be satisfied within three years.

An analysis of other income and gains is as follows:

	Year ended 31 December			Three months ended	
	2019	2020	2021	31 March	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(Unaudited)</i>	
Government grants					
– related to income (a)	28,777	13,449	42,287	3,913	5,317
Additional deduction for input value added tax	–	–	25,686	12,672	1,039
Interest income on					
– cash and bank balances	1,598	1,883	2,711	596	801
– time deposits	–	8,442	13,310	3,282	3,282
Interest income arising from revenue contracts	–	–	1,707	–	374
Investment income from financial assets at fair value through profit or loss (b)	9,706	13,146	24,023	2,638	1,442
Gain on disposal of subsidiaries (note 31)	–	487	–	–	–
Fair value gains:					
Financial assets at fair value through profit or loss	9,060	12,521	2,913	2,376	2,048
Others	149	1,083	560	–	8
	<u>49,290</u>	<u>51,011</u>	<u>113,197</u>	<u>25,477</u>	<u>14,311</u>

Notes:

- (a) 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.
- (b) Gain arising from the disposal of investment in WAJIJIWA Entertainment (Tianjin) Co., Ltd. amounting to RMB7,690,000 is included in the investment income from financial assets at fair value through profit or loss in 2021.

## 6. PROFIT/(LOSS) BEFORE TAX

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

	Notes	Year ended 31 December			Three months ended	
		2019	2020	2021	31 March	2022
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
						(Unaudited)
Cost of inventories sold*		1,379,480	819,847	677,302	–	287,495
Listing expense		–	–	21,416	–	7,797
Depreciation of property, plant and equipment	13	4,849	1,237	1,415	298	904
Depreciation of right-of-use assets	14	16,226	14,717	16,259	3,594	4,453
Amortisation of other intangible assets**	16	4,739	689	636	53	267
Government grants		(28,777)	(13,449)	(67,973)	(16,585)	(6,356)
Bank interest income		(1,598)	(10,325)	(16,021)	(3,878)	(4,083)
Interest income arising from revenue contracts		–	–	(1,707)	–	(374)
Lease payments not included in the measurement of lease liabilities	14(c)	838	479	578	18	557
Auditor's remuneration		271	700	507	102	102
Employee benefit expense (including directors' and chief executive's remuneration (note 8)):						
Wages and salaries		44,418	44,924	68,744	13,759	28,995
Pension scheme contributions****		3,487	297	4,524	868	1,390
Staff welfare expenses		4,980	4,920	7,311	1,152	1,382
Equity-settled share award expenses		134	477	7,389	205	6,833
		<u>53,019</u>	<u>50,618</u>	<u>87,968</u>	<u>15,984</u>	<u>38,600</u>
Loss on disposal of items of property, plant and equipment		–	4	3	–	–
Foreign exchange losses/(gains), net		(85)	1,772	14,036	332	3,154
Loss on disposal of items of other intangible assets		–	–	486	–	–
Impairment of trade receivables, net	19	3,760	534	10,980	(2,281)	545
Write-down of inventories to net realisable value***		13,836	60,556	12,632	5,935	1,011
Interest expenses on financial liabilities under co-investment arrangements		3,702	5,550	–	–	–
Fair value gains, net:						
Financial assets at fair value through profit or loss		(9,060)	(12,521)	(2,913)	(2,376)	(2,048)
Fair value losses on financial liabilities under co-investment arrangements		7,283	13,699	39,261	51	–
Fair value losses on convertible redeemable preferred shares	26	<u>93,924</u>	<u>239,176</u>	<u>225,852</u>	<u>49,665</u>	<u>70,539</u>

\* The cost of inventories sold includes nil, RMB736,000, nil, nil and RMB221,000, relating to equity-settled share award expenses during the years ended 31 December 2019, 2020, 2021 and the three months ended 31 March 2021 and 2022, respectively.

\*\* 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.

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

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



## 7. FINANCE COSTS

An analysis of finance costs is as follows:

	Year ended 31 December			Three months ended	
	2019	2020	2021	31 March	
	RMB'000	RMB'000	RMB'000	2021	2022
				<i>(Unaudited)</i>	
Interest on bank loans	16,280	5,321	2,873	–	–
Interests on financial liabilities under a co-investment arrangement	3,702	5,550	–	–	–
Interest on lease liabilities	1,464	1,418	1,018	249	200
Interest on discounted notes receivable	–	131	953	719	365
	<u>21,446</u>	<u>12,420</u>	<u>4,844</u>	<u>968</u>	<u>565</u>

## 8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Mr. Su Xiao, Ms. Chen Fei, Ms. Xu Xiao'ou and Mr. Zhou Yuan were appointed as executive directors of the Company on 10 June 2021. Mr. Sun Zhonghuai and Mr. Zhang Rong were appointed as non-executive directors of the Company on 31 August 2021. Ms. Long Yu, Mr. Jiang Changjian and Ms. Tang Songlian were appointed as independent non-executive directors of the Company on 24 September 2021.

Certain of the directors received remuneration from the subsidiaries now comprising the Group for their appointment as directors of these subsidiaries. The remuneration of the directors as recorded is set out below:

	Year ended 31 December			Three months ended	
	2019	2020	2021	31 March	
	RMB'000	RMB'000	RMB'000	2021	2022
				<i>(Unaudited)</i>	
Fees	–	–	288	–	90
Other emoluments:					
Salaries, bonuses, allowances and benefits in kind	8,955	8,660	8,728	2,178	3,476
Pension scheme contributions	184	16	228	52	60
	<u>9,139</u>	<u>8,676</u>	<u>8,956</u>	<u>2,230</u>	<u>3,536</u>
	<u>9,139</u>	<u>8,676</u>	<u>9,244</u>	<u>2,230</u>	<u>3,626</u>

**Independent non-executive directors**

The fees paid to independent non-executive directors were as follows:

	Year ended 31 December			Three months ended 31 March	
	2019 RMB'000	2020 RMB'000	2021 RMB'000	2021 RMB'000 (Unaudited)	2022 RMB'000
Mr. Jiang Changjian	–	–	98	–	30
Ms. Long Yu	–	–	98	–	30
Ms. Tang Songlian	–	–	92	–	30
	–	–	288	–	90

There were no other emoluments payable to the independent non-executive directors during the Relevant Periods and the three months ended 31 March 2021.

**Executive directors, non-executive directors and the chief executive**

	Fees RMB'000	Salaries, bonuses, allowances and benefits in kind RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
<b>Year ended 31 December 2019</b>				
Executive directors:				
Mr. Su Xiao	–	2,075	46	2,121
Ms. Xu Xiao'ou	–	2,063	46	2,109
Mr. Zhou Yuan	–	2,743	46	2,789
	–	6,881	138	7,019
Chief executive:				
Ms. Chen Fei	–	2,074	46	2,120
	–	8,955	184	9,139
<b>Year ended 31 December 2020</b>				
Executive directors:				
Mr. Su Xiao	–	2,171	4	2,175
Ms. Xu Xiao'ou	–	2,159	4	2,163
Mr. Zhou Yuan	–	2,159	4	2,163
	–	6,489	12	6,501
Chief executive:				
Ms. Chen Fei	–	2,171	4	2,175
	–	8,660	16	8,676

	Fees <i>RMB'000</i>	Salaries, bonuses, allowances and benefits in kind <i>RMB'000</i>	Pension scheme contributions <i>RMB'000</i>	Total remuneration <i>RMB'000</i>
<b>Year ended 31 December 2021</b>				
Executive directors:				
Mr. Su Xiao	–	2,188	57	2,245
Ms. Xu Xiao'ou	–	2,176	57	2,233
Mr. Zhou Yuan	–	2,176	57	2,233
	–	6,540	171	6,711
Chief executive:				
Ms. Chen Fei	–	2,188	57	2,245
	–	8,728	228	8,956
<b>Three months ended 31 March 2022</b>				
Executive directors:				
Mr. Su Xiao	–	890	15	905
Ms. Xu Xiao'ou	–	848	15	863
Mr. Zhou Yuan	–	848	15	863
	–	2,586	45	2,631
Chief executive:				
Ms. Chen Fei	–	890	15	905
	–	3,476	60	3,536
<b>Three months ended 31 March 2021 (unaudited)</b>				
Executive directors:				
Mr. Su Xiao	–	546	13	559
Ms. Xu Xiao'ou	–	543	13	556
Mr. Zhou Yuan	–	543	13	556
	–	1,632	39	1,671
Chief executive:				
Ms. Chen Fei	–	546	13	559
	–	2,178	52	2,230

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the Relevant Periods and the three months ended 31 March 2021.

During the Relevant Periods and the three months ended 31 March 2021, no remuneration was paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office.

## 9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the Relevant Periods and the three months ended 31 March 2021 included 4, 4, 4, 4 and 4 directors, respectively, details of whose remuneration are set out in note 8 above. Details of the remuneration for the Relevant Periods and the three months ended 31 March 2021 of the remaining 1, 1, 1, 1 and 1 highest paid employee, respectively, who is neither a director nor chief executive of the Company are as follows:

	Year ended 31 December			Three months ended	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Salaries, bonuses, allowances and benefits in kind	1,236	1,214	1,322	330	699
Equity-settled share award expenses	–	–	431	–	427
Pension scheme contributions	46	4	57	13	15
	<u>1,282</u>	<u>1,218</u>	<u>1,810</u>	<u>343</u>	<u>1,141</u>

The remuneration of the non-director and non-chief executive highest paid employee fell within the following bands as follows:

	Year ended 31 December			Three months ended	
	2019	2020	2021	2021	2022
	(Unaudited)				
Nil to HK\$1,000,000	–	–	–	1	–
HK\$1,000,001 to HK\$1,500,000	1	1	–	–	1
HK\$1,500,001 to HK\$2,000,000	–	–	1	–	–

During the Relevant Periods and the three months ended 31 March 2021, no remuneration was paid by the Group to the non-director and non-chief executive highest paid employee as an inducement to join or upon joining the Group or as compensation for loss of office.

## 10. 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 Relevant Periods and the three months ended 31 March 2021.

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 and Horgos Linmon Black Tea 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 the entitlement of CIT exemption from 26 July 2016 to 31 December 2020 and local bureau's CIT exemption for the next five years, from 1 January 2021. Horgos Linmon Black Tea has registered with the State Administration of Taxation for entitlement of CIT exemption from 16 October 2017 to 31 December 2021 for the grant of CIT exemption from local bureau for the next five years from 1 January 2022.

- (a) The major components of the income tax expense of the Group during the Relevant Periods and the three months ended 31 March 2021 are analysed as follows:

	Year ended 31 December			Three months ended	
	2019	2020	2021	31 March	2022
	RMB'000	RMB'000	RMB'000	2021	2022
				<i>(Unaudited)</i>	
Current – Mainland China					
Charge for the year/period	13,235	99,463	111,129	11,311	25,025
Deferred tax	14,064	(67,969)	(48,253)	(16,936)	3,068
Total tax charge for the year/period	<u>27,299</u>	<u>31,494</u>	<u>62,876</u>	<u>(5,625)</u>	<u>28,093</u>

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

	Year ended 31 December			Three months ended	
	2019	2020	2021	31 March	2022
	RMB'000	RMB'000	RMB'000	2021	2022
				<i>(Unaudited)</i>	
Profit/(loss) before tax	<u>107,697</u>	<u>94,039</u>	<u>123,789</u>	<u>(17,553)</u>	<u>25,970</u>
Tax at the statutory tax rate of 25% in Mainland China	26,924	23,510	30,947	(4,388)	6,492
Effect of tax rate differences in other jurisdictions	184	211	29,320	–	18,987
Preferential tax rates enacted by local authority	(5,729)	144	125	116	2
Expenses not deductible for tax	2,547	3,769	3,908	446	308
Temporary differences and tax losses not recognised	2,588	3,640	1,821	224	1,990
Temporary differences and tax losses utilised from prior periods	–	–	(2,695)	(1,979)	–
Profits and losses attributed to associates	785	220	(550)	(44)	174
Others	–	–	–	–	140
Tax charge at the Group's effective tax rate	<u>27,299</u>	<u>31,494</u>	<u>62,876</u>	<u>(5,625)</u>	<u>28,093</u>
Effective tax rate	25.3%	33.5%	50.8%	32.0%	108.2%

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.

## 11. DIVIDENDS

	Year ended 31 December			Three months ended	
	2019	2020	2021	31 March	
	RMB'000	RMB'000	RMB'000	2021	2022
				<i>(Unaudited)</i>	
Dividends paid to non-controlling shareholders	–	23,862	–	–	–

During the year ended 31 December 2020, the subsidiaries of the Group, Linmon Yuexin and Linmon Kaixin, declared and approved dividends of RMB13,022,000 and RMB10,840,000 to their non-controlling shareholders, respectively.

No dividend has been paid or declared by the Company in respect of the Relevant Periods and the three months ended 31 March 2021.

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

Earnings/(loss) per share information was not presented for the years ended 31 December 2019 and 2020 and for the three months ended 31 March 2021 as the Company was not yet incorporated.

During the year ended 31 December 2021 and the three months ended 31 March 2022, the calculation of the basic earnings/(loss) per share amounts is based on the earnings/(loss) attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares in issue. The calculation of the diluted earnings/(loss) per share amounts is based on the profit/(loss) for the year attributable to ordinary equity holders of the parent, adjusted to reflect fair value changes of convertible and 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 earnings/(loss) 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 earnings/(loss) per share are based on:

Earnings/(loss)	Year ended 31 December 2021 RMB'000	Three months ended 31 March 2022
Profit/(loss) attributable to ordinary equity holders of the parent, used in the basic earnings/(loss) per share calculation	60,913	(2,123)
Adjustment:		
Fair value changes of convertible and redeemable preferred shares	225,852	70,539
Profit attributable to ordinary equity holders of the parent before fair value changes of convertible and redeemable preferred shares	286,765	68,416

Shares	Year ended 31 December 2021	Three months ended 31 March 2022
Weighted average number of ordinary shares in issue used in the basic earnings/(loss) per share calculation	99,097,954	175,223,849
Effect of dilution – weighted average number of ordinary shares:		
Share options*	1,573,816	6,405,958
Convertible and redeemable preferred shares*	57,319,914	170,095,680

\* No adjustment has been made to the basic loss per share amounts presented for the three months ended 31 March 2022 in respect of a dilution as the impact of the outstanding share options and preferred shares had an anti-dilutive effect on the basic loss per share amounts presented. During the year ended 31 December 2021, the convertible and 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.

### 13. PROPERTY, PLANT AND EQUIPMENT

	Office equipment <i>RMB'000</i>	Electronic equipment <i>RMB'000</i>	Leasehold improvements <i>RMB'000</i>	Total <i>RMB'000</i>
<b>31 December 2019</b>				
At 1 January 2019:				
Cost	1,018	2,419	18,090	21,527
Accumulated depreciation	(334)	(1,086)	(7,382)	(8,802)
Net carrying amount	684	1,333	10,708	12,725
At 1 January 2019, net of accumulated depreciation				
Additions	87	277	650	1,014
Disposals	–	(41)	–	(41)
Depreciation provided during the year ( <i>note 6</i> )	(193)	(692)	(3,964)	(4,849)
At 31 December 2019, net of accumulated depreciation	578	877	7,394	8,849
At 31 December 2019:				
Cost	1,105	2,486	18,740	22,331
Accumulated depreciation	(527)	(1,609)	(11,346)	(13,482)
Net carrying amount	578	877	7,394	8,849
<b>31 December 2020</b>				
At 1 January 2020:				
Cost	1,105	2,486	18,740	22,331
Accumulated depreciation	(527)	(1,609)	(11,346)	(13,482)
Net carrying amount	578	877	7,394	8,849

	Office equipment <i>RMB'000</i>	Electronic equipment <i>RMB'000</i>	Leasehold improvements <i>RMB'000</i>	Total <i>RMB'000</i>
At 1 January 2020, net of accumulated depreciation	578	877	7,394	8,849
Additions	24	326	–	350
Disposals	–	(4)	–	(4)
Disposal of subsidiaries ( <i>note 31</i> )	(99)	(266)	(5,917)	(6,282)
Depreciation provided during the year ( <i>note 6</i> )	(168)	(339)	(730)	(1,237)
	<u>335</u>	<u>594</u>	<u>747</u>	<u>1,676</u>
At 31 December 2020, net of accumulated depreciation	<u>335</u>	<u>594</u>	<u>747</u>	<u>1,676</u>
At 31 December 2020:				
Cost	998	2,232	8,325	11,555
Accumulated depreciation	(663)	(1,638)	(7,578)	(9,879)
	<u>335</u>	<u>594</u>	<u>747</u>	<u>1,676</u>
Net carrying amount	<u>335</u>	<u>594</u>	<u>747</u>	<u>1,676</u>
<b>31 December 2021</b>				
At 1 January 2021:				
Cost	998	2,232	8,325	11,555
Accumulated depreciation	(663)	(1,638)	(7,578)	(9,879)
	<u>335</u>	<u>594</u>	<u>747</u>	<u>1,676</u>
Net carrying amount	<u>335</u>	<u>594</u>	<u>747</u>	<u>1,676</u>
At 1 January 2021, net of accumulated depreciation	335	594	747	1,676
Additions	244	1,144	4,262	5,650
Disposals	–	(3)	–	(3)
Depreciation provided during the year ( <i>note 6</i> )	(166)	(473)	(776)	(1,415)
	<u>413</u>	<u>1,262</u>	<u>4,233</u>	<u>5,908</u>
At 31 December 2021, net of accumulated depreciation	<u>413</u>	<u>1,262</u>	<u>4,233</u>	<u>5,908</u>
At 31 December 2021:				
Cost	1,242	3,287	12,587	17,116
Accumulated depreciation	(829)	(2,025)	(8,354)	(11,208)
	<u>413</u>	<u>1,262</u>	<u>4,233</u>	<u>5,908</u>
Net carrying amount	<u>413</u>	<u>1,262</u>	<u>4,233</u>	<u>5,908</u>
<b>31 March 2022</b>				
At 1 January 2022:				
Cost	1,242	3,287	12,587	17,116
Accumulated depreciation	(829)	(2,025)	(8,354)	(11,208)
	<u>413</u>	<u>1,262</u>	<u>4,233</u>	<u>5,908</u>
Net carrying amount	<u>413</u>	<u>1,262</u>	<u>4,233</u>	<u>5,908</u>



	Office equipment <i>RMB'000</i>	Electronic equipment <i>RMB'000</i>	Leasehold improvements <i>RMB'000</i>	Total <i>RMB'000</i>
At 1 January 2022, net of accumulated depreciation	413	1,262	4,233	5,908
Additions	60	73	100	233
Depreciation provided during the period ( <i>note 6</i> )	<u>(24)</u>	<u>(139)</u>	<u>(741)</u>	<u>(904)</u>
At 31 March 2022, net of accumulated depreciation	<u>449</u>	<u>1,196</u>	<u>3,592</u>	<u>5,237</u>
At 31 March 2022:				
Cost	1,302	3,360	12,687	17,349
Accumulated depreciation	<u>(853)</u>	<u>(2,164)</u>	<u>(9,095)</u>	<u>(12,112)</u>
Net carrying amount	<u>449</u>	<u>1,196</u>	<u>3,592</u>	<u>5,237</u>

#### 14. LEASES

##### The Group as a lessee

The Group has lease contracts for office premises used in its operations. Leases of office premises generally have lease terms between 3 and 4 years. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

##### (a) *Right-of-use assets*

	Office premises <i>RMB'000</i>
As at 1 January 2019	36,901
Additions	25,683
Depreciation provided during the year ( <i>note 6</i> )	<u>(16,226)</u>
As at 31 December 2019 and 1 January 2020	46,358
Depreciation provided during the year ( <i>note 6</i> )	(14,717)
Decrease as a result of disposal of subsidiaries ( <i>note 31</i> )	<u>(8,529)</u>
As at 31 December 2020 and 1 January 2021	23,112
Additions	22,334
Depreciation provided during the year ( <i>note 6</i> )	<u>(16,553)</u>
As at 31 December 2021 and 1 January 2022	28,893
Additions	474
Depreciation provided during the period ( <i>note 6</i> )	<u>(4,732)</u>
At 31 March 2022	<u>24,635</u>

**(b) Lease liabilities**

The carrying amounts of lease liabilities and the movements during the Relevant Periods are as follows:

	As at 31 December			As at
	2019	2020	2021	31 March
	RMB'000	RMB'000	RMB'000	2022
Carrying amount at beginning of year/period	35,335	45,908	22,945	28,702
New leases	25,683	–	22,334	474
Decrease as a result of disposal of subsidiaries (note 31)	–	(9,700)	–	–
Accretion of interest recognised during the year/period (note 7)	1,464	1,418	1,018	200
Payments	(16,574)	(14,681)	(17,595)	(5,607)
	<u>45,908</u>	<u>22,945</u>	<u>28,702</u>	<u>23,769</u>
Carrying amount at end of year/period				
Analysed into:				
Current portion	15,489	13,090	16,941	14,381
Non-current portion	30,419	9,855	11,761	9,388
	<u>30,419</u>	<u>9,855</u>	<u>11,761</u>	<u>9,388</u>

The maturity analysis of lease liabilities is disclosed in note 37 to the Historical Financial Information.

**(c) The amounts recognised in profit or loss in relation to leases are as follows:**

	Year ended 31 December			Three months ended	
	2019	2020	2021	31 March	
	RMB'000	RMB'000	RMB'000	2021	2022
				<i>(Unaudited)</i>	
Interest on lease liabilities	1,464	1,418	1,018	249	200
Depreciation charge of right-of-use assets	16,226	14,717	16,259	3,594	4,453
Expenses relating to short term leases (included in administrative expenses)	838	479	578	18	557
	<u>18,528</u>	<u>16,614</u>	<u>17,855</u>	<u>3,861</u>	<u>5,210</u>
Total amount recognised in profit or loss					

\* The total amounts of depreciation charge on the right-of-use assets included in “Inventories” for the year of 2021 and the three months ended 31 March 2022 were RMB294,000 and RMB279,000, respectively.

**(d) The total cash outflow for leases is disclosed in note 32(c) to the Historical Financial Information.**

## 15. GOODWILL

	As at 31 December			As at
	2019	2020	2021	31 March 2022
Cost and carrying amount at beginning of year/period	30,418	30,418	–	–
Decrease as a result of disposal of subsidiaries ( <i>note 31</i> )	–	(30,418)	–	–
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Cost and net carrying amount at end of year/period	<u>30,418</u>	<u>–</u>	<u>–</u>	<u>–</u>

**Impairment testing of goodwill**

Goodwill acquired through business combinations is allocated to cash-generating unit, namely Shanghai Mengyang Culture and Artiste Management Co., Ltd. (“Shanghai Mengyang”, 上海萌揚文化藝術經紀有限公司) cash-generating unit for impairment testing.

The recoverable amounts of the cash-generating unit has been determined based on a value-in-use calculation using cash flow projections based on financial budgets covering a five-year period approved by management. The pre-tax discount rate applied to the cash flow projections, the terminal growth rate and gross profit margin used to extrapolate the cash flows of the cash-generating unit beyond the five-year period are as follows:

	As at 31 December 2019
Gross profit margin	45%
Terminal growth rate	3%
Pre-tax discount rate	<u>19.81%</u>

**Key assumptions used in the value-in-use calculation**

The calculation of value in use is based on the following assumptions:

Gross profit margin – Gross profit margin is based on the average gross profit margin achieved in the year immediately before the budget year and is increased over the budget period for anticipated efficiency improvements.

Pre-tax discount rate – the rate reflects management’s estimate of the risks specific to the unit.

Terminal growth rate – the rate is based on published industry research.

The values assigned to the key assumptions on gross profit margin, discount rates and growth rates are consistent with management’s past experience and external information sources.

As at 31 December 2019, the recoverable amount of Shanghai Mengyang cash-generating unit to which goodwill was allocated exceeded its carrying amount by RMB14,120,000.

Decreases in the gross profit margin or rises in the pre-tax discount rate as follows (with other assumptions remaining unchanged) would result in Shanghai Mengyang cash-generating unit's recoverable amount equal to its carrying amount:

	<b>As at 31 December 2019</b>
	<i>Increase/(decrease)</i>
Gross profit margin	(3.77%)
Pre-tax discount rate	4.69%

In the opinion of the directors, except for the above, any reasonably possible change in the other key assumptions on which the recoverable amount is based would not cause the cash-generating unit's carrying amount to exceed its recoverable amount as at 31 December 2019.

#### 16. OTHER INTANGIBLE ASSETS

	<b>Software</b>	<b>Trademarks</b>	<b>Artiste management agreements</b>	<b>Non- compete agreements</b>	<b>Total</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>31 December 2019</b>					
At 1 January 2019:					
Cost	586	1,283	8,400	5,000	15,269
Accumulated amortisation	(67)	(132)	(5,091)	(2,500)	(7,790)
Net carrying amount	<u>519</u>	<u>1,151</u>	<u>3,309</u>	<u>2,500</u>	<u>7,479</u>
Cost at 1 January 2019, net of accumulated amortisation	519	1,151	3,309	2,500	7,479
Amortisation provided during the year ( <i>note 6</i> )	(52)	(132)	(3,055)	(1,500)	(4,739)
At 31 December 2019	<u>467</u>	<u>1,019</u>	<u>254</u>	<u>1,000</u>	<u>2,740</u>
At 31 December 2019:					
Cost	586	1,283	8,400	5,000	15,269
Accumulated amortisation	(119)	(264)	(8,146)	(4,000)	(12,529)
Net carrying amount	<u>467</u>	<u>1,019</u>	<u>254</u>	<u>1,000</u>	<u>2,740</u>
<b>31 December 2020</b>					
At 1 January 2020:					
Cost	586	1,283	8,400	5,000	15,269
Accumulated amortisation	(119)	(264)	(8,146)	(4,000)	(12,529)
Net carrying amount	<u>467</u>	<u>1,019</u>	<u>254</u>	<u>1,000</u>	<u>2,740</u>

	Software RMB'000	Trademarks RMB'000	Artiste management agreements RMB'000	Non- compete agreements RMB'000	Total RMB'000
Cost at 1 January 2020, net of accumulated amortisation	467	1,019	254	1,000	2,740
Decrease as a result of disposal of a subsidiary (note 31)	–	–	–	(750)	(750)
Amortisation provided during the year (note 6)	(53)	(132)	(254)	(250)	(689)
At 31 December 2020	<u>414</u>	<u>887</u>	<u>–</u>	<u>–</u>	<u>1,301</u>
At 31 December 2020:					
Cost	586	1,283	8,400	5,000	15,269
Accumulated amortisation	(172)	(396)	(8,400)	(5,000)	(13,968)
Net carrying amount	<u>414</u>	<u>887</u>	<u>–</u>	<u>–</u>	<u>1,301</u>
<b>31 December 2021</b>					
At 1 January 2021:					
Cost	586	1,283	8,400	5,000	15,269
Accumulated amortisation	(172)	(396)	(8,400)	(5,000)	(13,968)
Net carrying amount	<u>414</u>	<u>887</u>	<u>–</u>	<u>–</u>	<u>1,301</u>
Cost at 1 January 2021, net of accumulated amortisation	414	887	–	–	1,301
Additions	2,580	–	–	–	2,580
Disposals	(434)	(52)	–	–	(486)
Amortisation provided during the year (note 6)	(504)	(132)	–	–	(636)
At 31 December 2021	<u>2,056</u>	<u>703</u>	<u>–</u>	<u>–</u>	<u>2,759</u>
At 31 December 2021:					
Cost	2,639	1,064	8,400	5,000	17,103
Accumulated amortisation	(583)	(361)	(8,400)	(5,000)	(14,344)
Net carrying amount	<u>2,056</u>	<u>703</u>	<u>–</u>	<u>–</u>	<u>2,759</u>
<b>31 March 2022</b>					
At 1 January 2022:					
Cost	2,639	1,064	8,400	5,000	17,103
Accumulated amortisation	(583)	(361)	(8,400)	(5,000)	(14,344)
Net carrying amount	<u>2,056</u>	<u>703</u>	<u>–</u>	<u>–</u>	<u>2,759</u>

	Software RMB'000	Trademarks RMB'000	Artiste management agreements RMB'000	Non- compete agreements RMB'000	Total RMB'000
Cost at 1 January 2022, net of accumulated amortisation	2,056	703	–	–	2,759
Additions	77	–	–	–	77
Amortisation provided during the period (note 6)	(240)	(27)	–	–	(267)
At 31 March 2022	<u>1,893</u>	<u>676</u>	<u>–</u>	<u>–</u>	<u>2,569</u>
At 31 March 2022: Cost	2,716	1,064	8,400	5,000	17,180
Accumulated amortisation	(823)	(388)	(8,400)	(5,000)	(14,611)
Net carrying amount	<u>1,893</u>	<u>676</u>	<u>–</u>	<u>–</u>	<u>2,569</u>

## 17. INVESTMENTS IN ASSOCIATES

	As at 31 December			As at 31 March 2022
	2019 RMB'000	2020 RMB'000	2021 RMB'000	RMB'000
Share of net assets	4,573	3,694	5,894	5,199
Goodwill on acquisition	49,196	49,196	49,196	49,196
	<u>53,769</u>	<u>52,890</u>	<u>55,090</u>	<u>54,395</u>

Particulars of the associates are as follows:

Name	Place and date of incorporation and place of business	Nominal value of issued/registered share capital	Percentage of ownership interest attributable to the Group	Principal activities
Shanghai Senmeijie Culture Media Co., Ltd.	PRC/Mainland China 28 January 2015	RMB3,000,000	20	Radio and TV programs production and operation services
Beijing Ark Reading Technology Co., Ltd. ("Beijing Ark Reading")	PRC/Mainland China 15 September 2015	RMB1,176,471	20	Online literature platform operation; radio and TV programs production and operation services

The Group's shareholdings in the associates all comprise equity shares held through a consolidated affiliate entity of the Company.

	As at 31 December			As at
	2019	2020	2021	31 March
	RMB'000	RMB'000	RMB'000	2022
Aggregate carrying amount of the Group's investments in the associates	53,769	52,890	55,090	54,395

	Year ended 31 December			Three months ended	
	2019	2020	2021	31 March	
	RMB'000	RMB'000	RMB'000	2021	2022
Share of the associates' profit/(loss) for the year/period	(3,140)	(879)	2,200	174	(695)

*(Unaudited)*

#### 18. INVENTORIES

	As at 31 December			As at
	2019	2020	2021	31 March
	RMB'000	RMB'000	RMB'000	2022
Raw materials	85,649	95,791	118,664	130,004
Work in progress	739,645	241,131	330,379	222,960
Finished goods	–	–	105,170	154
	825,294	336,922	554,213	353,118

#### 19. TRADE AND NOTES RECEIVABLES

	As at 31 December			As at
	2019	2020	2021	31 March
	RMB'000	RMB'000	RMB'000	2022
Trade receivables	466,683	279,627	395,050	549,208
Notes receivable	21,433	2,620	28,000	38,900
	488,116	282,247	423,050	588,108
Impairment	(25,998)	(26,488)	(37,468)	(38,013)
	462,118	255,759	385,582	550,095
Analysed into:				
Current portion	462,118	255,759	385,582	501,886
Non-current portion	–	–	–	48,209

The Group's trading terms with its customers are mainly on credit. The credit period is generally 30 to 365 days except for one customer to whom two-year credit period is granted, 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 each of the Relevant Periods, based on the transaction dates and net of loss allowance, is as follows:

	As at 31 December			As at
	2019	2020	2021	31 March
	RMB'000	RMB'000	RMB'000	2022
				RMB'000
Within 3 months	7,423	–	284,370	298,352
3 to 6 months	423,663	104,327	–	143,257
6 to 12 months	561	69,529	37,496	33,755
1 to 2 years	8,824	79,283	5,325	5,440
2 to 3 years	214	–	30,391	30,391
	<u>440,685</u>	<u>253,139</u>	<u>357,582</u>	<u>511,195</u>

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

	As at 31 December			As at
	2019	2020	2021	31 March
	RMB'000	RMB'000	RMB'000	2022
				RMB'000
At beginning of year/period	22,238	25,998	26,488	37,468
Decrease as a result of disposal of subsidiaries	–	(44)	–	–
Impairment losses, net ( <i>note 6</i> )	<u>3,760</u>	<u>534</u>	<u>10,980</u>	<u>545</u>
At end of year/period	<u>25,998</u>	<u>26,488</u>	<u>37,468</u>	<u>38,013</u>

An impairment analysis is performed at the end of each of the Relevant Periods 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 of the Relevant Periods 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 2019

	<b>Gross carrying amount</b> <i>RMB'000</i>	<b>Expected credit loss rate</b>	<b>Expected credit loss</b> <i>RMB'000</i>
Defaulted receivables	20,741	100.00%	20,741
Other trade receivables aged:			
Current	1,990	0.25%	5
Past due:			
Within 1 year	432,451	0.65%	2,794
Between 1 and 2 years	9,216	4.20%	387
Between 2 and 3 years	302	29.14%	88
Over 3 years	1,983	100.00%	1,983
	<u>466,683</u>	5.57%	<u>25,998</u>

As at 31 December 2020

	<b>Gross carrying amount</b> <i>RMB'000</i>	<b>Expected credit loss rate</b>	<b>Expected credit loss</b> <i>RMB'000</i>
Defaulted receivables	20,741	100.00%	20,741
Other trade receivables aged:			
Current	52,210	0.29%	150
Past due:			
Within 1 year	122,517	0.65%	796
Between 1 and 2 years	82,713	4.06%	3,355
Over 3 years	1,446	100.00%	1,446
	<u>279,627</u>	9.47%	<u>26,488</u>

As at 31 December 2021

	<b>Gross carrying amount</b> <i>RMB'000</i>	<b>Expected credit loss rate</b>	<b>Expected credit loss</b> <i>RMB'000</i>
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
	<u>395,050</u>	9.50%	<u>37,468</u>

As at 31 March 2022

	<b>Gross carrying amount</b> <i>RMB'000</i>	<b>Expected credit loss rate</b>	<b>Expected credit loss</b> <i>RMB'000</i>
Defaulted receivables	66,703	54.44%	36,312
Other trade receivables aged:			
Current	318,251	0.29%	933
Past due:			
Within 1 year	158,758	0.38%	598
Between 1 and 2 years	<u>5,496</u>	3.09%	<u>170</u>
	<u>549,208</u>	6.9%	<u>38,013</u>

Included in the Group's trade receivables were amounts due from the Group's related parties of RMB2,860,000, RMB18,000,000, RMB60,756,000 and RMB57,535,000 as at 31 December 2019, 2020 and 2021 and 31 March 2022, respectively, 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 2019, the Group's trade receivables with an aggregate net carrying value of approximately RMB409,768,000 were pledged to secure the bank loans granted to the Group (note 25).

As at 31 December 2019, 2020 and 2021 and 31 March 2022, notes receivable of RMB21,433,000, RMB2,620,000, RMB28,000,000 and RMB38,900,000, respectively, 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 during the Relevant Periods.

At 31 December 2020 and 2021 and 31 March 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 RMB10,000,000, RMB49,431,000 and RMB18,000,000, respectively. 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 amounts of RMB10,000,000, RMB49,431,000 and RMB18,000,000. 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 is 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 years ended 31 December 2020 and 2021 and three months ended 31 March 2021 and 2022, the Group recognised the interest expenses on the Discounted Notes receivable amounting to RMB131,000, RMB953,000, RMB719,000 and RMB365,000, respectively.

## 20. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

## The Group

	As at 31 December			As at
	2019	2020	2021	31 March
	RMB'000	RMB'000	RMB'000	2022
				RMB'000
Prepayments	113,848	100,120	124,632	118,970
Tax recoverable	–	–	–	644
Deductible input value-added tax	100,796	84,737	70,046	57,495
Deposits and other receivables	30,248	50,667	7,363	10,719
Deferred listing expense	–	–	6,886	9,184
Interest receivable	–	8,442	21,775	25,057
Receivables under a co-financing arrangement	–	–	58,497	58,497
Prepaid expenses	13,875	13,258	28,456	4,873
	<u>258,767</u>	<u>257,224</u>	<u>317,655</u>	<u>285,439</u>
Current	188,439	175,047	203,990	208,765
Non-current	<u>70,328</u>	<u>82,177</u>	<u>113,665</u>	<u>76,674</u>

*Note:*

An impairment analysis was performed at the end of each of the Relevant Periods. The Group has applied the general approach to provide for expected credit losses for non-trade other receivables under HKFRS 9. The Group considered the historical loss rate and adjusted it for forward-looking macroeconomic data in calculating the expected credit loss rate.

As at 31 December 2019, 2020 and 2021 and 31 March 2022, the Group estimated that the expected loss rate for deposits and other receivables was minimal under the 12-month expected credit loss method.

Included in other receivables are amount due from the Group's related parties of nil, RMB45,426,000, nil and nil as at 31 December 2019, 2020 and 2021 and 31 March 2022, respectively.

## The Company

	As at	As at
	31 December	31 March
	2021	2022
	RMB'000	RMB'000
Deposits and other receivables	190	255
Deferred listing expense	<u>4,210</u>	<u>5,375</u>
	<u>4,400</u>	<u>5,630</u>

## 21. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December			As at
	2019	2020	2021	31 March
	RMB'000	RMB'000	RMB'000	2022
				RMB'000
Unlisted equity investments, at fair value	48,733	60,511	33,683	35,735
Unlisted debt investments, at fair value	11,600	9,609	7,661	7,492
Investments at fair value through profit or loss	–	–	51,029	50,228
Other unlisted investments, at fair value	542,431	609,734	291,441	180,980
	<u>602,764</u>	<u>679,854</u>	<u>383,814</u>	<u>274,435</u>
Analysed into:				
Current	591,164	670,245	325,124	216,715
Non-current	11,600	9,609	58,690	57,720
	<u>602,764</u>	<u>679,854</u>	<u>383,814</u>	<u>274,435</u>

The above equity investments were classified as financial assets at fair value through profit or loss as they were held for trading.

The above debt investments are restricted for trade until the contractual period is completed which is in the year of 2026. They were classified as financial assets at fair value through profit or loss as they do not meet equity instrument investment definition and their contractual cash flows are not solely payments of principal and interest.

The above investments at fair value through profit or loss are investment in some convertible redeemable preferred shares or ordinary shares with preferential rights issued by private investee companies. The Group maintained significant influence in these companies but in substance had risks and returns different with those of interests in associates.

The above other unlisted investments were wealth management products issued by banks in Mainland China with a maturity period within one year. The fair values of the financial assets approximate to their costs plus expected interest. They were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest.

## 22. CASH AND CASH EQUIVALENTS AND RESTRICTED CASH AND TIME DEPOSITS

## The Group

	As at 31 December			As at
	2019	2020	2021	31 March
	RMB'000	RMB'000	RMB'000	2022
				RMB'000
Cash and bank balances	322,497	125,254	824,952	1,116,597
Time deposits	–	350,000	350,000	350,000
	<u>322,497</u>	<u>475,254</u>	<u>1,174,952</u>	<u>1,466,597</u>

	As at 31 December			As at
	2019	2020	2021	31 March
	RMB'000	RMB'000	RMB'000	2022
				RMB'000
Less:				
Restricted cash for bank loans	(119,760)	–	–	–
Pledged time deposits with original maturity of three years when acquired	–	–	(150,000)	(150,000)
Non-pledged time deposits with original maturity of three years when acquired	–	(350,000)	(200,000)	(200,000)
Cash and cash equivalents	<u>202,737</u>	<u>125,254</u>	<u>824,952</u>	<u>1,116,597</u>
Denominated in:				
RMB	173,763	112,471	107,179	403,682
USD	28,895	12,783	716,903	712,520
HKD	79	–	870	395
Total cash and cash equivalents	<u>202,737</u>	<u>125,254</u>	<u>824,952</u>	<u>1,116,597</u>

Restricted cash for bank loan represents deposits held in designated bank accounts for issuance of bank loan. The time deposits of RMB150,000,000 as at 31 December 2021 and 31 March 2022 were restricted and pledged for bank facilities.

#### The Company

	As at	As at
	31 December	31 March
	2021	2022
	RMB'000	RMB'000
Cash and bank balances	<u>82,520</u>	<u>80,388</u>
Cash and cash equivalents	<u>82,520</u>	<u>80,388</u>
Dominated in		
RMB	10	18
USD	81,640	79,975
HKD	870	395
Total cash and cash equivalents	<u>82,520</u>	<u>80,388</u>

The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances and time deposits are deposited with creditworthy banks with no recent history of default.

## 23. TRADE PAYABLES

	As at 31 December			As at
	2019	2020	2021	31 March
	RMB'000	RMB'000	RMB'000	2022
Trade payables	57,596	12,216	76,246	46,953

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

	As at 31 December			As at
	2019	2020	2021	31 March
	RMB'000	RMB'000	RMB'000	2022
Within 3 months	56,153	12,155	74,156	16,925
3 to 6 months	–	–	586	29,389
6 to 12 months	–	13	1,504	639
1 to 2 years	1,443	48	–	–
	57,596	12,216	76,246	46,953

Included in the trade payables were trade payables of nil, nil, RMB1,919,000 and RMB64,000 as at 31 December 2019, 2020 and 2021 and 31 March 2022, respectively, 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.

## 24. OTHER PAYABLES AND ACCRUALS

## The Group

	Notes	As at 31 December			As at
		2019	2020	2021	31 March
		RMB'000	RMB'000	RMB'000	2022
Contract liabilities	(a)	406,638	170,368	654,600	820,132
Financial liabilities under co-investment arrangements	(b)	250,599	65,194	88,904	49,573
Other payables	(c)	100,612	33,471	18,952	24,503
Provision	(d)	–	7,880	8,575	8,748
Other tax payables		1,807	18,683	37,864	21,396
Deferred revenue		16,667	5,387	9,447	1,947
Interest payable		1,299	4,475	–	–
Payroll and welfare payable		7,083	6,377	11,096	8,201
		784,705	311,835	829,438	934,500
Analysed into:					
Current		784,705	311,835	466,669	462,023
Non-current		–	–	362,769	472,477

Notes:

(a) Details of contract liabilities are as follows:

	As at 31 December			As at
	2019	2020	2021	31 March
	RMB'000	RMB'000	RMB'000	2022
Licensing of the broadcasting rights of original drama series	381,509	152,661	634,868	802,452
Others	25,129	17,707	19,732	17,680
	<u>406,638</u>	<u>170,368</u>	<u>654,600</u>	<u>820,132</u>
Total contract liabilities	<u>406,638</u>	<u>170,368</u>	<u>654,600</u>	<u>820,132</u>

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

Included in contract liabilities as at 31 December 2021 and 31 March 2022 were amounts of RMB11,657,000 and RMB10,774,000 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 RMB212,264,000, nil, RMB294,906,000 and RMB498,679,000 as at 31 December 2019, 2020 and 2021 and 31 March 2022, respectively.

The decrease in contract liabilities as at 31 December 2020 primarily because certain prepayments for drama series received in 2019 were recognised as revenue due to the broadcasting of these drama series in 2020.

The increase in contract liabilities as of 31 December 2021 and 31 March 2022 primarily because the Group received prepayments from customers for purchasing several broadcasting rights of original drama series in 2021 and the three months ended 31 March 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-investment received from the Group's related parties of RMB184,018,000, RMB7,313,000, RMB7,367,000 and RMB7,367,000 as at 31 December 2019, 2020 and 2021 and 31 March 2022, respectively.

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

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

	As at 31 December			As at
	2019	2020	2021	31 March
	RMB'000	RMB'000	RMB'000	2022
At the beginning of the year/period	–	–	7,880	8,575
Additional provision	–	7,880	695	173
	<u>–</u>	<u>7,880</u>	<u>8,575</u>	<u>8,748</u>
At the end of the year/period	<u>–</u>	<u>7,880</u>	<u>8,575</u>	<u>8,748</u>

The provision is mainly attributable to a lawsuit in 2020 in which, a subsidiary of the Group bears joint liabilities to the plaintiff.

**The Company**

	As at 31 December 2021 RMB'000	As at 31 March 2022 RMB'000
Other payables	1,922	5,979

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

**25. INTEREST-BEARING BANK AND OTHER BORROWINGS**

	Effective interest rate (%)	Maturity	31 December 2019 RMB'000
<b>Current</b>			
Bank loans – secured ( <i>note a</i> )	4.35	2020	36,828
Bank loans – secured ( <i>note b</i> )	4.57	2020	89,091
Bank loans – secured ( <i>note c</i> )	4.57	2020	50,000
Bank loans – secured ( <i>note d</i> )	4.80	2020	100,000
Other borrowings – unsecured ( <i>note e</i> )	33.69	2020	5,600
			<u>281,519</u>

<b>Non-current</b>			
Other borrowings – unsecured ( <i>note e</i> )	15.00	2021	2,830
			<u>284,349</u>

	Effective interest rate (%)	Maturity	31 December 2020 RMB'000
<b>Current</b>			
Other borrowings – unsecured ( <i>note e</i> )	15.00	2021	2,830
Other borrowings – unsecured ( <i>note e</i> )	11.25	2021	14,400
			<u>17,230</u>



	As at 31 December			As at
	2019	2020	2021	31 March
	RMB'000	RMB'000	RMB'000	2022
				RMB'000
Analysed into:				
Bank loans repayable:				
Within one year	275,919	–	–	–
Other borrowings repayable:				
Within one year or on demand	5,600	17,230	–	–
In the second year	2,830	–	–	–
	8,430	17,230	–	–
	284,349	17,230	–	–

*Notes:*

- (a) As at 31 December 2019, trade receivables of RMB154,560,000 were pledged for certain of the Group's bank loans.
- (b) As at 31 December 2019, restricted cash of RMB51,875,000 and trade receivables of RMB110,000,000 were pledged for certain of the Group's bank loans, respectively.
- (c) As at 31 December 2019, the shareholder, namely Mr. Su Xiao, and his spouse Mrs Gu Jiamin, had guaranteed certain of the Group's bank loans up to RMB450,000,000. In addition, as at 31 December 2019, restricted cash of RMB34,205,000 and trade receivables of RMB12,495,000 were pledged for certain of the Group's bank loans, respectively. The guarantee has been fully released in 2020.
- (d) As at 31 December 2019, the shareholder, namely Mr. Su Xiao and his spouse Mrs Gu Jiamin, had guaranteed certain of the Group's bank loans up to RMB300,000,000. In addition, as at 31 December 2019, restricted cash of RMB33,680,000 and trade receivables of RMB132,713,000 were pledged for certain of the Group's bank loans, respectively. The guarantee has been fully released in 2020.
- (e) The Group's other borrowings as at 31 December 2019 and 2020 were the financial liabilities received under the co-investment arrangements for fixed return. These borrowings were unsecured and repayable within one or two years.

**26. CONVERTIBLE REDEEMABLE PREFERRED SHARES**

Since 2014, Shanghai Linmon has completed several rounds of financing arrangements by issuing ordinary shares with special rights, including but not limited to redemption rights, liquidation preferences, voting rights and dividend rights (the "Preferred Shares"), details of which are set out as follows:

Preferred Shares	Date of issuance	Purchase price (RMB/share)	Number of shares	Total consideration (RMB'000)
Series A	9 October 2014	2.09	57,499,194	120,000
Series B1	28 March 2016	7.65	65,340,008	500,000
Series B2*	18 April 2016	7.65	13,068,000	100,000
Series C1	23 March 2018	22.22	22,500,000	500,000
Series C2*	23 March 2018	22.22	7,753,678	172,303
Series C3*	28 February 2020	22.22	3,934,800	87,440

- \* The consideration for those Preferred Shares was paid to the then ordinary shareholders who transferred their shares in Shanghai Linmon to these investors. The consideration paid to the then ordinary shareholders was treated as deemed distribution to the then ordinary shareholders and debited to capital reserve.

On 5 July 2021, the shareholders of Shanghai Linmon passed resolutions approving, among other matters, the repurchase and cancellation of 2,700,000 ordinary shares of a consideration of RMB24,000,000 and 101,793,600 Preferred Shares of a consideration of RMB1,289,850,000 of Shanghai Linmon collectively held by certain shareholders of Shanghai Linmon (the "Onshore Withdrawn Investors"), respectively, the consideration for which was equivalent to the initial investment amount paid by each Onshore Withdrawn Investor for the subscription of the shares in Shanghai Linmon. The special rights associated with the remaining 68,302,080 preferred shares of Shanghai Linmon held by Tencent Investment were terminated.

On 31 August 2021, 6,534,000 ordinary shares previously issued to Linmon AQ Investment Limited in June 2021 were redesignated as Preferred Shares. The Company also issued 4,500,000 Preferred Shares, 6,534,000 Preferred Shares, 3,934,800 Preferred Shares, 6,534,000 Preferred Shares, 55,756,800 Preferred Shares, 13,500,000 Preferred Shares, 3,824,640 Preferred Shares, 675,360 Preferred Shares and 68,302,080 Preferred Shares to Zhongqing Xinxin Jiahua (Shanghai) Venture Capital Partnership (Limited Partnership), Gongqingcheng Erchen Investment Management Partnership (Limited Partnership), Beijing Jushi Botao Culture and Media Co., Ltd., Mango Ningze Ltd., Great Luminosity Limited, Shanghai Yuyi Enterprise Management Partnership (Limited Partnership), Zhuhai Yuman Enterprise Management Partnership (Limited Partnership), Ningbo Meishan Bonded Zone Qianyi Mutian Equity Investment Partnership (Limited Partnership) and Tencent Mobility Limited, respectively, for a consideration of RMB1,284,991,000.

Significant terms of the newly shares issued above that will impact the accounting treatment of the Company are outlined below (Series B1 and B2 are collectively referred to "Series B", Series C1, C2 and C3 are collectively referred to "Series C"):

#### ***Dividend rights***

The dividends available for distribution to its members after all taxes are paid shall be distributed among the members, pro rata based on the number of shares held by each holder thereof on an as converted basis.

#### ***Liquidation preferences***

Liquidation, dissolution or winding up of the Company may occur (i) with a written consents delivered by all Shareholders of the Company; (ii) upon the Company's failure to maintain its operation of business for more than 180 days, with a unanimous written resolution delivered by all shareholders of the Company; (iii) upon the Company's failure to maintain its operation of business for more than 30 days due to any of the Company's substantially main assets, permits or licences being suspended or confiscated by any governmental authorities, with a unanimous written resolution delivered by all shareholders of the Company; or (iv) if any group company or Founder's material breach or violation of the Transaction Documents and/or the Prior Investment Agreements (as defined in the Purchase Agreement) has caused material adverse impact to the group companies and such violation cannot be cured within 30 days after a notice from any of the Main Investors. Upon the occurrence of any liquidation, dissolution or winding up of the Company, whether voluntary or involuntary (each, a "Liquidation Event"), the assets of the Company legally available for distribution to its members (after satisfaction of all creditors' claims and claims that may be preferred by law), or proceeds from any Liquidation Event shall be distributed in the following order of priority:

- (1) first, each holder of Series C Preferred Shares shall be entitled to receive, in respect of each Series C Preferred Share held by such holder, *pari passu* with each other and in preference to distribution in respect of any Series B Preferred Share, Series A Preferred share and ordinary share, an amount (the "Series C Liquidation Preference") equal to the applicable Series C Issue Price (as proportionally adjusted for bonus share issues, share sub-divisions, share combinations, share splits, recapitalisations, reclassification, re-designations or similar events), plus any accumulated but unpaid dividend and any declared but unpaid dividend on such Series C Preferred Share. If the assets of the Company upon such Liquidation Event, or proceeds from such Liquidation Event available for the distribution to its Members, as applicable shall be insufficient to pay the holders of Series C Preferred Shares the full amount to which they shall be entitled, the holders of Series C Preferred Shares shall share rateably in any distribution of the assets and funds of the Company in proportion to the respective amounts which would otherwise be payable in respect to the Series C Preferred Shares held by them upon such distribution if all amounts payable on or with respect to the said shares were paid in full;

- (2) thereafter, after the distribution or payment in full of the Series C Liquidation Preference amount for each Series C Preferred Share pursuant to Article 8.2(A)(1) above, each holder of Series B Preferred Shares shall be entitled to receive, in respect of each Series B Preferred Share held by such holder, pari passu with each other and in preference to distribution in respect of any Series A Preferred Share and Ordinary Share, an amount (the "Series B Liquidation Preference") equal to the Series B Issue Price (as proportionally adjusted for bonus share issues, share sub-divisions, share combinations, share splits, recapitalisations, reclassification, redesignations or similar events), plus any accumulated but unpaid dividend and any declared but unpaid dividend on such Series B Preferred Shares. If the assets of the Company upon such Liquidation Event, or proceeds from such Liquidation Event available for the distribution to its Members, as applicable shall be insufficient to pay the holders of Series B Preferred Shares the full amount to which they shall be entitled, the holders of Series B Preferred Shares shall share rateably in any distribution of the assets and funds of the Company in proportion to the respective amounts which would otherwise be payable in respect to the Series B Preferred Shares held by them upon such distribution if all amounts payable on or with respect to said shares were paid in full;
- (3) thereafter, after the distribution or payment in full of the Series C Liquidation Preference amount for each Series C Preferred Share pursuant to Article 8.2(A)(1) above and the Series B Liquidation Preference amount for each Series B Preferred Share pursuant to Article 8.2(A)(2) above, each holder of Series A Preferred Shares shall be entitled to receive, in respect of each Series A Preferred Share held by such holder, pari passu with each other and in preference to distribution in respect of any Ordinary Shares, an amount (the "Series A Liquidation Preference", together with the Series C Liquidation Preference and Series B Liquidation Preference, the "Liquidation Preference") equal to the sum of (i) the Series A Issue Price (as proportionally adjusted for bonus share issues, share sub-divisions, share combinations, share splits, recapitalisations, reclassification, re-designations or similar events), (ii) a return at the compound interest rate of eight percent (8%) per annum of the Series A Issue Price from the Series A Issue Date to the date such Series A Liquidation Preference is fully paid, and (iii) any accumulated but unpaid dividend and any declared but unpaid dividend on such Series A Preferred Shares. If the assets of the Company upon such Liquidation Event, or proceeds from such Liquidation Event available for the distribution to its Members, as applicable shall be insufficient to pay the holders of Series A Preferred Shares the full amount to which they shall be entitled, the holders of Series A Preferred Shares shall share rateably in any distribution of the assets and funds of the Company in proportion to the respective amounts which would otherwise be payable in respect to the Series A Preferred Shares held by them upon such distribution if all amounts payable on or with respect to the said shares were paid in full;
- (4) after the payment of all preferential amounts required to be paid to the holders of Preferred Shares upon a Liquidation Event pursuant to subsections (1) to (3) of this Liquidation Preferences above, the remaining assets and funds of the Company or proceeds of sale available for distribution to its Members shall be distributed among the holders of Preferred Shares and Ordinary Shares, pro rata based on the number of Ordinary Shares held by each holder thereof on an as converted basis.

"Deemed Liquidation Event" is defined as:

- (1) the acquisition of any group company (whether by a sale of equity, merger or consolidation, in one transaction or series of transactions) in which in excess of 50% of such group company's voting power outstanding before such transaction is transferred, or any other transaction resulting in a change of Control of any group company;
- (2) the sale, transfer or other disposition of all or substantially all of the assets, business or intellectual properties of any group company (or any series of related transactions resulting in such sale, transfer or other disposition of all or substantially all of the assets, business or Intellectual Property of such group company) or the exclusive licensing of all or substantially all of any group company's intellectual property to a third party; or
- (3) a merger, consolidation or other business combination of any group company with or into any other business entity in which the shareholders or the Founders of the Company immediately prior to such merger, consolidation or business combination cease to own, directly or indirectly, in the aggregate at least a majority of the issued and outstanding voting securities of the surviving business entity.

***Redemption rights***

In the event that the Company has not consummated a qualified IPO on or prior to 31 December 2021, any holder(s) of Series C Preferred Shares (the “Initiating Redeeming Party(ies)”) may, upon written request to the Company (the “Redemption Request”), require the Company to redeem all or any portion of the Series C Preferred Shares held by such Initiating Redeeming Party(ies). If a Redemption Request is made by an Initiating Redeeming Party, the Company shall (1) redeem such Series C Preferred Shares held by the Initiating Redeeming Party as the Initiating Redeeming Party has set out in the Redemption Request and (2) unless at least 60% of Series C Preferred Shareholders agree otherwise, not submit its first filing unless and until the redemption closing has been fully consummated in accordance with these provisions.

Notwithstanding any other provisions to the contrary in these articles, the Preferred Shares shall be redeemable at the option of any holder thereof at any time and from time to time on or after the occurrence of any of the following (the “Redeeming Events”):

- (i) the failure of the Company to consummate the qualified IPO application prior to 31 December 2021;
- (ii) any material breach or violation of the Transaction Documents and/or the Prior Investment Agreements (as defined in Purchase Agreement) by any group company or founder party;
- (iii) Any violation of laws by the founder parties or the group companies that causes the group companies to lose its requisite licence for principal business, which has a material adverse impact on the group company’s business;
- (iv) Due to reasons not attributable to the investors, Su Xiao (蘇曉) resigns from the group company or fails to perform his duties for more than three (3) months, and such event cannot be cured;
- (v) any non-disclosure or fraud on the facts of the group companies by the group companies or the founder parties; or
- (vi) any breach of non-compete obligations by the founders or the key employees.

Upon the later of (i) occurrence of any of the Redeeming Event and (ii) the Investors being aware of the occurrence of any of the Redeeming Event, each investor, may deliver a written notice (the “Redemption Notice”) to the founder parties and/or the Company within ninety (90) business days requiring that the founder parties and/or the Company redeem any or all of the then outstanding Preferred Shares of such relevant series held by such investor. The founder parties and/or the Company shall jointly and severally, within sixty (60) days of its receipt of the Redemption Notice from such Investor (“Redemption Date”), redeem the Preferred Shares held by such Investor. The Company and the founder parties shall deliver a written notice to the holder of Series C Preferred Shares within ten (10) business days after the founder parties or the Company receives the redemption notice from any holder of Series B Preferred Shares or Series A Preferred Shares.

***Redemption price***

- (1) If any Redeeming Event occurs prior to 31 December 2021 (inclusive), the redemption price per Series C Preferred Share shall equal to (i) 100% of the Series C Issue Price plus (ii) a return at the compound interest rate of twelve percent (12%) per annum of the Series C Issue Price, or, only with regards to Beijing Jushi Botao Culture and Media Co., Ltd (“Jushi Botao”), a return at a simple interest rate of ten percent (10%) per annum of its corresponding Series C Issue Price, from the Series C Issue Date to the date the Series C Redemption Amount is actually fully paid, and (iii) any declared but unpaid dividend on such Series C Preferred Shares (deduct the dividends that such investor has obtained from the group company);
- (2) If any Redeeming Event occurs after 31 December 2021 (exclusive), the redemption price per Series C Preferred Share (together with the price stated in Section 8.5B(1), “Series C Redemption Amount”) shall equal to (i) 100% of the Series C Issue Price (as proportionally adjusted for bonus share issues, share subdivisions, share combinations, share splits, recapitalisations, reclassification, re-designations or similar events), plus (ii) a return at a compound interest rate of twelve percent (12%) per annum of the Series C Issue Price (the “Series C Common Redemption Interest”), or, only with regards to Jushi Botao, a simple interest rate of ten percent (10%) per annum of its respective Series C Issue Price (the “Series C Special Redemption Interest” together with Series C Common Redemption Interest, the “Series C Redemption Interest”), from the Series C Issue Date to 31 December 2021, plus (iii) a return at a simple interest rate of twelve percent (12%) per annum of the sum

of the Series C Issue Price and Series C Common Redemption Interest, or, only with regards to Jushi Botao, a simple interest rate of ten percent (10%) per annum of the sum of its corresponding Series C Issue Price and Series C Special Redemption Interest, from 31 December 2021 to the date Series C Redemption Amount is actually fully paid, and (iv) any declared but unpaid dividend on such Series C Preferred Shares, (deduct the dividends that such investor has obtained from the group company);

- (3) If any Redeeming Event occurs prior to 31 December 2021 (inclusive), the redemption price per Series B Preferred Share shall equal to (i) 100% of the Series B Issue Price, plus (ii) a return at the compound interest rate of twelve percent (12%) per annum of the Series B Issue Price from the Series B Issue Date to the date Series B Redemption Amount is actually fully paid;
- (4) If any Redeeming Event occurs after 31 December 2021 (exclusive), the redemption price per Series B Preferred Share shall equal to (i) 100% of the Series B Issue Price, plus (ii) a return at the compound interest rate of twelve percent (12%) per annum of the Series B Issue Price (the "Series B Redemption Interest") from the Series B Issue Date to 31 December 2021, plus (iii) a return at the simple interest rate of twelve percent (12%) per annum of the sum of the Series B Issue Price and Series B Redemption Interest from 31 December 2021 to the date Series B Redemption Amount is actually fully paid, and deduct the dividends that such investor has obtained from the group company;
- (5) The redemption price per Series A Preferred Share (the "Series A Redemption Amount", together with the Series C Redemption Amount and the Series B Redemption Amount each a "Redemption Amount") shall equal to (i) 100% of the Series A Issue Price (as proportionally adjusted for bonus share issues, share sub-divisions, share combinations, share splits, recapitalisations, reclassification, re-designations or similar events), plus (ii) a return at the compound interest rate of eight percent (8%) per annum of the Series A Issue Price from the Series A Issue Date to the date Series A Redemption Amount is actually fully paid, and deduct the dividends that such investor has obtained from the group company.

The convertible redeemable preferred shares were classified as non-current liabilities unless the preferred shareholders had the right to demand the Company to redeem the preferred shares within 12 months after the end of the Relevant Periods.

The movements of the Preferred Shares are set out below:

#### The Group

	Series A <i>RMB'000</i>	Series B <i>RMB'000</i>	Series C <i>RMB'000</i>	Total <i>RMB'000</i>
As 1 January 2019	743,833	1,187,093	703,946	2,634,872
Changes in fair value	<u>28,557</u>	<u>43,100</u>	<u>22,267</u>	<u>93,924</u>
As at 31 December 2019 and 1 January 2020	772,390	1,230,193	726,213	2,728,796
Issue of Preferred Shares	–	–	87,440	87,440
Changes in fair value	<u>101,924</u>	<u>113,416</u>	<u>23,836</u>	<u>239,176</u>
As at 31 December 2020 and 1 January 2021	874,314	1,343,609	837,489	3,055,412
Repurchase of Preferred Shares of Shanghai Linmon	(968,992)	(1,414,510)	(800,756)	(3,184,258)
Issue of Preferred Shares of the Company	968,992	1,411,876	798,532	3,179,400
Changes in fair value	<u>145,462</u>	<u>118,872</u>	<u>(38,482)</u>	<u>225,852</u>
As at 31 December 2021 and 1 January 2022	1,019,776	1,459,847	796,783	3,276,406
Changes in fair value	<u>28,104</u>	<u>29,017</u>	<u>13,418</u>	<u>70,539</u>
As at 31 March 2022	<u><u>1,047,880</u></u>	<u><u>1,488,864</u></u>	<u><u>810,201</u></u>	<u><u>3,346,945</u></u>

**The Company**

	<b>Series A</b> <i>RMB'000</i>	<b>Series B</b> <i>RMB'000</i>	<b>Series C</b> <i>RMB'000</i>	<b>Total</b> <i>RMB'000</i>
As at date of the incorporate on 10 June 2021	–	–	–	–
Issue of Preferred Shares	968,992	1,411,876	798,532	3,179,400
Changes in fair value	50,784	47,971	(1,749)	97,006
As at 31 December 2021 and 1 January 2022	1,019,776	1,459,847	796,783	3,276,406
Changes in fair value	28,104	29,017	13,418	70,539
As at 31 March 2022	<u>1,047,880</u>	<u>1,488,864</u>	<u>810,201</u>	<u>3,346,945</u>

The Group applied the discount cash flow method and back-solve method to determine the underlying equity value of the Company and adopted the option-pricing method and equity allocation model to determine the fair value of the Preferred Shares.

Set out below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at the end of each of the Relevant Periods.

**Significant unobservable inputs**

	<b>As at 31 December</b>			<b>As at</b>
	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>31 March</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Discount rate	14.00%	13.00%	12.00%	12.00%
Risk-free interest rate	2.74%	2.70%	2.20%	2.14%
Discount for lack of marketability ("DLOM")	14%	11%	7%	6%
Equity volatility	45.57%	49.93%	41.63%	48.11%

The discount rate was estimated by the weighted average cost of capital as of the valuation date. The Group estimated the risk-free interest rate based on the yield of the United States government bond as of the valuation dates with a maturity life equal to the period from the respective valuation dates to the expected liquidation dates. The lack of marketability discount was estimated based on the option-pricing method. Under the option-pricing method, the cost of a put option, which can hedge the price change before the privately held share can be sold, was considered as a basis to determine the discount for lack of marketability. The volatility was estimated based on implied volatility of comparable companies as of the valuation dates. Probability weight under each of the redemption features and liquidation preferences was based on the Group's best estimates. In addition to the assumptions adopted above, the Company's projections of future performance were also factored into the determination of the fair values of the Preferred Shares on the valuation dates.

Management considered that fair value changes of the Preferred Shares that are attributable to changes of credit risk of these instruments are not material.

*Quantitative sensitivity analysis*

	As at 31 December			As at
	2019	2020	2021	31 March
	RMB'000	RMB'000	RMB'000	2022
				RMB'000
1% increase in risk-free rate	(8,664)	(4,412)	(1,388)	(678)
1% decrease in risk-free rate	8,877	4,477	1,400	681
10% increase in equity volatility	5,016	9,030	4,992	3,156
10% decrease in equity volatility	(11,424)	(10,967)	(4,413)	(2,776)
5% increase in DLOM	(155,637)	(168,962)	(174,343)	(176,933)
5% decrease in DLOM	155,637	168,962	174,343	176,933

**27. DEFERRED TAX**

The movements in deferred tax assets and liabilities during the Relevant Periods are as follows:

**Deferred tax assets**

	Impairment of receivables	Impairment of inventories	Lease liabilities	Deferred revenue	Changes in fair value on financial assets at fair value through profit or loss	Losses available for offsetting against future taxable income	Unrealised profit from inter-company transactions	Changes in fair value on financial liabilities at fair value through profit or loss	Changes in fair value on convertible redeemable shares	Equity-settled share award arrangements	Provision	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2019	4,773	7,839	5,935	34,296	4,928	3,427	12,944	848	335,642	100	-	410,732
Deferred tax credited/(charged) to profit or loss during the year	935	2,719	3,130	(30,129)	(1,969)	629	(12,044)	1,128	23,481	34	-	(12,086)
At 31 December 2019 and 1 January 2020	5,708	10,558	9,065	4,167	2,959	4,056	900	1,976	359,123	134	-	398,646
Deferred tax credited/(charged) to profit or loss during the year	461	13,938	(3,329)	(2,820)	(2,959)	223	(900)	(177)	59,794	119	-	64,350
At 31 December 2020 and 1 January 2021	6,169	24,496	5,736	1,347	-	4,279	-	1,799	418,917	253	-	462,996
Deferred tax charged to equity during the year	-	-	-	-	-	-	-	-	(451,129)	-	-	(451,129)
Deferred tax credited/(charged) to profit or loss during the year	3,095	3,044	770	1,015	3,637	2,296	-	(967)	32,212	1,848	2,144	49,094
At 31 December 2021 and 1 January 2022	9,264	27,540	6,506	2,362	3,637	6,575	-	832	-	2,101	2,144	60,961
Deferred tax credited/(charged) to profit or loss during the period	138	253	(1,024)	(1,875)	(1,449)	(121)	-	(832)	-	704	43	(4,163)
At 31 March 2022	9,402	27,793	5,482	487	2,188	6,454	-	-	-	2,805	2,187	56,798

## Deferred tax liabilities

	Changes in fair value on financial assets at fair value through profit or loss <i>RMB'000</i>	Fair value adjustments arising from acquisition of a subsidiary <i>RMB'000</i>	Right-of-use assets <i>RMB'000</i>	Total <i>RMB'000</i>
At 1 January 2019	–	1,452	6,216	7,668
Deferred tax charged/(credited) to profit or loss during the year	–	(1,138)	3,116	1,978
At 31 December 2019 and 1 January 2020	–	314	9,332	9,646
Deferred tax charged/(credited) to profit or loss during the year	62	(126)	(3,555)	(3,619)
Decrease as a result of disposal of subsidiaries ( <i>note 31</i> )	–	(188)	–	(188)
At 31 December 2020 and 1 January 2021	62	–	5,777	5,839
Deferred tax charged/(credited) to profit or loss during the year	(62)	–	903	841
At 31 December 2021 and 1 January 2022	–	–	6,680	6,680
Deferred tax credited to profit or loss during the period	–	–	(1,095)	(1,095)
At 31 March 2022	–	–	5,585	5,585

For presentation purposes, certain deferred tax assets and liabilities have been offset in the statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	As at 31 December			As at 31 March
	2019	2020	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Net deferred tax assets recognised in the consolidated statements of financial position	389,000	457,157	54,281	51,213

Deferred tax assets have not been recognised in respect of the following items:

	As at 31 December			As at 31 March
	2019	2020	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Deductible temporary differences	87,272	97,180	87,272	90,988
Tax losses	25,032	15,915	24,705	29,376
	112,304	113,095	111,977	120,364



The Group has tax losses arising in Mainland China of RMB25,032,000, RMB15,915,000, RMB17,715,000 and RMB21,070,000 as at 31 December 2019, 2020 and 2021 and 31 March 2022, respectively, that will expire in one to five years for offsetting against future taxable profits of the companies in which the losses arose. The Group has tax losses arising in Hong Kong of RMB6,990,000 and RMB8,306,000 as at 31 December 2021 and 31 March 2022, that will be available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of the above items as it is not considered probable that taxable profits will be available against which the above items can be utilised.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 10%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008. In the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future, taking into account of the Group's operations and expansion plan.

## 28. SHARE CAPITAL

### The Group and the Company

	As at 31 December 2021 US\$'000	As at 31 March 2022 US\$'000
Authorised:		
1,829,904,320 shares of US\$0.000025 each	46	46
57,499,194 Series A Preferred Shares of US\$0.000025 each	1	1
78,408,008 Series B Preferred Shares of US\$0.000025 each	2	2
34,188,478 Series C Preferred Shares of US\$0.000025 each	1	1
	<u>50</u>	<u>50</u>
2,000,000,000 shares of US\$0.000025 each	<u>50</u>	<u>50</u>

Issued:

	Number of ordinary shares	Nominal value of ordinary shares USD RMB'000		Number of preferred shares	Nominal value of preferred shares USD RMB'000	
At 10 June 2021 (date of incorporation)	–	–	–	–	–	–
Issue of ordinary shares on 10 June 2021	180,407,849	4,510	29	–	–	–
Ordinary shares redesignated as preferred shares	(6,534,000)	(163)	(1)	6,534,000	163	1
Issue of ordinary shares on 31 August 2021	1,350,000	34	–	–	–	–
Issue of preferred shares on 31 August 2021	–	–	–	163,561,680	4,089	26
	<u>175,223,849</u>	<u>4,381</u>	<u>28</u>	<u>170,095,680</u>	<u>4,252</u>	<u>27</u>
At 31 December 2021 and 31 March 2022	<u>175,223,849</u>	<u>4,381</u>	<u>28</u>	<u>170,095,680</u>	<u>4,252</u>	<u>27</u>

On 10 June 2021, the Company was incorporated in the Cayman Islands as an exempted company with limited liability. The initial share capital of the Company was US\$50,000 divided into a total of 2,000,000,000 authorised shares with a par value of US\$0.000025 each. On the same day, one subscriber share of the Company was allotted and issued to Osiris International Cayman Limited, the initial subscriber and an independent third party, which then transferred such share to Lemontree Harvest. The Company also issued 71,136,000 Ordinary Shares, 33,014,520 Ordinary Shares, 33,014,520 Ordinary Shares, 22,617,000 Ordinary Shares and 12,741,809 Ordinary Shares to Lemontree Harvest, Faye Free, A&O Investment, Linmon Run and Lemontree Friendship, respectively.

After that, the Company issued 675,000 Ordinary Shares and 7,209,000 Ordinary Shares to Linmon Dessin and Linmon AQ for considerations of RMB6,013,000 and RMB6,000,000, respectively. On 31 August 2021, 6,534,000 Ordinary Shares held by Linmon AQ were redesignated as Preferred Shares (note 26). On the same day, the Company issued 1,350,000 ordinary shares to Beijing Magic Flower Culture for a consideration of RMB11,970,000. The excess of the consideration paid by shareholders over the par value in the amount of RMB23,983,000 was credited to the share premium.

## 29. RESERVES

The amounts of the Group's reserves and the movements therein for the Relevant Periods are presented in the consolidated statements of changes in equity of the Group.

### Capital reserve

The capital reserve of the Group represents the paid-up capital of the companies comprising the Group, deemed distribution to the then shareholders and the reserves resulting from transactions with non-controlling interests, details of the movements in the capital reserve are set out in the consolidated statements of changes in equity.

On 18 June 2020, Shanghai Linmon acquired 30% minority interests in Shanghai Linmon Kaixin with nil consideration, and capital reserve of RMB514,000 was recorded.

On 22 September 2020, Shanghai Linmon acquired 20% minority interests in Shanghai Linmon Yuexin with nil consideration, and capital reserve of RMB675,000 was recognised.

### Share award reserve

The Company reserved some shares for the purpose of providing incentives and rewards to certain eligible employees and suppliers for the growth and development of the Group. The eligible employees and suppliers include any employee and suppliers of the Company or any subsidiaries. The share award reserve comprises the reserve arising from equity-settled share awards.

## 30. SHARE AWARD

### Restricted Shares Scheme

Shanghai Linmon has adopted a Restricted Shares Scheme ("the Scheme") to recognise and reward the contribution of certain eligible suppliers and employees to the growth and development of the Group and to give them incentives in order to retain them for the continual operation and development of the Group; and to attract suitable personnel for further development of the Group through an award of Shanghai Linmon's shares. The Group granted shares of Shanghai Linmon under the Scheme through four share-based payment incentive platforms, Shanghai Guanhong Enterprise Management Consulting Center (Limited Partnership) ("Shanghai Guanhong"), Shanghai Guanhan Enterprise Management Consulting Partnership (Limited Partnership) ("Shanghai Guanhan"), Shanghai Guoshi Investment Management Center (Limited Partnership) ("Shanghai Guoshi") and Shanghai Guoyun Enterprise Management Consulting Partnership (Limited Partnership) ("Shanghai Guoyun").

On 15 December 2015, Shanghai Guanhong (the "Shanghai Linmon ESOP CO. I") subscribed for 3% equity interest in Shanghai Linmon. The purpose to establish the Shanghai Linmon ESOP CO. I was to reserve equity interests for future employee incentive plans.

On 31 December 2015, 23.40% equity interests in Shanghai Linmon ESOP CO. I were granted to 21 selected employees for a consideration of RMB3,829,000. There is no performance target required except that the eligible participant remains as an employee of the Group during the vesting period.

On 6 March 2017, the shareholders' of Shanghai Linmon passed resolutions approving Shanghai Guoyun (the "Shanghai Linmon ESOP CO. II") and Shanghai Guanhan (the "Shanghai Linmon ESOP CO. III") to subscribe for 1.2% and 2% equity interest in Shanghai Linmon, respectively. The purpose to establish the Shanghai Linmon ESOP CO. II and Shanghai Linmon ESOP CO. III was to reserve an equity interest for future supplier and employee incentive plans, respectively.

On 10 March 2017, 16.40% equity interests in Shanghai Linmon ESOP CO. II were granted to 1 selected supplier, for a consideration of RMB5,165,000. There is a performance target required which is to provide five original scripts in five years or longer.

On 1 July 2020, 5.75% equity interests in Shanghai Linmon ESOP CO. III were granted to 1 selected employee, for a consideration of RMB4,360,000. There is no performance target required except that the eligible participant remains as an employee of the Group during the vesting period.

The fair values of the restricted shares granted were estimated as at the grant date or service date by using discounted cash flow method and back-solve method, as well as equity allocation based on option pricing model, taking into account the terms and conditions upon which the restricted shares were granted. The share award expenses are charged to the profit or loss over the vesting periods on a straight-line basis.

The Scheme was terminated in September 2021 and replaced by the Pre-IPO Share Option Scheme adopted by the Company as set out below.

#### Pre-IPO Share Option Scheme

The Company has adopted a Pre-IPO Share Option Scheme ("the Option Scheme") to recognise and reward the contribution of certain eligible suppliers and employees to the growth and development of the Group and to give them incentives in order to retain them for the continual operation and development of the Group; and to attract suitable personnel for further development of the Group. The Group granted share options of the Company under the Option Scheme.

In September 2021, the restricted shares owned by the eligible participants under the Scheme were cancelled and replaced by 6,020,041 of share options granted by the Company under the Option Scheme with the same exercise price as the consideration paid for the restricted shares under the Scheme. The cancellation and replacement were accounted for as modifications in accordance with HKFRS 2, with any incremental costs on the modification date recognised over the remaining vesting period of the replacement award.

On 28 September 2021, 1 January 2022, 14 March 2022 and 21 March 2022, the Company granted share options with the following vesting terms (share options shall vest in equal annually instalments) and there is no performance target required except that the eligible participant remains in service for the Group during the vesting period. The exercise price of the share options is various with each person and share plan.

Participants	Date of grant	Number of options	Vesting period	Exercise price (RMB)
Supplier	28 September 2021	498,420	48 months from the start date	0.00016
Supplier	28 September 2021	222,099	48 months from the start date	11.1111
Employee	28 September 2021	5,674,394	24 to 48 months from the start date	11.1111
Employee	1 January 2022	283,500	48 months from the start date	11.1111
Employee	14 March 2022	75,600	48 months from the start date	11.1111
Employee	21 March 2022	202,500	48 months from the start date	11.1111

The share options granted and outstanding share options during the Relevant Periods are as follows:

	<b>Year ended 31 December 2021</b>	
	<b>Weighted average exercise price</b>	<b>Number of options</b>
	<i>RMB/share</i>	
Outstanding as at 1 January 2021	–	–
Replacement during the year	7.2339	6,020,041
Granted during the year	10.2451	6,394,913
Forfeiture during the year	11.1111	(57,633)
		<hr/>
Outstanding as at end of year	8.7741	12,357,321
		<hr/> <hr/>
	<b>Three months ended 31 March 2022</b>	
	<b>Weighted average exercise price</b>	<b>Number of options</b>
	<i>RMB/share</i>	
Outstanding as at 1 January 2022	8.7741	12,357,321
Granted during the period	11.1111	561,600
Forfeiture during the period	11.1111	(71,889)
		<hr/>
Outstanding as at end of period	8.8632	12,847,032
		<hr/> <hr/>

The fair value of equity-settled share options granted to suppliers and employees during 2021 was estimated as at the date of receipt or grant using a binomial model, respectively, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

	<b>Year ended 31 December 2021</b>	<b>Three months ended 31 March 2022</b>
Expected volatility (%)	48.51-48.78	48.68-49.29
Risk-free interest rate (%)	2.78-2.88	2.78-2.82
Expected life of options (years)	9.74-10	9.49-10
Weighted average share price (RMB)	16.58-17.18	17.18-17.93
Forfeiture rate (%)	0-25	0-25

During the years ended 31 December 2019, 2020 and 2021 and the three months ended 31 March 2021 and 2022, the Group recorded share awards for employees of RMB134,000, RMB477,000, RMB7,389,000, RMB205,000 and RMB6,612,000, respectively and share awards for suppliers of RMB353,000, RMB195,000, RMB1,915,000, RMB8,000 and RMB1,625,000, respectively. The share awards for employees and suppliers were recognised in expenses and inventories, respectively.

The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 12,847,032 additional ordinary shares of the Company and additional share capital of RMB113,866,000 (before issue expenses).

**31. DISPOSAL OF SUBSIDIARIES**

The entire 50% equity interests in Shanghai Mengyang together with its subsidiary, Beijing Guoqiang Zhongxing Education Consulting Co. Ltd. (北京國強中星教育諮詢有限公司) were transferred to a third party for a consideration of RMB37,922,000 on 26 February 2020. Shanghai Mengyang was regarded as a subsidiary of the Group as the Group was granted 60% voting rights in the shareholder's meeting which gave the Group the power to direct the relevant activities of Shanghai Mengyang.

	<i>Notes</i>	<i>RMB'000</i>
Property, plant and equipment	<i>13</i>	6,282
Other intangible assets	<i>16</i>	750
Right-of-use assets	<i>14(a)</i>	8,529
Goodwill	<i>15</i>	30,418
Inventories		1,487
Prepayments, other receivables and other assets		13,991
Cash and cash equivalents		42,375
Trade receivables		12,241
Trade payables		(79,869)
Other payables and accruals		(286)
Tax payable		(1,131)
Lease liability	<i>14(b)</i>	(9,700)
Deferred tax liabilities	<i>27</i>	(188)
Non-controlling interests		12,536
		<hr/>
		37,435
Gain on disposal of subsidiaries	<i>5</i>	487
		<hr/>
Satisfied by cash		37,922
		<hr/>

An analysis of the net outflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	<i>RMB'000</i>
Cash consideration received	37,922
Cash and cash equivalents disposed of	(42,375)
	<hr/>
Net outflow of cash and cash equivalents in respect of the disposal of subsidiaries	(4,453)
	<hr/> <hr/>

**32. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS****(a) Major non-cash transactions**

During the years ended 31 December 2019, 2020 and 2021 and the three months ended 31 March 2021 and 2022, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB25,683,000, nil, RMB22,334,000, RMB1,477,000 and RMB474,000, respectively, in respect of lease arrangements for office premises.

During the year ended 31 December 2021, the Group had non-cash additions to investments at fair value through profit or loss of RMB13,322,000, to exchange its content marketing service in future which was recorded as contract liabilities.

## (b) Changes in liabilities arising from financing activities

	Interest- bearing bank and other borrowings <i>RMB'000</i>	Interest payable <i>RMB'000</i>	Lease liabilities <i>RMB'000</i>	Total <i>RMB'000</i>
At 1 January 2019	364,749	14,084	35,335	414,168
Changes from financing cash flows	(80,400)	(32,767)	(16,574)	(129,741)
New leases	–	–	25,683	25,683
Interest accrued	–	19,982	1,464	21,446
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2019 and 1 January 2020	284,349	1,299	45,908	331,556
Disposal of subsidiaries	–	–	(9,700)	(9,700)
Changes from financing cash flows	(267,119)	(7,695)	(14,681)	(289,495)
Changes from operating cash flows	–	(131)	–	(131)
Interest accrued	–	11,002	1,418	12,420
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2020 and 1 January 2021	17,230	4,475	22,945	44,650
Changes from financing cash flows	(17,230)	(8,301)	(17,595)	(43,126)
New leases	–	–	22,334	22,334
Interest accrued	–	3,826	1,018	4,844
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2021 and 1 January 2022	–	–	28,702	28,702
Changes from financing cash flows	–	(365)	(5,607)	(5,972)
New leases	–	–	474	474
Interest accrued	–	365	200	565
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2022	–	–	23,769	23,769
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2020 and 1 January 2021	17,230	4,475	22,945	44,650
Changes from financing cash flows	(14,400)	(719)	(4,491)	(19,610)
New leases	–	–	1,477	1,477
Interest accrued	–	719	249	968
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2021 (unaudited)	<u>2,830</u>	<u>4,475</u>	<u>20,180</u>	<u>27,485</u>

## (c) Total cash outflow for leases

The total cash outflow for leases included in the consolidated statements of cash flows is as follows:

	Year ended 31 December			Three months ended 31 March	
	2019 <i>RMB'000</i>	2020 <i>RMB'000</i>	2021 <i>RMB'000</i>	2021 <i>RMB'000</i>	2022 <i>RMB'000</i>
Within operating activities	838	479	578	18	557
Within financing activities	16,574	14,681	17,595	4,491	5,607
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	<u>17,412</u>	<u>15,160</u>	<u>18,173</u>	<u>4,509</u>	<u>6,164</u>

## 33. COMMITMENTS

The Group had the following commitments at the end of each of the Relevant Periods:

	As at 31 December			As at
	2019	2020	2021	31 March
	RMB'000	RMB'000	RMB'000	2022
Contracted, but not provided for:				
The co-financing arrangements	–	68,827	–	–

## 34. RELATED PARTY TRANSACTIONS

Details of the Company's related parties are as follows:

Name	Relationship with the Company
Mr. Su Xiao	Shareholder
Mr. Zhou Yuan	Shareholder
Ms. Chen Fei	Shareholder
Ms. Xu Xiao'ou	Shareholder
Ms. Cai Di	Director of a subsidiary
Shenzhen Tencent Industry Investment Fund Co., Ltd. ("Tencent Investment")	Shareholder
Beijing Ark Reading Technology Co., Ltd. ("Ark Reading")	Associate Company
Tencent Film Culture Co., Ltd. ("Tencent Pictures")	An entity related to a shareholder
Shenzhen Tencent Computer Systems Company Limited ("Tencent Computer")	An entity related to a shareholder
Shanghai Tencent Penguin Film Culture Co., Ltd. ("Tencent Qie")	An entity related to a shareholder
Shenzhen Tencent Culture Media Co., Ltd. ("Tencent Culture")	An entity related to a shareholder
Tencent Technology (Beijing) Co., Ltd. ("Tencent Tech")	An entity related to a shareholder
Tencent Music Entertainment Technology (Shenzhen) Co., Ltd. ("Tencent Music")	An entity related to a shareholder
Xiaoxiang Academy (Tianjin) Culture Development Co., Ltd. ("Xiaoxiang Academy")	An entity related to a shareholder
Beijing Jinjiang Original Networking Technology Co., Ltd. ("Jinjiang Original")	An entity related to a shareholder

- (a) The Group had the following transactions with related parties during the Relevant Periods and the three months ended 31 March 2021:

	Notes	Year ended 31 December			Three months ended	
		2019	2020	2021	31 March	2022
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<i>(Unaudited)</i>						
Sales of goods to:						
Tencent Pictures	(i)	–	–	–	–	–
Tencent Computer	(i)	4,075	46,555	–	–	–
Tencent Tech	(i)	–	416,816	180,660	9,434	73,962
Tencent Culture	(i)	–	472	–	–	–
Tencent Music	(i)	–	2,830	1,981	–	–
		<u>4,075</u>	<u>466,673</u>	<u>182,641</u>	<u>9,434</u>	<u>73,962</u>
Provide of services to:						
Tencent Computer	(i)	330	–	94	–	–
Tencent Qie	(i)	75,450	–	28,190	–	–
Tencent Tech	(i)	91	–	472	–	264
		<u>75,871</u>	<u>–</u>	<u>28,756</u>	<u>–</u>	<u>264</u>
Purchases of goods:						
Tencent Qie	(ii)	–	–	6,033	–	–
Ark Reading Xiaoxiang Academy	(ii)	1,415	1,321	6,368	1,132	–
Tencent Music	(ii)	2,453	–	–	–	–
Jinjiang original	(ii)	–	–	472	–	–
		<u>5,896</u>	<u>5,057</u>	<u>5,749</u>	<u>3,019</u>	<u>–</u>
		<u>9,764</u>	<u>6,378</u>	<u>18,622</u>	<u>4,151</u>	<u>–</u>
Amount received for a co-investment arrangement:						
Tencent Computer		<u>8,798</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>

*Notes:*

- (i) The sales to related parties were made according to the published prices and conditions offered to the major customers of the Group.
- (ii) The purchases from related parties were made according to the published prices and conditions offered by the related parties to their major customers.



(b) Outstanding balances with related parties:

**The Group**

(i) Trade receivables

	As at 31 December			As at
	2019	2020	2021	31 March
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	2022
Tencent Music	–	–	300	150
Tencent Computer	350	18,000	–	–
Tencent Tech	–	–	43,400	42,280
Tencent Qie	2,510	–	17,056	15,105
	<u>2,860</u>	<u>18,000</u>	<u>60,756</u>	<u>57,535</u>

(ii) Trade payables

	As at 31 December			As at
	2019	2020	2021	31 March
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	2022
Tencent Qie	–	–	1,919	64
	<u>–</u>	<u>–</u>	<u>1,919</u>	<u>64</u>

(iii) Contract liabilities

	As at 31 December			As at
	2019	2020	2021	31 March
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	2022
Tencent Tech	212,264	–	294,906	498,679
	<u>212,264</u>	<u>–</u>	<u>294,906</u>	<u>498,679</u>

(iv) Financial liabilities under co-investment arrangements

	As at 31 December			As at
	2019	2020	2021	31 March
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	2022
Tencent Computer	184,018	7,313	7,367	7,367
	<u>184,018</u>	<u>7,313</u>	<u>7,367</u>	<u>7,367</u>

Tencent Computer, as a co-investor, was not entitled to any shares of copyrights in drama series it invested under the co-investment arrangements. The Group is obligated to share the licensing revenue with Tencent Computer based on the respective investment ratios and the amounts received from Tencent Computer are recognised as financial liabilities which are measured at fair value.

The above balances with related parties are trade in nature.

(c) Compensation of key management personnel of the Group:

	Year ended 31 December			Three months ended 31 March	
	2019 RMB'000	2020 RMB'000	2021 RMB'000	2021 RMB'000 (Unaudited)	2022 RMB'000
Salaries, bonuses, allowances and benefits in kind	10,191	9,874	10,050	2,508	4,175
Equity-settled share award expenses	–	–	431	–	427
Pension scheme contributions	230	20	285	65	75
	<u>10,421</u>	<u>9,894</u>	<u>10,766</u>	<u>2,573</u>	<u>4,677</u>
Total compensation paid to key management personnel	<u>10,421</u>	<u>9,894</u>	<u>10,766</u>	<u>2,573</u>	<u>4,677</u>

### 35. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of each of the Relevant Periods are as follows:

#### The Group

##### *Financial asset at amortised cost*

	As at 31 December			As at 31 March
	2019 RMB'000	2020 RMB'000	2021 RMB'000	2022 RMB'000
Trade receivables	440,685	253,139	357,582	511,195
Financial assets included in prepayments, other receivables and other assets	30,248	59,109	29,138	35,776
Restricted cash	119,760	–	–	–
Time deposits	–	350,000	350,000	350,000
Cash and cash equivalents	202,737	125,254	824,952	1,116,597
	<u>793,430</u>	<u>787,502</u>	<u>1,561,672</u>	<u>2,013,568</u>

##### *Financial assets at fair value through profit or loss*

	As at 31 December			As at 31 March
	2019 RMB'000	2020 RMB'000	2021 RMB'000	2022 RMB'000
Financial assets under co-financing arrangements	–	–	58,497	58,497
Financial assets at fair value through profit or loss				
– Mandatorily designated as such	11,600	9,609	58,690	57,720
– Designated as such upon initial recognition	591,164	670,245	325,124	216,715
	<u>602,764</u>	<u>679,854</u>	<u>442,311</u>	<u>332,932</u>

*Financial assets at fair value through other comprehensive income*

	As at 31 December			As at
	2019	2020	2021	31 March
	RMB'000	RMB'000	RMB'000	2022
				RMB'000
Notes receivable	21,433	2,620	28,000	38,900

**The Company***Financial asset at amortised cost*

	As at	As at
	31 December	31 March
	2021	2022
	RMB'000	RMB'000
Financial assets included in prepayments, other receivables and other assets	28	28
Cash and cash equivalents	82,520	80,388
	82,548	80,416

**The Group***Financial liabilities at amortised cost*

	As at 31 December			As at
	2019	2020	2021	31 March
	RMB'000	RMB'000	RMB'000	2022
				RMB'000
Trade payables	57,596	12,216	76,246	46,953
Lease liabilities	45,908	22,945	28,702	23,769
Interest-bearing bank and other borrowings	284,349	17,230	–	–
Financial liabilities included in other payables and accruals	101,911	37,946	18,952	24,503
	489,764	90,337	123,900	95,225

*Financial liabilities at fair value through profit or loss (mandatorily designated as such)*

	As at 31 December			As at
	2019	2020	2021	31 March
	RMB'000	RMB'000	RMB'000	2022
				RMB'000
Convertible redeemable preferred shares	2,728,796	3,055,412	3,276,406	3,346,945
Financial liabilities under co-investment arrangements included in other payables and accruals	250,599	65,194	88,904	49,573
	2,979,395	3,120,606	3,365,310	3,396,518

**The Company***Financial liabilities at amortised cost*

	As at 31 December 2021 RMB'000	As at 31 March 2022 RMB'000
Financial liabilities included in other payables and accruals	1,922	5,979

*Financial liabilities at fair value through profit or loss (mandatorily designated as such)*

	As at 31 December 2021 RMB'000	As at 31 March 2022 RMB'000
Convertible redeemable preferred shares	3,276,406	3,346,945

**36. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS**

Management has assessed that the fair values of cash and cash equivalents, restricted cash, time deposits, trade and notes receivables, trade payables, financial assets included in prepayments, other receivables and other assets, financial liabilities included in other payables and accruals, and interest-bearing bank and other borrowings, approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values.

The fair values of the non-current portion of lease liabilities and interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The changes in fair value as a result of the Group's own non-performance risk for lease liabilities and interest-bearing bank and other borrowings as at the end of each of the Relevant Periods were assessed to be insignificant. The fair value of convertible redeemable preferred shares and investment in associates recorded at fair value through profit or loss is estimated by the market approach and equity allocation model. The fair value of financial assets under co-financing arrangements and liabilities under co-investment arrangements is estimated by discounted cash flow valuation model based on the expected return rates of instruments with similar terms and risks.

The fair values of unlisted equity investments designated at fair value through profit or loss have been estimated using a market-based valuation technique based on assumptions that are not supported by observable market prices or rates. The valuation requires the directors to determine comparable public companies (peers) based on industry, size, leverage and strategy, and to calculate an appropriate price multiple, such as enterprise value to earnings before interest, taxes, depreciation and amortization ("EV/EBITDA") multiple and price to earnings ("P/E") multiple, for each comparable company identified. The multiple is calculated by dividing the enterprise value of the comparable company by an earnings measure. The trading multiple is then discounted for considerations such as illiquidity and size differences between the comparable companies based on company-specific facts and circumstances. The discounted multiple is applied to the corresponding earnings measure of the unlisted equity investments to measure the fair value. The directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the consolidated statement of financial position, and the related changes in fair values, which are recorded in other comprehensive income, are reasonable, and that they were the most appropriate values at the end of the reporting period. The fair values of unlisted debt investments designated at fair value through profit or loss have been estimated using an asset-based valuation technique.

The Group has unlisted investments, which represent wealth management products issued by banks in Mainland China. The Group has estimated the fair values of these unlisted investments by using a discounted cash flow valuation model based on the market interest rates of instruments with similar terms and risks.

The fair values of the notes receivable classified as financial assets at fair value through other comprehensive income under HKFRS 9 as at the end of each of the Relevant Periods have been calculated by discounting the expected future cash flows, which are the par values of the notes receivable. In addition, the notes receivable will mature within one year, and thus their fair values approximate to their carrying values.

Below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at 31 December 2019, 2020 and 2021 and 31 March 2022:

**As at 31 December 2019**

	<b>Valuation technique</b>	<b>Significant unobservable inputs</b>	<b>Rate</b>	<b>Sensitivity of fair value to the input</b>
Financial assets at fair value through profit or loss	Market-based valuation	Discount for lack of marketability	13%-15%	5% increase/decrease in discount would result in decrease/increase in fair value by 5.7%
Financial liabilities under co-investment arrangements	Discounted cash flows method	Expected rate of return	13%	1% increase/decrease in expected rate would result in decrease/increase in fair value by 0.1%

**As at 31 December 2020**

	<b>Valuation technique</b>	<b>Significant unobservable inputs</b>	<b>Rate</b>	<b>Sensitivity of fair value to the input</b>
Financial assets at fair value through profit or loss	Market-based valuation	Discount for lack of marketability	13%-14%	5% increase/decrease in discount would result in decrease/increase in fair value by 5.7%
Financial liabilities under co-investment arrangements	Discounted cash flows method	Expected rate of return	12%	1% increase/decrease in expected rate would result in decrease/increase in fair value by 0.3%

## As at 31 December 2021

	Valuation technique	Significant unobservable inputs	Rate	Sensitivity of fair value to the input
Financial assets at fair value through profit or loss	Market-based valuation	Discount for lack of marketability	19%-21%	5% increase/decrease in discount would result in decrease/increase in fair value by 6.0%
Financial liabilities under co-financing arrangements	Discounted cash flows method	Expected rate of return	11%	1% increase/decrease in expected rate would result in decrease/increase in fair value by 0.5%
Financial liabilities under co-investment arrangements	Discounted cash flows method	Expected rate of return	11%	1% increase/decrease in expected rate would result in decrease/increase in fair value by 0.5%

## As at 31 March 2022

	Valuation technique	Significant unobservable inputs	Rate	Sensitivity of fair value to the input
Financial assets at fair value through profit or loss	Market-based valuation	Discount for lack of marketability	19%-21%	5% increase/decrease in discount would result in decrease/increase in fair value by 5.8%
Financial assets under co-financing arrangements	Discounted cash flows method	Expected rate of return	11%	1% increase/decrease in expected rate would result in decrease/increase in fair value by 0.6%
Financial liabilities under co-investment arrangements	Discounted cash flows method	Expected rate of return	11%	1% increase/decrease in expected rate would result in decrease/increase in fair value by 0.4%

The discount for lack of marketability represents the amounts of premiums and discounts determined by the Group that market participants would take into account when pricing the investments. The expected rate of return is based on the management estimation that market participants would take into account when negotiating the co-investments and co-financing arrangements.

#### Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

##### Assets measured at fair value:

As at 31 December 2019

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Notes receivable	–	21,433	–	21,433
Financial assets at fair value through profit or loss	–	542,431	60,333	602,764
	–	563,864	60,333	624,197

As at 31 December 2020

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Notes receivable	–	2,620	–	2,620
Financial assets at fair value through profit or loss	–	609,734	70,120	679,854
	–	612,354	70,120	682,474

As at 31 December 2021

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Notes receivable	–	28,000	–	28,000
Financial assets under co-financing arrangements	–	–	58,497	58,497
Financial assets at fair value through profit or loss	–	291,441	92,373	383,814
	–	319,441	150,870	470,311

As at 31 March 2022

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Notes receivable	–	38,900	–	38,900
Financial assets under co-financing arrangements	–	–	58,497	58,497
Financial assets at fair value through profit or loss	–	180,980	93,455	274,435
	–	219,880	151,952	371,832

The movements in fair value measurements within Level 3 during Relevant Periods are as follows:

	As at 31 December			As at 31 March
	2019 RMB'000	2020 RMB'000	2021 RMB'000	2022 RMB'000
Financial assets at fair value through profit or loss				
At beginning of the year/period	42,104	60,333	70,120	92,373
Total gains recognised in the statement of profit or loss	6,629	9,787	2,473	1,082
Purchases	11,600	–	54,090	–
Disposals	–	–	(34,310)	–
At end of the year/period	60,333	70,120	92,373	93,455

	As at 31 December			As at 31 March
	2019 RMB'000	2020 RMB'000	2021 RMB'000	2022 RMB'000
Financial assets under co-financing arrangements				
At beginning of the year/period	–	–	–	–
Total gains recognised in revenue	–	–	47,589	58,497
Output VAT	–	–	2,851	–
Purchases	–	–	60,000	–
Settlements	–	–	(51,943)	–
At end of the year/period	–	–	58,497	58,497



*Liabilities measured at fair value:**As at 31 December 2019*

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Convertible redeemable preferred shares	–	–	2,728,796	2,728,796
Financial liabilities under co-investment arrangements	–	–	250,599	250,599
	–	–	2,979,395	2,979,395

*As at 31 December 2020*

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Convertible redeemable preferred shares	–	–	3,055,412	3,055,412
Financial liabilities under co-investment arrangements	–	–	65,194	65,194
	–	–	3,120,606	3,120,606

*As at 31 December 2021*

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Convertible redeemable preferred shares	–	–	3,276,406	3,276,406
Financial liabilities under co-investment arrangements	–	–	88,904	88,904
	–	–	3,365,310	3,365,310

As at 31 March 2022

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Convertible redeemable preferred shares	–	–	3,346,945	3,346,945
Financial liabilities under co-investment arrangements	–	–	49,573	49,573
	–	–	3,396,518	3,396,518

The movements in fair value measurements within Level 3 during the Relevant Periods are as follows:

	As at 31 December			As at 31 March 2022
	2019 RMB'000	2020 RMB'000	2021 RMB'000	RMB'000
Financial liabilities under co-investment arrangements				
At beginning of the year/period	171,286	250,599	65,194	88,904
Total losses recognised in the statement of profit or loss	7,283	13,699	39,261	–
Investments	64,624	25,000	40,000	–
Settlements	7,406	(224,104)	(55,551)	(39,331)
At end of the year/period	250,599	65,194	88,904	49,573

The changes in Level 3 instruments of convertible redeemable preferred shares and a summary of significant unobservable inputs to the valuation of these financial instruments together with a quantitative sensitivity analysis for the years ended 31 December 2019, 2020 and 2021 and three months ended 31 March 2022, are presented in note 26 to the Historical Financial Information.

During the Relevant Periods, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities.

### 37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise financial assets included in prepayments, other receivables and other assets, interest-bearing bank and other borrowings, financial liabilities included in other payables and accruals, restricted cash, time deposits and cash and cash equivalents. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade and notes receivables, and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

#### Credit risk

The Group trades mainly with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis.

## Maximum exposure and year-end staging as at 31 December 2019, 2020 and 2021 and 31 March 2022

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification at the end of each of the Relevant Periods. The amounts presented are gross carrying amounts for financial assets.

## As at 31 December 2019

	12-month ECLs		Lifetime ECLs		Simplified approach RMB'000	Total RMB'000
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000			
Trade receivables*	–	–	–		466,683	466,683
Notes receivable**	21,433	–	–		–	21,433
Financial assets included in prepayments, other receivables and other assets						
– Normal**	30,248	–	–		–	30,248
Restricted cash						
– Not yet past due	119,760	–	–		–	119,760
Cash and cash equivalents						
– Not yet past due	202,737	–	–		–	202,737
	<u>374,178</u>	<u>–</u>	<u>–</u>		<u>466,683</u>	<u>840,861</u>

## As at 31 December 2020

	12-month ECLs		Lifetime ECLs		Simplified approach RMB'000	Total RMB'000
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000			
Trade receivables*	–	–	–		279,627	279,627
Notes receivable**	2,620	–	–		–	2,620
Financial assets included in prepayments, other receivables and other assets						
– Normal**	59,109	–	–		–	59,109
Time deposits						
– Not yet past due	350,000	–	–		–	350,000
Cash and cash equivalents						
– Not yet past due	125,254	–	–		–	125,254
	<u>536,983</u>	<u>–</u>	<u>–</u>		<u>279,627</u>	<u>816,610</u>

## As at 31 December 2021

	12-month ECLs		Lifetime ECLs		Simplified approach RMB'000	Total RMB'000
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Stage 3 RMB'000		
Trade receivables*	–	–	–	–	395,050	395,050
Notes receivable**	28,000	–	–	–	–	28,000
Financial assets included in prepayments, other receivables and other assets						
– Normal**	29,138	–	–	–	–	29,138
Time deposits						
– Not yet past due	350,000	–	–	–	–	350,000
Cash and cash equivalents						
– Not yet past due	824,952	–	–	–	–	824,952
	<u>1,232,090</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>395,050</u>	<u>1,627,140</u>

## As at 31 March 2022

	12-month ECLs		Lifetime ECLs		Simplified approach RMB'000	Total RMB'000
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Stage 3 RMB'000		
Trade receivables*	–	–	–	–	549,208	549,208
Notes receivable**	38,900	–	–	–	–	38,900
Financial assets included in prepayments, other receivables and other assets						
– Normal**	35,776	–	–	–	–	35,776
Time deposits						
– Not yet past due	350,000	–	–	–	–	350,000
Cash and cash equivalents						
– Not yet past due	1,116,597	–	–	–	–	1,116,597
	<u>1,541,273</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>549,208</u>	<u>2,090,481</u>

\* For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 19 to the Historical Financial Information.

\*\* The credit quality of notes receivable and the financial assets included in prepayments, other receivables and other assets is considered to be “normal” when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be “doubtful”.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 19 to the Historical Financial Information.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer/counterparty and by geographical region. The Group had certain concentrations of credit risk. As at 31 December 2019, 2020 and 2021 and 31 March 2022, 33%, 30%, 27% and 19% of the Group's trade receivables were due from the Group's largest debtor, respectively, and 93%, 88%, 82% and 64% of the Group's trade receivables were due from the Group's five largest debtors, respectively.

### Liquidity risk

In the management of liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management of the Group to finance the operations and mitigate the effects of fluctuations in cash flows.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans, lease liabilities and other interest-bearing loans.

The maturity profile of the Group's financial liabilities as at the end of each of the Relevant Periods, based on the contractual undiscounted payments, is as follows:

<b>31 December 2019</b>						
	<b>On demand</b>	<b>Less than 3 months</b>	<b>3 to less than 12 months</b>	<b>1 to 3 years</b>	<b>Over 3 years</b>	<b>Total</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Interest-bearing bank and other borrowings	–	91,936	195,864	3,042	–	290,842
Trade payables	1,443	56,153	–	–	–	57,596
Lease liabilities	–	4,602	13,806	31,643	–	50,051
Financial liabilities under co-investment arrangements	178,072	–	74,312	4,761	–	257,145
Financial liabilities included in other payables and accruals	101,911	–	–	–	–	101,911
	<u>281,426</u>	<u>152,691</u>	<u>283,982</u>	<u>39,446</u>	<u>–</u>	<u>757,545</u>
<b>31 December 2020</b>						
	<b>On demand</b>	<b>Less than 3 months</b>	<b>3 to less than 12 months</b>	<b>1 to 3 years</b>	<b>Over 3 years</b>	<b>Total</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Interest-bearing bank and other borrowings	17,230	–	–	–	–	17,230
Trade payables	61	12,155	–	–	–	12,216
Lease liabilities	–	3,783	10,853	9,942	–	24,578
Financial liabilities under co-investment arrangements	32,996	–	34,834	–	–	67,830
Financial liabilities included in other payables and accruals	37,946	–	–	–	–	37,946
	<u>88,233</u>	<u>15,938</u>	<u>45,687</u>	<u>9,942</u>	<u>–</u>	<u>159,800</u>

## 31 December 2021

	<b>On demand</b>	<b>Less than 3 months</b>	<b>3 to less than 12 months</b>	<b>1 to 3 years</b>	<b>Over 3 years</b>	<b>Total</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables	2,090	74,156	–	–	–	76,246
Lease liabilities	–	5,236	13,087	12,101	–	30,424
Financial liabilities under co-investment arrangements*	18,021	67,359	3,524	–	–	88,904
Financial liabilities included in other payables and accruals	18,952	–	–	–	–	18,952
	<b>39,063</b>	<b>146,751</b>	<b>16,611</b>	<b>12,101</b>	<b>–</b>	<b>214,526</b>

## 31 March 2022

	<b>On demand</b>	<b>Less than 3 months</b>	<b>3 to less than 12 months</b>	<b>1 to 3 years</b>	<b>Over 3 years</b>	<b>Total</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables	30,028	16,925	–	–	–	46,953
Lease liabilities	–	3,894	11,320	9,605	–	24,819
Financial liabilities under co-investment arrangements	46,047	3,526	–	–	–	49,573
Financial liabilities included in other payables and accruals	24,503	–	–	–	–	24,503
	<b>100,578</b>	<b>24,345</b>	<b>11,320</b>	<b>9,605</b>	<b>–</b>	<b>145,848</b>

\* The contractual undiscounted payments of financial liabilities under co-investment arrangements are based on the expected settlement amounts.

Details of the description of convertible redeemable preferred shares are included in note 26 to the Historical Financial Information.

**Capital management**

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the Relevant Periods.

The Group monitors capital using a debt to equity ratio, which is net debt divided by total equity multiplied by 100% as at the date indicated. Net debt includes lease liabilities, interest-bearing bank and other borrowings, trade payables and other payables and accruals less time deposits and cash and cash equivalents. Capital represents total equity of the Group. The debt to equity ratios as at the end of each of the Relevant Periods were as follows:

	As at 31 December			As at
	2019	2020	2021	31 March
	RMB'000	RMB'000	RMB'000	2022
				RMB'000
Interest-bearing bank and other borrowings	284,349	17,230	–	–
Trade payables	57,596	12,216	76,246	46,953
Lease liabilities	45,908	22,945	28,702	23,769
Other payables and accruals	784,705	311,835	829,438	934,500
Less: time deposits	–	(350,000)	(350,000)	(350,000)
Less: cash and cash equivalents	(202,737)	(125,254)	(824,952)	(1,116,597)
Net debt/(cash)	969,821	(111,028)	(240,566)	(461,375)
Total equity	(906,030)	(941,579)	(1,322,480)	(1,316,366)
Debt to equity ratio	N/A	12%	18%	35%

### 38. EVENTS AFTER THE RELEVANT PERIODS

There were no other significant events that required additional disclosure or adjustments occurred after the end of the Relevant Periods.

### 39. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company, the Group or any of the companies now comprising the Group in respect of any period subsequent to 31 March 2022.

## APPENDIX II    UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following information does not form part of the Accountants' Report from Ernst & Young, Certified Public Accountants, Hong Kong, the Company's reporting accountants, as set out in Appendix I to this prospectus, and is included for information purposes only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and the Accountants' Report set out in Appendix I to this prospectus.

### A.    UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following unaudited pro forma adjusted consolidated net tangible assets of the Group have been prepared in accordance with Rule 4.29 of the Listing Rules and with reference to Accounting Guideline 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants for illustration purposes only, and is set out here to illustrate the effect of the Global Offering on the consolidated net tangible liabilities of the Group attributable to owners of the parent as at 31 March 2022 as if the Global Offering had taken place on 31 March 2022.

The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the parent has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of the Group had the Global Offering been completed as at 31 March 2022 or any future date.

Consolidated net tangible liabilities attributable to owners of the parent as at 31 March 2022 <i>RMB'000</i>	Estimated net proceeds from the Global offering <i>RMB'000</i>	Estimated    Unaudited pro impact related    forma adjusted to the change    consolidated of terms of    net tangible convertible    assets redeemable    attributable to preferred    owners of the shares upon    parent as at listing    31 March 2022 <i>RMB'000</i> <i>RMB'000</i>	<i>RMB</i>	<i>HK\$</i> <i>equivalent</i>		
<i>(Note 1)</i>	<i>(Note 2)</i>	<i>(Note 3)</i>	<i>(Note 4)</i>	<i>(Note 5)</i>		
Based on Offer price of HK\$27.75 per Share	(1,318,935)	313,971	3,346,945	2,341,981	6.50	7.56
Based on Offer price of HK\$33.30 per Share	(1,318,935)	382,821	3,346,945	2,410,831	6.69	7.78



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## APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

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*Notes:*

- (1) The consolidated net tangible liabilities attributable to owners of the parent as at 31 March 2022 is arrived at after deducting other intangible assets of RMB2,569,000 from the consolidated net liabilities attributable to owners of the parent of RMB1,316,366,000 as at 31 March 2022, as shown in the Accountants' Report set out in Appendix I to this prospectus.
- (2) The estimated net proceeds from the Global Offering are calculated based on the offer price of HK\$27.75 per Share or HK\$33.30 per Share, being the low-end price and high-end price, after deduction of the underwriting fees and related expenses payable by the Company (excluding listing expenses of HK\$33,998,000 (RMB29,213,000) which have been charged to profit or loss during the Track Record Period) and do not take into account any Shares which may be issued upon exercise of the Over-allotment Option.
- (3) Upon the listing and the completion of the Global Offering, all the convertible redeemable preferred shares will be converted into ordinary shares of the Company. The convertible redeemable preferred shares will be re-classified from liabilities to equity. Accordingly, for the purpose of the unaudited pro forma financial information, the unaudited pro forma adjusted net tangible assets attributable to the owners of the parent will be increased by RMB3,346,945,000, being the carrying amount of the convertible redeemable preferred shares as at 31 March 2022.
- (4) The unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the parent per Share are calculated based on 360,458,829 Shares in issue taking into account the completion of the conversion of the preferred shares into ordinary shares of the Company assuming that the Global Offering has been completed on 31 March 2022 without taking into account any Shares which may be issued upon exercise of the Over-allotment Option or any option which may be granted under the Pre-IPO 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 – Statutory and General Information" to this prospectus.
- (5) The unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the parent per Share are converted into Hong Kong dollars at an exchange rate of RMB0.8593 to HK\$1.00.
- (6) No adjustment has been made to reflect any trading results or other transactions entered into by the Group subsequent to 31 March 2022.

## APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report, prepared for the purpose of incorporation in this prospectus, received from the reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong, in respect of the unaudited pro forma financial information.

### B. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION



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Quarry Bay, Hong Kong

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To the directors of Linmon Media Limited

We have completed our assurance engagement to report on the compilation of pro forma financial information of Linmon Media Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) by the directors of the Company (the “Directors”) for illustrative purposes only. The pro forma financial information consists of the pro forma consolidated net tangible assets as at 31 March 2022, and related notes as set out on pages II-1 to II-2 of the prospectus dated 29 July 2022 issued by the Company (the “Pro Forma Financial Information”). The applicable criteria on the basis of which the Directors have compiled the Pro Forma Financial Information are described in Appendix II(A) to the prospectus.

The Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the global offering of shares of the Company on the Group’s financial position as at 31 March 2022 as if the transaction had taken place at 31 March 2022. As part of this process, information about the Group’s financial position has been extracted by the Directors from the Group’s financial statements for the period ended 31 March 2022, on which an accountants’ report has been published.

#### Directors’ responsibility for the Pro Forma Financial Information

The Directors are responsible for compiling the Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with reference to Accounting Guideline (“AG”) 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

#### Our independence and quality control

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

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## APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

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Our firm applies Hong Kong Standard on Quality Control 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

### **Reporting accountants' responsibilities**

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus* issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Pro Forma Financial Information.

The purpose of the Pro Forma Financial Information included in the prospectus is solely to illustrate the impact of the global offering of shares of the Company on unadjusted financial information of the Group as if the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the transaction would have been as presented.

A reasonable assurance engagement to report on whether the Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

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## APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

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The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the Group, the transaction in respect of which the Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Opinion**

In our opinion:

- (a) the Pro Forma Financial Information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purpose of the Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

**Ernst & Young**

*Certified Public Accountants*

Hong Kong

29 July 2022

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of the company laws of the Cayman Islands.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 10 June 2021 under the Cayman Companies Act. The Company's constitutional documents consist of its Memorandum and Articles of Association.

## **1. MEMORANDUM OF ASSOCIATION**

- 1.1 The Memorandum provides, *inter alia*, that the liability of the Shareholders is limited and that the objects for which the Company is established are unrestricted (and therefore include acting as an investment company), and that the Company shall have and be capable of exercising any and all of the powers at any time or from time to time exercisable by a natural person or body corporate whether as principal, agent, contractor or otherwise and, since the Company is an exempted company, that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.
- 1.2 By special resolution the Company may alter the Memorandum with respect to any objects, powers or other matters specified in it.

## **2. ARTICLES OF ASSOCIATION**

The Articles were conditionally adopted on July 21, 2022. A summary of certain provisions of the Articles is set out below.

### **2.1 Shares**

#### ***(a) Classes of shares***

The share capital of the Company consists of ordinary shares.

#### ***(b) Variation of rights of existing shares or classes of shares***

Subject to the Cayman Companies Act, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to any class of shares may (unless otherwise provided for by the terms of issue of the shares of that class) be varied, modified or abrogated with the consent in writing of the holders of at least three-fourths of the issued Shares of that class, or with the approval of a resolution passed by at least three-fourths of the votes cast by the holders of the shares of that class present and voting in person or by proxy at a separate meeting of such holders. The provisions of the Articles relating to general meetings shall apply *mutatis mutandis* to every such separate general meeting, provided that the necessary quorum shall be two persons together holding (or, in the case of a Shareholder being a

corporation, by its duly authorised representative), or representing by proxy, at least one-third of the issued shares of that class. Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him, and any holder of shares of the class present in person or by proxy may demand a poll.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

**(c) *Alteration of capital***

The Company may, by an ordinary resolution of its Shareholders: (a) increase its share capital by the creation of new shares of such amount as it thinks expedient; (b) consolidate or divide all or any of its share capital into shares of a larger or smaller amount than its existing shares; (c) divide its unissued shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges or conditions; (d) subdivide its shares or any of them into shares of an amount smaller than that fixed by the Memorandum; (e) cancel any shares which, at the date of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled; (f) make provision for the allotment and issue of shares which do not carry any voting rights; (g) change the currency of denomination of its share capital; and (h) reduce its share premium account in any manner authorised and subject to any conditions prescribed by law.

**(d) *Transfer of shares***

Subject to the Cayman Companies Act and the requirements of the Stock Exchange, all transfers of shares shall be effected by an instrument of transfer in the usual or common form or in such other form as the Board may approve and may be under hand or, if the transferor or transferee is a Clearing House (as defined in the Articles) or its nominee(s), under hand or by machine imprinted signature, or by such other manner of execution as the Board may approve from time to time.

Execution of the instrument of transfer shall be by or on behalf of the transferor and the transferee, provided that the Board may dispense with the execution of the instrument of transfer by the transferor or transferee or accept mechanically executed transfers. The transferor shall be deemed to remain the holder of a share until the name of the transferee is entered in the register of members of the Company in respect of that share.

The Board may, in its absolute discretion, at any time and from time to time remove any share on the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the Board otherwise agrees, no shares on the principal register shall be removed to any branch register nor shall shares on any branch register be removed to the principal register or any other branch register. All removals and other documents of title shall be lodged for registration and registered, in the case of shares on any branch register, at the relevant registration office and, in the case of shares on the principal register, at the place at which the principal register is located.

The Board may, in its absolute discretion, decline to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or on which the Company has a lien, or if the proposed transfer does not comply with the Articles or any requirements of the Listing Rules. It may also decline to register a transfer of any share issued under any share option scheme upon which a restriction on transfer subsists or a transfer of any share to more than four joint holders.

The Board may decline to recognise any instrument of transfer unless a certain fee, up to such maximum sum as the Stock Exchange may determine to be payable, is paid to the Company, the instrument of transfer is properly stamped (if applicable), is in respect of only one class of share and is lodged at the relevant registration office or the place at which the principal register is located accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require is provided to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The register of members may, subject to the Listing Rules, be closed in accordance with the terms equivalent to the relevant section of the Hong Kong Companies Ordinance at such time or for such period not exceeding in the whole 30 days in each year as the Board may determine (or such longer period as the Shareholders may by ordinary resolution determine, provided that such period shall not be extended beyond 60 days in any year).

Fully paid shares shall be free from any restriction on transfer (except when permitted by the Stock Exchange) and shall also be free from all liens.

***(e) Power of the Company to purchase its own shares***

The Company may purchase its own shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirement imposed from time to time by the Articles or any code, rules or regulations issued from time to time by the Stock Exchange and/or the Securities and Futures Commission of Hong Kong.

Where the Company purchases for redemption a redeemable share, purchases not made through the market or by tender shall be limited to a maximum price and, if purchases are by tender, tenders shall be available to all Shareholders alike.

*(f) Power of any subsidiary of the Company to own shares in the Company*

There are no provisions in the Articles relating to the ownership of shares in the Company by a subsidiary.

*(g) Calls on shares and forfeiture of shares*

The Board may, from time to time, make such calls as it thinks fit upon the Shareholders in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment of such shares made payable at fixed times. A call may be made payable either in one sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 20 per cent per annum as the Board shall fix from the day appointed for payment to the time of actual payment, but the Board may waive payment of such interest wholly or in part. The Board may, if it thinks fit, receive from any Shareholder willing to advance the same, either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced the Company may pay interest at such rate (if any) not exceeding 20 per cent per annum as the Board may decide.

If a Shareholder fails to pay any call or instalment of a call on the day appointed for payment, the Board may, for so long as any part of the call or instalment remains unpaid, serve not less than 14 days' notice on the Shareholder requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment. The notice shall name a further day (not earlier than the expiration of 14 days from the date of the notice) on or before which the payment required by the notice is to be made, and shall also name the place where payment is to be made. The notice shall also state that, in the event of non-payment at or before the appointed time, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.



A person whose shares have been forfeited shall cease to be a Shareholder in respect of the forfeited shares but shall, nevertheless, remain liable to pay to the Company all monies which, as at the date of forfeiture, were payable by him to the Company in respect of the shares together with (if the Board shall in its discretion so require) interest thereon from the date of forfeiture until payment at such rate not exceeding 20 per cent per annum as the Board may prescribe.

## 2.2 Directors

### *(a) Appointment, retirement and removal*

At any time or from time to time, the Board shall have the power to appoint any person as a Director either to fill a casual vacancy on the Board or as an additional Director to the existing Board subject to any maximum number of Directors, if any, as may be determined by the Shareholders in general meeting or the Articles. Any Director so appointed to fill a casual vacancy or as an addition to the existing Board shall hold office only until the first annual general meeting of the Company after his appointment and be eligible for re-election at such meeting. Any Director so appointed by the Board shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at an annual general meeting.

At each annual general meeting, one-third of the Directors for the time being shall retire from office by rotation. However, if the number of Directors is not a multiple of three, then the number nearest to but not less than one-third shall be the number of retiring Directors. Every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. The Directors to retire in each year shall be those who have been in office longest since their last re-election or appointment but, as between persons who became or were last re-elected Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot.

No person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected has been lodged at the head office or at the registration office of the Company. The Company shall include the particulars of such proposed person for election as a Director in its announcement or supplementary circular, and shall give the Shareholders at least seven days to consider the relevant information disclosed in such announcement or supplementary circular prior to the date of the meeting of the election.

A Director is not required to hold any shares in the Company by way of qualification nor is there any specified upper or lower age limit for Directors either for accession to or retirement from the Board.

A Director may be removed by an ordinary resolution of the Shareholders before the expiration of his term of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and the Company may by ordinary resolution appoint another in his place. Any Director so appointed shall be subject to the retirement by rotation provisions. The number of Directors shall not be less than two.

The office of a Director shall be vacated if he:

- (i) resigns;
- (ii) dies;
- (iii) is declared to be of unsound mind and the Board resolves that his office be vacated;
- (iv) becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;
- (v) he is prohibited from being or ceases to be a director by operation of law;
- (vi) without special leave, is absent from meetings of the Board for six consecutive months, and the Board resolves that his office is vacated;
- (vii) has been required by the stock exchange of the Relevant Territory (as defined in the Articles) to cease to be a Director; or
- (viii) is removed from office by no less than three-fourths in number of the Directors pursuant to the Articles.

From time to time the Board may appoint one or more of its body to be managing director, joint managing director or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the Board may determine, and the Board may revoke or terminate any of such appointments. The Board may also delegate any of its powers to committees consisting of such Director(s) or other person(s) as the Board thinks fit, and from time to time it may also revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers so delegated, conform to any regulations that may from time to time be imposed upon it by the Board.

*(b) Power to allot and issue shares and warrants*

Subject to the provisions of the Cayman Companies Act, the Memorandum and Articles and without prejudice to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached to it such rights, or such restrictions, whether with regard to dividend, voting, return of capital or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the Board may determine). Any share may be issued on terms that, upon the happening of a specified event or upon a given date and either at the option of the Company or the holder of the share, it is liable to be redeemed.

The Board may issue warrants to subscribe for any class of shares or other securities of the Company on such terms as it may from time to time determine.

Where warrants are issued to bearer, no certificate in respect of such warrants shall be issued to replace one that has been lost unless the Board is satisfied beyond reasonable doubt that the original certificate has been destroyed and the Company has received an indemnity in such form as the Board thinks fit with regard to the issue of any such replacement certificate.

Subject to the provisions of the Cayman Companies Act, the Articles and, where applicable, the rules of any stock exchange of the Relevant Territory and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, provided that no shares shall be issued at a discount.

Neither the Company nor the Board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to the Shareholders or others whose registered addresses are in any particular territory or territories where, in the absence of a registration statement or other special formalities, doing so is or may, in the opinion of the Board, be unlawful or impracticable. However, no Shareholder affected as a result of the foregoing shall be, or be deemed to be, a separate class of Shareholders for any purpose whatsoever.

*(c) Power to dispose of the assets of the Company or any of its subsidiaries*

While there are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries, the Board may exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Cayman Companies Act to be exercised or done by the Company in general meeting, but if such power or act is regulated by the Company in general meeting, such regulation shall not invalidate any prior act of the Board which would have been valid if such regulation had not been made.

*(d) Borrowing powers*

The Board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and uncalled capital of the Company and, subject to the Cayman Companies Act, to issue debentures, debenture stock, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

*(e) Remuneration*

The Directors shall be entitled to receive, as ordinary remuneration for their services, such sums as shall from time to time be determined by the Board or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided among the Directors in such proportions and in such manner as they may agree or, failing agreement, either equally or, in the case of any Director holding office for only a portion of the period in respect of which the remuneration is payable, *pro rata*. The Directors shall also be entitled to be repaid all expenses reasonably incurred by them in attending any Board meetings, committee meetings or general meetings or otherwise in connection with the discharge of their duties as Directors. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

Any Director who, at the request of the Company, performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such special or extra remuneration as the Board may determine, in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the Board may from time to time decide. Such remuneration shall be in addition to his ordinary remuneration as a Director.

The Board may establish, either on its own or jointly in concurrence or agreement with subsidiaries of the Company or companies with which the Company is associated in business, or may make contributions out of the Company's monies to, any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or former Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and former employees of the Company and their dependents or any class or classes of such persons.

The Board may also pay, enter into agreements to pay or make grants of revocable or irrevocable, whether or not subject to any terms or conditions, pensions or other benefits to employees and former employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or former employees or their dependents are or may become entitled under any such scheme or fund as mentioned above. Such pension or benefit may, if deemed desirable by the Board, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

*(f) Compensation or payments for loss of office*

Payments to any present Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually or statutorily entitled) must be approved by the Company in general meeting.

*(g) Loans and provision of security for loans to Directors*

The Company shall not directly or indirectly make a loan to a Director or a director of any holding company of the Company or any of their respective close associates, enter into any guarantee or provide any security in connection with a loan made by any person to a Director or a director of any holding company of the Company or any of their respective close associates, or, if any one or more Directors hold(s) (jointly or severally or directly or indirectly) a controlling interest in another company, make a loan to that other company or enter into any guarantee or provide any security in connection with a loan made by any person to that other company.

*(h) Disclosure of interest in contracts with the Company or any of its subsidiaries*

With the exception of the office of auditor of the Company, a Director may hold any other office or place of profit with the Company in conjunction with his office of Director for such period and upon such terms as the Board may determine, and may be paid such extra remuneration for that other office or place of profit, in whatever form, in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director, officer or member of any other company in which the Company may be interested, and shall not be liable to account to the Company or the Shareholders for any remuneration or other benefits received by him as a director, officer or member of such other company. The Board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company.

No Director or intended Director shall be disqualified by his office from contracting with the Company, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship established by it. A Director who is, in any way, materially interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the earliest meeting of the Board at which he may practically do so.

There is no power to freeze or otherwise impair any of the rights attaching to any share by reason that the person or persons who are interested directly or indirectly in that share have failed to disclose their interests to the Company.

A Director shall not vote or be counted in the quorum on any resolution of the Board in respect of any contract or arrangement or proposal in which he or any of his close associate(s) has/have a material interest, and if he shall do so his vote shall not be counted nor shall he be counted in the quorum for that resolution. This prohibition shall not apply to any of the following matters:

- (i) the giving of any security or indemnity to the Director or his close associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;
- (ii) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has/have himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (iii) any proposal concerning an offer of shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub- underwriting of the offer;
- (iv) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries, including the adoption, modification or operation of either: (i) any employees' share scheme or any share incentive or share option scheme under which the Director or his close associate(s) may benefit; or (ii) any of a pension fund or retirement, death or disability benefits scheme which relates to Directors, their close associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or his close associate(s) any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and

- (v) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares, debentures or other securities of the Company by virtue only of his/their interest in those shares, debentures or other securities.

### **2.3 Proceedings of the Board**

The Board may meet anywhere in the world for the despatch of business and may adjourn and otherwise regulate its meetings as it thinks fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

### **2.4 Alterations to the constitutional documents and the Company's name**

To the extent that the same is permissible under the Cayman Islands laws and subject to the Articles, the Memorandum and Articles of the Company may only be altered or amended, and the name of the Company may only be changed, with the sanction of a special resolution of the Company.

### **2.5 Meetings of Shareholders**

#### ***(a) Special and ordinary resolutions***

A special resolution of the Company must be passed by a majority of not less than three-fourths of the voting rights held by such Shareholders as, being entitled so to do, vote in person or by proxy or, in the case of Shareholders which are corporations, by their duly authorised representatives or by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given.

Under the Cayman Companies Act, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within 15 days of being passed.

An ordinary resolution, by contrast, is a resolution passed by a simple majority of the votes of such Shareholders as, being entitled to do so, vote in person or, in the case of Shareholders which are corporations, by their duly authorised representatives or by proxy at a general meeting of which notice has been duly given.

A resolution in writing signed by or on behalf of all the Shareholders shall be treated as an ordinary resolution duly passed at a general meeting of the Company duly convened and held, and where relevant as a special resolution so passed.

Subject to paragraph 2.1(b) in this section, the provisions of the Articles relating to special resolutions and ordinary resolutions shall apply mutatis mutandis to any resolutions passed by the holders of any class of shares.

*(b) Voting rights and right to demand a poll*

Subject to any special rights, restrictions or privileges as to voting for the time being attached to any class or classes of shares at any general meeting: (a) on a poll every Shareholder present in person or by proxy or, in the case of a Shareholder being a corporation, by its duly authorised representative shall have one vote for every share which is fully paid or credited as fully paid registered in his name in the register of members of the Company, provided that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for this purpose as paid up on the share; and (b) on a show of hands every Shareholder who is present in person (or, in the case of a Shareholder being a corporation, by its duly authorised representative) or by proxy shall have one vote. Where more than one proxy is appointed by a Shareholder which is a Clearing House or its nominee(s), each such proxy shall have one vote on a show of hands. On a poll, a Shareholder entitled to more than one vote need not use all his votes or cast all the votes he does use in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by poll save that the chairman of the meeting may, pursuant to the Listing Rules, allow a resolution to be voted on by a show of hands. Where a show of hands is allowed, before or on the declaration of the result of the show of hands, a poll may be demanded by (in each case by Shareholders present in person or by proxy or by a duly authorised corporate representative):

- (i) at least two Shareholders;
- (ii) any Shareholder or Shareholders representing not less than one-tenth of the total voting rights of all the Shareholders having the right to vote at the meeting; or
- (iii) a Shareholder or Shareholders holding shares in the Company conferring a right to vote at the meeting on which an aggregate sum has been paid equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

Should a Clearing House or its nominee(s) be a Shareholder, it may appoint proxies or authorise such person or persons as it thinks fit to act as its representative(s), who enjoy rights equivalent to the rights of other Shareholders, at any meeting of the Company (including but not limited to general meetings and creditors meetings) or at any meeting of any class of Shareholders provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such



person is so authorised. A person authorised in accordance with this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same rights and powers on behalf of the Clearing House or its nominee(s) as if such person were an individual Shareholder, including the right to speak and vote individually on a show of hands or on a poll.

All the Shareholders (including a Shareholder which is a Clearing House (or its nominee(s))) shall have the right to (a) speak at a general meeting and (b) vote at a general meeting except where a Shareholder is required by the Listing Rules to abstain from voting to approve the matter under consideration. Where any Shareholder is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, in which case any votes cast by or on behalf of such Shareholder in contravention of such requirement or restriction shall not be counted.

**(c) *Annual general meetings***

The Company must hold an annual general meeting in each financial year. Such meeting must be held within six months after the end of the Company's financial year.

**(d) *Notices of meetings and business to be conducted***

An annual general meeting of the Company shall be called by at least 21 days' notice in writing, and any other general meeting of the Company shall be called by at least 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time, place and agenda of the meeting and particulars of the resolution(s) to be considered at that meeting and, in the case of special business, the general nature of that business.

Except where otherwise expressly stated, any notice or document (including a share certificate) to be given or issued under the Articles shall be in writing, and may be served by the Company on any Shareholder personally, by post to such Shareholder's registered address or (in the case of a notice) by advertisement in the newspapers. Any Shareholder whose registered address is outside Hong Kong may notify the Company in writing of an address in Hong Kong which shall be deemed to be his registered address for this purpose. Subject to the Cayman Companies Act and the Listing Rules, a notice or document may also be served or delivered by the Company to any Shareholder by electronic means.

Although a meeting of the Company may be called by shorter notice than as specified above, if permitted by the Listing Rules, such meeting may be deemed to have been duly called if it is so agreed:

- (i) in the case of an annual general meeting, by all the Shareholders entitled to attend and vote thereat; and

- (ii) in the case of any other meeting, by a majority in number of the Shareholders having a right to attend and vote at the meeting holding not less than 95 per cent of the total voting rights in the Company.

All business transacted at an extraordinary general meeting shall be deemed special business. All business shall also be deemed special business where it is transacted at an annual general meeting, with the exception of certain routine matters which shall be deemed ordinary business.

*(e) Quorum for meetings and separate class meetings*

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, and continues to be present until the conclusion of the meeting.

The quorum for a general meeting shall be two Shareholders present in person (or in the case of a Shareholder being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights, the necessary quorum shall be two persons holding (or, in the case of a Shareholder being a corporation, by its duly authorised representative), or representing by proxy not less than one-third in nominal value of the issued shares of that class.

*(f) Proxies*

Any Shareholder entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A corporation which is a Shareholder may execute a form of proxy under the hand of a duly authorised officer. A Shareholder who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a Shareholder and shall be entitled to exercise the same powers on behalf of a Shareholder who is an individual and for whom he acts as proxy as such Shareholder could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a Shareholder which is a corporation and for which he acts as proxy as such Shareholder could exercise as if it were an individual Shareholder present in person at any general meeting. On a poll or on a show of hands, votes may be given either personally (or, in the case of a Shareholder being a corporation, by its duly authorised representative) or by proxy.

The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under seal or under the hand of a duly authorised officer or attorney. Every instrument of proxy, whether for a specified meeting or otherwise, shall be in such form as the Board may from time to time approve, provided that it shall not preclude the use

of the two-way form. Any form issued to a Shareholder for appointing a proxy to attend and vote at an extraordinary general meeting or at an annual general meeting at which any business is to be transacted shall be such as to enable the Shareholder, according to his intentions, to instruct the proxy to vote in favour of or against (or, in default of instructions, to exercise his discretion in respect of) each resolution dealing with any such business.

**(g) *Shareholders' requisition for meetings***

One or more Shareholders holding, as at the date of deposit of the requisition, in aggregate not less than one-tenth of the voting rights (on a one vote per share basis) in the share capital of the Company may also make a requisition to convene an extraordinary general meeting and/or add resolutions to the agenda of a meeting. Such requisition shall be made in writing to the Board or the secretary of the Company for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

**2.6 Accounts and audit**

The Board shall cause proper books of account to be kept of the sums of money received and expended by the Company, and of the assets and liabilities of the Company and of all other matters required by the Cayman Companies Act (which include all sales and purchases of goods by the Company) necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions.

The books of accounts of the Company shall be kept at the head office of the Company or at such other place or places as the Board decides and shall always be open to inspection by any Director. No Shareholder (other than a Director) shall have any right to inspect any account, book or document of the Company except as conferred by the Cayman Companies Act or ordered by a court of competent jurisdiction or authorised by the Board or the Company in general meeting.

The Board shall from time to time cause to be prepared and laid before the Company at its annual general meeting balance sheets and profit and loss accounts (including every document required by law to be annexed thereto), together with a copy of the Directors' report and a copy of the auditors' report, not less than 21 days before the date of the annual general meeting. Copies of these documents shall be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles together with the notice of annual general meeting, not less than 21 days before the date of the meeting.

Subject to the rules of the stock exchange of the Relevant Territory, the Company may send summarised financial statements to Shareholders who have, in accordance with the rules of the stock exchange of the Relevant Territory, consented and elected to receive summarised financial statements instead of the full financial statements. The summarised financial statements must be accompanied by any other documents as may be required under the rules of the stock exchange of the Relevant Territory, and must be sent to those Shareholders that have consented and elected to receive the summarised financial statements not less than 21 days before the general meeting.

The Shareholders shall appoint auditor(s) to hold office by an ordinary resolution of the Shareholders until the conclusion of the next annual general meeting on such terms and with such duties as may be agreed with the Board. The auditors' remuneration shall be fixed by the Shareholders in general meeting by an ordinary resolution of the Shareholders or by the Board if authority is so delegated by the Shareholders. The Shareholders may, at any general meeting convened and held in accordance with the Articles, remove the auditors by ordinary resolution at any time before the expiration of the term of office and shall, by ordinary resolution, at that meeting appoint new auditors in its place for the remainder of the term.

The auditors shall audit the financial statements of the Company in accordance with generally accepted accounting principles of Hong Kong, the International Accounting Standards or such other standards as may be permitted by the Stock Exchange.

## **2.7 Dividends and other methods of distribution**

The Company in general meeting may declare dividends in any currency to be paid to the Shareholders but no dividend shall be declared in excess of the amount recommended by the Board.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide:

- (a) all dividends shall be declared and paid according to the amounts paid up on the shares in respect of which the dividend is paid, although no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share;
- (b) all dividends shall be apportioned and paid *pro rata* in accordance with the amount paid up on the shares during any portion(s) of the period in respect of which the dividend is paid; and
- (c) the Board may deduct from any dividend or other monies payable to any Shareholder all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

Where the Board or the Company in general meeting has resolved that a dividend should be paid or declared, the Board may resolve:

- (i) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the Shareholders entitled to such dividend will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or
- (ii) that the Shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Board may think fit.

Upon the recommendation of the Board, the Company may by ordinary resolution in respect of any one particular dividend of the Company determine that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to Shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, bonus or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent and shall be sent at the holder's or joint holders' risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other monies payable or property distributable in respect of the shares held by such joint holders.

Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared, the Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

The Board may, if it thinks fit, receive from any Shareholder willing to advance the same, and either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced may pay interest at such rate (if any) not exceeding 20 per cent per annum, as the Board may decide, but a payment in advance of a call shall not entitle the Shareholder to receive any dividend or to exercise any other rights or privileges as a Shareholder in respect of the share or the due portion of the shares upon which payment has been advanced by such Shareholder before it is called up.

All dividends, bonuses or other distributions unclaimed for one year after having been declared may be invested or otherwise used by the Board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends, bonuses or other distributions unclaimed for six years after having been declared may be forfeited by the Board and, upon such forfeiture, shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

The Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants remain uncashed on two consecutive occasions or after the first occasion on which such a cheque or warrant is returned undelivered.

## **2.8 Inspection of corporate records**

For so long as any part of the share capital of the Company is listed on the Stock Exchange, any Shareholder may inspect any register of members of the Company maintained in Hong Kong (except when the register of members is closed in accordance with the terms equivalent to the relevant section of the Hong Kong Companies Ordinance) without charge and require the provision to him of copies or extracts of such register in all respects as if the Company were incorporated under and were subject to the Hong Kong Companies Ordinance.

## **2.9 Rights of minorities in relation to fraud or oppression**

There are no provisions in the Articles concerning the rights of minority Shareholders in relation to fraud or oppression. However, certain remedies may be available to the Shareholders under the Cayman Islands laws, as summarised in paragraph 3.6 of this Appendix.

## **2.10 Procedures on liquidation**

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

- (a) if the Company is wound up and the assets available for distribution among the Shareholders are more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, then the excess shall be distributed *pari passu* among such Shareholders in proportion to the amount paid up on the shares held by them respectively; and
- (b) if the Company is wound up and the assets available for distribution among the Shareholders as such are insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the Shareholders in proportion to the capital paid up on the shares held by them, respectively.

If the Company is wound up (whether the liquidation is voluntary or compelled by the court), the liquidator may, with the sanction of a special resolution and any other sanction required by the Cayman Companies Act, divide among the Shareholders in specie or kind the whole or any part of the assets of the Company, whether the assets consist of property of one kind or different kinds, and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be so divided and may determine how such division shall be carried out as between the Shareholders or different classes of Shareholders and the Shareholders within each class. The liquidator may, with the like sanction, vest any part of the assets in trustees upon such trusts for the benefit of Shareholders as the liquidator thinks fit, provided that no Shareholder shall be compelled to accept any shares or other property upon which there is a liability.

### **2.11 Subscription rights reserve**

Provided that it is not prohibited by and is otherwise in compliance with the Cayman Companies Act, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of the shares to be issued on the exercise of such warrants, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of such shares.

## **3. COMPANY LAWS OF THE CAYMAN ISLANDS**

The Company was incorporated in the Cayman Islands as an exempted company on 10 June 2021 subject to the Cayman Companies Act. Certain provisions of the company laws of the Cayman Islands are set out below but this section does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of the company laws of the Cayman Islands, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

### **3.1 Company operations**

An exempted company such as the Company must conduct its operations mainly outside the Cayman Islands. An exempted company is also required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

### **3.2 Share capital**

Under the Cayman Companies Act, a Cayman Islands company may issue ordinary, preference or redeemable shares or any combination thereof. Where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to be called the share premium account. At the option of a company, these provisions may not apply to premiums on shares of

that company allotted pursuant to any arrangements in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation, the following:

- (a) paying distributions or dividends to members;
- (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares;
- (c) any manner provided in section 37 of the Cayman Companies Act;
- (d) writing-off the preliminary expenses of the company; and
- (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

Notwithstanding the foregoing, no distribution or dividend may be paid to members out of the share premium account unless, immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

Subject to confirmation by the court, a company limited by shares or a company limited by guarantee and having a share capital may, if authorised to do so by its articles of association, by special resolution reduce its share capital in any way.

### **3.3 Financial assistance to purchase shares of a company or its holding company**

There are no statutory prohibitions in the Cayman Islands on the granting of financial assistance by a company to another person for the purchase of, or subscription for, its own, its holding company's or a subsidiary's shares. Therefore, a company may provide financial assistance provided the directors of the company, when proposing to grant such financial assistance, discharge their duties of care and act in good faith, for a proper purpose and in the interests of the company. Such assistance should be on an arm's-length basis.

### **3.4 Purchase of shares and warrants by a company and its subsidiaries**

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a member and, for the avoidance of doubt, it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so



by its articles of association, purchase its own shares, including any redeemable shares; an ordinary resolution of the company approving the manner and terms of the purchase will be required if the articles of association do not authorise the manner and terms of such purchase. A company may not redeem or purchase its shares unless they are fully paid. Furthermore, a company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. In addition, a payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless, immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares that have been purchased or redeemed by a company or surrendered to the company shall not be treated as cancelled but shall be classified as treasury shares if held in compliance with the requirements of Section 37A(1) of the Cayman Companies Act. Any such shares shall continue to be classified as treasury shares until such shares are either cancelled or transferred pursuant to the Cayman Companies Act.

A Cayman Islands company may be able to purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. Thus there is no requirement under the Cayman Islands laws that a company's memorandum or articles of association contain a specific provision enabling such purchases. The directors of a company may under the general power contained in its memorandum of association be able to buy, sell and deal in personal property of all kinds.

A subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

### **3.5 Dividends and distributions**

Subject to a solvency test, as prescribed in the Cayman Companies Act, and the provisions, if any, of the company's memorandum and articles of association, a company may pay dividends and distributions out of its share premium account. In addition, based upon English case law which is likely to be persuasive in the Cayman Islands, dividends may be paid out of profits.

For so long as a company holds treasury shares, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made, in respect of a treasury share.

### 3.6 Protection of minorities and members' suits

It can be expected that the Cayman Islands courts will ordinarily follow English case law precedents (particularly the rule in the case of *Foss vs. Harbottle* and the exceptions to that rule) which permit a minority member to commence a representative action against or derivative actions in the name of the company to challenge acts which are ultra vires, illegal, fraudulent (and performed by those in control of the Company) against the minority, or represent an irregularity in the passing of a resolution which requires a qualified (or special) majority which has not been obtained.

Where a company (not being a bank) is one which has a share capital divided into shares, the court may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine the affairs of the company and, at the direction of the court, to report on such affairs. In addition, any member of a company may petition the court, which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

In general, claims against a company by its members must be based on the general laws of contract or tort applicable in the Cayman Islands or be based on potential violation of their individual rights as members as established by a company's memorandum and articles of association.

### 3.7 Disposal of assets

There are no specific restrictions on the power of directors to dispose of assets of a company, however, the directors are expected to exercise certain duties of care, diligence and skill to the standard that a reasonably prudent person would exercise in comparable circumstances, in addition to fiduciary duties to act in good faith, for proper purpose and in the best interests of the company under English common law (which the Cayman Islands courts will ordinarily follow).

### 3.8 Accounting and auditing requirements

A company must cause proper records of accounts to be kept with respect to: (i) all sums of money received and expended by it; (ii) all sales and purchases of goods by it; and (iii) its assets and liabilities.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

If a company keeps its books of account at any place other than at its registered office or any other place within the Cayman Islands, it shall, upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Act (2021 Revision) of the Cayman Islands, make available, in electronic form or any other medium, at its registered office copies of its books of account, or any part or parts thereof, as are specified in such order or notice.

### **3.9 Exchange control**

There are no exchange control regulations or currency restrictions in effect in the Cayman Islands.

### **3.10 Taxation**

Pursuant to section 6 of the Tax Concessions Act (2018 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet that:

- (a) no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciations shall apply to the Company or its operations; and
- (b) no tax be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable by the Company:
  - (i) on or in respect of the shares, debentures or other obligations of the Company;  
or
  - (ii) by way of withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Act (2018 Revision).

The undertaking for the Company is for a period of 20 years from 20 June 2022.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments.

### **3.11 Stamp duty on transfers**

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies save for those which hold interests in land in the Cayman Islands.

**3.12 Loans to directors**

There is no express provision prohibiting the making of loans by a company to any of its directors. However, the company's articles of association may provide for the prohibition of such loans under specific circumstances.

**3.13 Inspection of corporate records**

The members of a company have no general right to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

**3.14 Register of members**

A Cayman Islands exempted company may maintain its principal register of members and any branch registers in any country or territory, whether within or outside the Cayman Islands, as the company may determine from time to time. There is no requirement for an exempted company to make any returns of members to the Registrar of Companies in the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of member, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Act (2021 Revision) of the Cayman Islands.

**3.15 Register of directors and officers**

Pursuant to the Cayman Companies Act, the Company is required to maintain at its registered office a register of directors, alternate directors and officers. The Registrar of Companies shall make available the list of the names of the current directors of the Company (and, where applicable, the current alternate directors of the Company) for inspection by any person upon payment of a fee by such person. A copy of the register of directors and officers must be filed with the Registrar of Companies in the Cayman Islands, and any change must be notified to the Registrar of Companies within 30 days of any change in such directors or officers, including a change of the name of such directors or officers.

**3.16 Winding up**

A Cayman Islands company may be wound up by: (i) an order of the court; (ii) voluntarily by its members; or (iii) under the supervision of the court.

The court has authority to order winding up in a number of specified circumstances including where, in the opinion of the court, it is just and equitable that such company be so wound up.

A voluntary winding up of a company (other than a limited duration company, for which specific rules apply) occurs where the company resolves by special resolution that it be wound up voluntarily or where the company in general meeting resolves that it be wound up voluntarily because it is unable to pay its debt as they fall due. In the case of a voluntary winding up, the company is obliged to cease to carry on its business from the commencement of its winding up except so far as it may be beneficial for its winding up. Upon appointment of a voluntary liquidator, all the powers of the directors cease, except so far as the company in general meeting or the liquidator sanctions their continuance.

In the case of a members' voluntary winding up of a company, one or more liquidators are appointed for the purpose of winding up the affairs of the company and distributing its assets.

As soon as the affairs of a company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and the property of the company disposed of, and call a general meeting of the company for the purposes of laying before it the account and giving an explanation of that account.

When a resolution has been passed by a company to wind up voluntarily, the liquidator or any contributory or creditor may apply to the court for an order for the continuation of the winding up under the supervision of the court, on the grounds that: (i) the company is or is likely to become insolvent; or (ii) the supervision of the court will facilitate a more effective, economic or expeditious liquidation of the company in the interests of the contributories and creditors. A supervision order takes effect for all purposes as if it was an order that the company be wound up by the court except that a commenced voluntary winding up and the prior actions of the voluntary liquidator shall be valid and binding upon the company and its official liquidator.

For the purpose of conducting the proceedings in winding up a company and assisting the court, one or more persons may be appointed to be called an official liquidator(s). The court may appoint to such office such person or persons, either provisionally or otherwise, as it thinks fit, and if more than one person is appointed to such office, the court shall declare whether any act required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the court.

### **3.17 Reconstructions**

Reconstructions and amalgamations may be approved by a majority in number representing 75 per cent in value of the members or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the courts. Whilst a dissenting member has the right to express to the court his view that the transaction for which approval is being sought would not provide the members with a fair value for their

shares, the courts are unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management, and if the transaction were approved and consummated, the dissenting member would have no rights comparable to the appraisal rights (that is, the right to receive payment in cash for the judicially determined value of their shares) ordinarily available, for example, to dissenting members of a United States corporation.

### **3.18 Take-overs**

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90 per cent of the shares which are the subject of the offer accept, the offeror may, at any time within two months after the expiration of that four-month period, by notice require the dissenting members to transfer their shares on the terms of the offer. A dissenting member may apply to the Cayman Islands courts within one month of the notice objecting to the transfer. The burden is on the dissenting member to show that the court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority members.

### **3.19 Indemnification**

The Cayman Islands laws do not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, save to the extent any such provision may be held by the court to be contrary to public policy, for example, where a provision purports to provide indemnification against the consequences of committing a crime.

### **3.20 Economic Substance**

The Cayman Islands enacted the International Tax Co-operation (Economic Substance) Act (2021 Revision) together with the Guidance Notes published by the Cayman Islands Tax Information Authority from time to time. The Company is required to comply with the economic substance requirements from 1 July 2019 and make an annual report in the Cayman Islands as to whether or not it is carrying on any relevant activities and if it is, it must satisfy an economic substance test.

## **4. GENERAL**

Harney Westwood & Riegels, the Company's legal adviser on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of the Cayman Companies Act. This letter, together with a copy of the Cayman Companies Act, is available on display as referred to in the paragraph headed "Documents available on display" in Appendix V. Any person wishing to have a detailed summary of the Cayman Companies Act or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

**A. FURTHER INFORMATION ABOUT OUR GROUP****1. Incorporation**

Our Company was incorporated in the Cayman Islands on June 10, 2021 as an exempted company with limited liability. Our registered office address is at the offices of Osiris International Cayman Limited, Suite #4-210, Governors Square, 23 Lime Tree Bay Avenue, PO Box 32311, Grand Cayman KY1-1209, Cayman Islands. Accordingly, our Company's corporate structure and Memorandum and Articles of Association are subject to the relevant laws of the Cayman Islands. A summary of our Memorandum and Articles of Association is set out in Appendix III to this prospectus.

Our registered place of business in Hong Kong is at 31/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong. We were registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on September 20, 2021 with the Registrar of Companies in Hong Kong. Ms. Szeto Kar Yee Cynthia has been appointed as the authorised representative of our Company for the acceptance of service of process in Hong Kong. The address for service of process is 31/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong.

As at the date of this prospectus, our Company's head office was located at 28/F, Building A, SOHO Renaissance Plaza, Huangpu District, Shanghai, PRC.

**2. Changes in Share Capital**

As of the date of incorporation of our Company, our authorized share capital was US\$50,000 divided into a total of 2,000,000,000 authorized shares with a par value of US\$0.000025 each.

The following changes in the share capital of our Company took place during the two years immediately preceding the date of this prospectus:

On June 10, 2021, our Company issued 1 ordinary share with a par value of US\$0.000025 to Osiris International Cayman Limited, which was subsequently transferred to Lemontree Harvest on the same day for a consideration of US\$0.000025.

On June 10, 2021, 71,135,999 Shares, 33,014,520 Shares, 33,014,520 Shares, 22,617,000 Shares, 12,741,809 Shares, 675,000 Shares and 7,209,000 Shares were allotted and issued at par value to Lemontree Harvest, Faye Free, A&O Investment, Linmon Run, Lemontree Friendship, Linmon Dessin and Linmon AQ, respectively.

On August 31, 2021, our Company, Shanghai Linmon, Tencent Mobility, Mango Ningze, Gongqingcheng Erchen, Beijing Manfu, Linmon AQ, Linmon Dessin, Great luminosity, Shanghai Yuyi, Zhuhai Yuman, Qianyi Mutian, Jushi Botao and Zhongqing Xinxin and other shareholders of the Company entered into the Offshore Share Purchase Agreement, pursuant to which our Company:

- (i) issued 57,499,194 Series A Preferred Shares, 6,534,008 Series B Preferred Shares and 4,268,878 Series C Preferred Shares, with a par value of US\$0.000025, to Tencent Mobility;
- (ii) issued 52,272,000 Series B Preferred Shares and 3,484,800 Series C Preferred Shares, with a par value of US\$0.000025, to Great luminosity;
- (iii) issued 13,500,000 Series C Preferred Shares, with a par value of US\$0.000025, to Shanghai Yuyi;
- (iv) issued 6,534,000 Series B Preferred Shares, with a par value of US\$0.000025, to Mango Ningze;
- (v) issued 6,534,000 Series B Preferred Shares, with a par value of US\$0.000025, to Gongqingcheng Erchen;
- (vi) issued 4,500,000 Series C Preferred Shares, with a par value of US\$0.000025, to Zhongqing Xinxin;
- (vii) issued 3,934,800 Series C Preferred Shares, with a par value of US\$0.000025, to Jushi Botao;
- (viii) issued 3,824,640 Series C Preferred Shares, with a par value of US\$0.000025, to Zhuhai Yuman;
- (ix) issued 1,350,000 ordinary shares, with a par value of US\$0.000025, to Beijing Manfu; and
- (x) issued 675,360 Series C Preferred Shares, with a par value of US\$0.000025, to Qianyi Mutian.

On September 24, 2021, Zhuhai Yuman surrendered 90 Series C Preferred Shares for nil consideration, and on the same day the Company issued 90 Series C Preferred Shares to Qianyi Mutian at par value of US\$0.000025 for each Share to mirror the interests of Zhuhai Yuman and Qianyi Mutian in Shanghai Linmon before the Reorganization.

Save as disclosed above, there has been no alteration in the share capital of our Company during the two years immediately preceding the date of this prospectus.



### 3. Changes in the share capital of our subsidiaries

A summary of the corporate information and the particulars of our subsidiaries are set out in Note 1 to the Accountant's Report as set out in Appendix I to this prospectus.

The following subsidiaries have been incorporated within two years immediately preceding the date of this document:

<b>Name of Subsidiary</b>	<b>Place of Incorporation</b>	<b>Date of Incorporation</b>
Linmon Media (BVI) Limited	British Virgin Islands	June 15, 2021
Linmon Media International Co., Limited	Hong Kong	February 4, 2021
Linmon Media Holding Limited	Hong Kong	July 6, 2021
Shanghai Ningshi	PRC	January 8, 2021
Wuren Guanji	PRC	March 16, 2021
Hainan Linmon	PRC	May 8, 2021
Shanghai Ningchuan	PRC	May 12, 2021
Shanghai Ninghe	PRC	July 27, 2021
Haoyou Benling	PRC	August 25, 2021
Shanghai Ningjie	PRC	August 31, 2021
Beijing Ningle	PRC	January 19, 2022
Yuri Juzeng	PRC	February 10, 2022

The following sets out the changes in the share capital of our subsidiaries during the two years immediately preceding the date of this prospectus:

#### *Shanghai Linmon*

On December 23, 2019, Shanghai Ningyi Enterprise Management and Consulting Partnership (Limited Partnership) (上海寧熠企業管理諮詢合夥企業(有限合夥)) (“**Shanghai Ningyi**”) entered into an equity transfer agreement with Jushi Botao, pursuant to which, Shanghai Ningyi agreed to transfer 1.093% of the equity interest in Shanghai Linmon held by it to Jushi Botao at the consideration of RMB87,440,000, which was fully settled on July 31, 2020. Shanghai Ningyi was a limited partnership jointly owned by Mr. Su, Ms. Chen, Ms. Xu and Mr. Zhou and was deregistered after the equity transfer above.

On October 23, 2020, the shareholders of Shanghai Linmon passed resolutions approving, among other matters, the conversion of Shanghai Linmon from a limited liability company into a joint stock limited company and the increase of registered capital from RMB5,297,734 to RMB100,000,000 divided into 100,000,000 shares with a nominal value of RMB1.00 each.

On December 8, 2020, the shareholders of Shanghai Linmon passed resolutions approving, among other matters, the increase of registered capital from RMB100,000,000 to RMB360,000,000.

On July 5, 2021, the shareholders of Shanghai Linmon passed resolutions approving, among other matters, the capital reduction from RMB360,000,000 to RMB255,506,400 and the repurchase and cancellation of 104,493,600 shares. See “History, Reorganization and Corporate Development – Reorganization – 2. Capital Reduction of Shanghai Linmon.”

***Shanghai Ninghe***

On August 6, 2021, the shareholders of Shanghai Ninghe passed resolutions approving the capital increase of Shanghai Ninghe from RMB10,000,000 to RMB500,000,000.

***Shanghai Ningjie***

On October 22, 2021, the shareholders of Shanghai Ningjie passed resolutions approving the capital increase of Shanghai Ningjie from RMB3,000,000 to RMB500,000,000.

***Linmon Yuexin***

On September 22, 2020, Shanghai Linmon entered into an equity transfer agreement with Shanghai Sanyang Enterprise Management Center (上海三漾企業管理中心), a sole proprietorship enterprise wholly owned by Yang Xijuan (楊西娟), a former director of Linmon Yuexin, pursuant to which Shanghai Sanyang Enterprise Management Center agreed to sell, and Shanghai Linmon agreed to purchase, 20% equity interest of Linmon Yuexin at the consideration of RMB1. Upon completion of the transaction, Linmon Yuexin is directly owned by Shanghai Linmon as to 100%.

***Linmon Media International Co., Limited***

On September 21, 2021, Shanghai Ningshi and Linmon Media Holding Limited entered into a share transfer agreement, pursuant to which, Shanghai Ningshi agreed to transfer 100% equity interest in Linmon Media International Co., Limited (incorporated in Hong Kong) to Linmon Media Holding Limited for a consideration of HK\$1. Upon completion of the transaction, Linmon Media International Co., Limited is directly owned by Linmon Media Holding Limited as to 100% of its share capital.

Save as disclosed above, there has been no alteration in the share capital of any of the subsidiaries of our Company within two years immediately preceding the date of this prospectus.

#### 4. Resolutions of the Shareholders of Our Company

On July 21, 2022, resolutions of the Company were passed by the Shareholders that, among other things, conditional upon the satisfaction (or, if applicable, waiver) of the conditions set out in “Structure of the Global Offering – Conditions of the Global Offering” and pursuant to the terms set out therein:

- (a) the Company conditionally approved and adopted the Memorandum and Articles of Association with effect from the Listing Date;
- (b) the Global Offering and the grant of the Over-allotment Option were approved and any Directors or joint company secretaries of our Company from time to time or (if applicable), any of his/her duly authorized attorney (the “**Authorized Signatory**”) were authorized to allot, issue and transfer the Shares pursuant to the Global Offering;
- (c) the Global Offering was approved and any Authorized Signatory would be authorized to implement the Global Offering;
- (d) subject to the “lock-up” provisions under Rule 10.08 of the Listing Rules, a general unconditional mandate would be granted to the Directors to allot, issue and deal with the Shares or securities convertible into Shares or options, warrants or similar rights to subscribe for the Shares or such convertible securities and to make or grant offers, agreements or options which would or might require the exercise of such powers whether during or after the end of the Relevant Period (as defined below), provided that the aggregate number of Shares allotted or agreed to be allotted by the Directors other than pursuant to a (i) rights issue, (ii) any scrip dividend scheme or similar arrangement providing for the allotment of the Shares in lieu of the whole or part of a dividend on the Shares, or (iii) a specific authority granted by the Shareholders in general meeting, shall not exceed the aggregate of:
  - (A) 20% of the total number of Shares in issue immediately following the completion of the Global Offering presuming the Assumptions; and
  - (B) the aggregate number of Shares repurchased by the Company (if any) under the general mandate to repurchase Shares referred to in paragraph below,

such mandate to remain in effect during the period from the passing of the resolution until the earliest of (i) the conclusion of the next annual general meeting of the Company unless renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions, (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Memorandum and Articles of Association or any applicable laws to be held, and (iii) the date on which the mandate is varied or revoked by an ordinary resolution of the Shareholders in general meeting (the “**Relevant Period**”); and

- (e) a general unconditional mandate would be granted to the Directors to exercise all the powers of the Company to repurchase the Shares on the Stock Exchange, or on any other stock exchange on which the Shares may be listed (and which is recognised by the SFC and the Stock Exchange for this purpose) not exceeding in aggregate 10% of the total number of Shares in issue immediately following the completion of the Global Offering but excluding (where applicable) any Shares which may be issued pursuant to the exercise of the Over-allotment Option and the options granted under the Pre-IPO Share Option Scheme of the Company in accordance with all applicable laws and the requirements of the Listing Rules, such mandate to remain in effect during the period from the passing of the resolution until the earliest of (i) the conclusion of the next annual general meeting of the Company unless renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions, (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Memorandum and Articles of Association or any applicable laws to be held, and (iii) the date on which the mandate is varied or revoked by an ordinary resolution of the Shareholders in general meeting.

## 5. Repurchase of Our Own Securities

The following paragraphs include, among others, certain information required by the Stock Exchange to be included in this prospectus concerning the repurchase of our own securities.

### (a) *Provision of the Listing Rules*

The Listing Rules permit companies with a primary listing on the Stock Exchange to repurchase their own securities on the Stock Exchange subject to certain restrictions, the most important of which are summarised below:

#### (i) *Shareholders' Approval*

All proposed repurchases of Shares must be approved in advance by an ordinary resolution of our Shareholders in a general meeting, either by way of general mandate or by specific approval of a particular transaction.

Pursuant to a resolution passed by our Shareholders on July 21, 2022, a general unconditional mandate (the “**Repurchase Mandate**”) was given to our Directors authorising them to exercise all powers of our Company to repurchase Shares on the Stock Exchange, or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, with a total nominal value up to 10% of the aggregate nominal value of the share capital of our Company in issue and to be issued immediately following the completion of the Global Offering presuming the Assumptions, at any time until the conclusion of the next annual general meeting of our Company, the

expiration of the period within which the next annual general meeting of our Company is required by any applicable law or the Memorandum and Articles of Association to be held or when such mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting, whichever is the earliest.

*(ii) Source of Funds*

Any repurchases of Shares must be funded out of funds legally available for the purpose in accordance with the Memorandum and Articles of Association and the applicable laws and regulations of Hong Kong and the Cayman Islands. A listed company may not purchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time. As a matter of Cayman law, any purchases by the Company may be made out of profits or out of the proceeds of a new issue of shares made for the purpose of the purchase or from sums standing to the credit of our share premium account or out of capital, if so authorised by the Articles of Association and subject to the Cayman Companies Law. Any premium payable on the purchase over the par value of the shares to be purchased must have been provided for out of profits or from sums standing to the credit of our share premium account or out of capital, if so authorised by the Articles of Association and subject to the Cayman Companies Law.

*(iii) Trading Restrictions*

The total number of shares which a listed company may repurchase on the Stock Exchange is the number of shares representing up to a maximum of 10% of the aggregate number of shares in issue. A company may not issue or announce a proposed issue of new securities for a period of 30 days immediately following a repurchase (other than an issue of securities pursuant to an exercise of warrants, share options or similar instruments requiring the company to issue securities which were outstanding prior to such repurchase) without the prior approval of the Stock Exchange. In addition, a listed company is prohibited from repurchasing its shares on the Stock Exchange if the purchase price is 5% or more than the average closing market price for the five preceding trading days on which its shares were traded on the Stock Exchange. The Listing Rules also prohibit a listed company from repurchasing its securities if the repurchase would result in the number of listed securities which are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Stock Exchange. A company is required to procure that the broker appointed by it to effect a repurchase of securities discloses to the Stock Exchange such information with respect to the repurchase as the Stock Exchange may require.

*(iv) Status of Repurchased Shares*

The listing of all purchased securities (whether on the Stock Exchange or otherwise) is automatically cancelled and the relative certificates must be cancelled and destroyed. Under the laws of the Cayman Islands, unless, prior to the purchase, the directors of the Company resolve to hold the shares purchased by the Company as treasury shares, shares purchased by the Company shall be treated as cancelled and the amount of the Company's issued share capital shall be diminished by the nominal value of those shares. However, the purchase of shares will not be taken as reducing the amount of the authorised share capital under Cayman Companies Law.

*(v) Suspension of Repurchase*

A listed company may not make any repurchase of securities after a price-sensitive development has occurred or has been the subject of a decision until such time as the price-sensitive information has been made publicly available. In particular, during the period of one month immediately preceding the earlier of (a) the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of a listed company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules) and (b) the deadline for publication of an announcement of a listed company's results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), the listed company may not repurchase its shares on the Stock Exchange other than in exceptional circumstances. In addition, the Stock Exchange may prohibit a repurchase of securities on the Stock Exchange if a listed company has breached the Listing Rules.

*(vi) Reporting Requirements*

Certain information relating to repurchases of securities on the Stock Exchange or otherwise must be reported to the Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the following business day. In addition, a listed company's annual report is required to disclose details regarding repurchases of securities made during the year, including a monthly analysis of the number of securities repurchased, the purchase price per share or the highest and lowest price paid for all such repurchases, where relevant, and the aggregate prices paid.

*(vii) Core Connected Persons*

The Listing Rules prohibit a company from knowingly purchasing securities on the Stock Exchange from a "core connected person", that is, a director, chief executive or substantial shareholder of the company or any of its subsidiaries or a close associate of any of them (as defined in the Listing Rules) and a core connected person shall not knowingly sell his securities to the company.

*(b) Reasons for Repurchases*

Our Directors believe that it is in the best interests of our Company and Shareholders for our Directors to have a general authority from the Shareholders to enable our Company to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made where our Directors believe that such repurchases will benefit our Company and Shareholders.

*(c) Funding of Repurchases*

Repurchase of the Shares must be funded out of funds legally available for such purpose in accordance with the Articles of Association and the applicable laws of the Cayman Islands. Our Directors may not repurchase the Shares on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange. Subject to the foregoing, our Directors may make repurchases with profits of the Company or out of a new issuance of shares made for the purpose of the repurchase or, if authorised by the Articles of Association and subject to the Cayman Companies Law, out of capital and, in the case of any premium payable on the repurchase, out of profits of the Company or from sums standing to the credit of the share premium account of the Company or, if authorised by the Articles of Association and subject to Cayman Companies Law, out of capital.

However, our Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or its gearing levels which, in the opinion of our Directors, are from time to time appropriate for our Company.

*(d) General*

The exercise in full of the Repurchase Mandate, on the basis of 360,458,829 Shares in issue immediately following the completion of the Global Offering presuming the Assumptions, could accordingly result in up to approximately 36,045,882 Shares being repurchased by our Company during the period prior to the earliest of:

- the conclusion of the next annual general meeting of our Company unless renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions;
- the expiration of the period within which our Company's next annual general meeting is required by the Articles of Association or any other applicable laws to be held; or
- the date when it is varied or revoked by an ordinary resolution of our Shareholders in general meeting.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws and regulations of the Cayman Islands.

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their respective close associates, have any present intention, if the Repurchase Mandate is exercised, to sell any Shares to our Company.

No core connected person (as defined in the Listing Rules) has notified us that he/she or it has a present intention to sell Shares to us, or has undertaken not to do so, if the Repurchase Mandate is exercised.

If, as a result of any repurchase of Shares, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purposes of the Hong Kong Code on Takeovers and Mergers (the "**Takeovers Code**"). Accordingly, a Shareholder or a group of Shareholders acting in concert, depending on the level of increase of Shareholders' interest, could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate.

Any repurchase of Shares which results in the number of Shares held by the public being reduced to less than 25% of our Shares then in issue could only be implemented with the approval of the Stock Exchange to waive the Listing Rules requirements regarding the public shareholding referred to above. It is believed that a waiver of this provision would not normally be given other than in exceptional circumstances.

## **B. FURTHER INFORMATION ABOUT OUR BUSINESS**

### **1. Summary of Material Contracts**

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by members of our Group within the two years preceding the date of this prospectus and are or may be material:

- (a) a shareholders agreement dated August 31, 2021 entered into among our Company, Linmon Media Holding Limited (寧萌影視傳媒控股有限公司), Linmon Media (BVI) Limited, Shanghai Ninghe Culture and Media Co., Ltd. (上海寧合文化傳媒有限公司) ("**Shanghai Ninghe**"), Shanghai Linmon Picture Media Co., Ltd. (上海寧萌影視傳媒股份有限公司) ("**Shanghai Linmon**"), Shanghai Ningchuan Culture and Media Co., Ltd. (上海寧川文化傳媒有限公司) ("**Shanghai Ningchuan**"), Hainan Linmon Kaixin Film and Television Media Co., Ltd. (海南寧萌開新影視傳媒有限公司) ("**Hainan Linmon**"), Hangzhou Wuren Guanji Culture and Media Co., Ltd. (杭州無人關機文化傳媒有限公司) ("**Wuren Guanji**"), Shanghai Ningshi Enterprise



Management Co., Ltd. (上海寧視企業管理有限公司) (“**Shanghai Ningshi**”), Zhejiang Dongyang Linmon Film and Television Media Co., Ltd. (浙江東陽寧萌影視傳媒有限公司) (“**Dongyang Linmon**”), Shanghai Ningxin Culture Investment Management Co., Ltd. (上海寧新文化投資管理有限公司) (“**Shanghai Ningxin**”), Shanghai Linmon Kaixin Film and Television Media Co., Ltd. (上海寧萌開新影視傳媒有限公司) (“**Linmon Kaixin**”), Horgos Linmon Film and Television Media Co., Ltd. (霍爾果斯寧萌影視傳媒有限公司) (“**Horgos Linmon**”), Shanghai Linmon Yuexin Film and Television Media Co., Ltd. (上海寧萌悅心影視傳媒有限公司) (“**Linmon Yuexin**”), Zhejiang Dongyang Linmon Kaixin Film and Television Media Co., Ltd. (浙江東陽寧萌開新影視傳媒有限公司) (“**Dongyang Linmon Kaixin**”), Zhejiang Dongyang Linmon Yuexin Film and Television Media Co., Ltd. (浙江東陽寧萌悅心影視傳媒有限公司) (“**Dongyang Linmon Yuexin**”), Horgos Linmon Black Tea Film and Television Media Co., Ltd. (霍爾果斯寧萌紅茶影視傳媒有限公司) (“**Horgos Linmon Black Tea**”), Su Xiao (蘇曉), Xu Xiao’ou (徐曉鷗), Chen Fei (陳菲), Zhou Yuan (周元), Lemontree Harvest Investment Limited (“**Lemontree Harvest**”), A&O Investment Limited (“**A&O Investment**”), Faye Free Flight Limited (“**Faye Free**”), Linmon Run Limited (“**Linmon Run**”), Lemontree Friendship Limited (“**Lemontree Friendship**”), Beijing Magic Flower Culture Limited (北京曼孚文化傳播有限公司) (“**Beijing Manfu**”), Linmon Dessin Limited (“**Linmon Dessin**”), Linmon AQ Investment Limited (“**Linmon AQ**”), Tencent Mobility Limited (“**Tencent Mobility**”), Mango Ningze Ltd. (“**Mango Ningze**”), Great luminosity Limited (“**Great luminosity**”), Gongqingcheng Erchen Investment Management Partnership (Limited Partnership) (共青城爾辰投資管理合夥企業(有限合夥)) (“**Gongqingcheng Erchen**”), Zhongqing Xinxin Jiahua (Shanghai) Venture Capital Partnership (Limited Partnership) (中青芯鑫佳鏢(上海)創業投資合夥企業(有限合夥)) (“**Zhongqing Xinxin**”), Zhuhai Yuman Enterprise Management Partnership (Limited Partnership) (珠海裕滿企業管理合夥企業(有限合夥)) (“**Zhuhai Yuman**”), Ningbo Meishan Bonded Zone Qianyi Mutian Equity Investment Partnership (Limited Partnership) (寧波梅山保稅港區千毅沐天股權投資合夥企業(有限合夥)) (“**Qianyi Mutian**”), Beijing Jushi Botao Culture and Media Co., Ltd. (北京聚視博濤文化傳媒有限公司) (“**Jushi Botao**”) and Shanghai Yuyi Enterprise Management Partnership (Limited Partnership) (上海譽頤企業管理合夥企業(有限合夥)) (“**Shanghai Yuyi**”);

- (b) a shares purchase agreement dated August 31, 2021 entered into among our Company, Linmon Media Holding Limited (寧萌影視傳媒控股有限公司), Linmon Media (BVI) Limited, Shanghai Ninghe, Shanghai Linmon, Shanghai Ningchuan, Hainan Linmon, Wuren Guanji, Shanghai Ningshi, Dongyang Linmon, Shanghai Ningxin, Linmon Kaixin, Horgos Linmon, Linmon Yuexin, Dongyang Linmon Kaixin, Dongyang Linmon Yuexin, Horgos Linmon Black Tea, Su Xiao (蘇曉), Xu Xiao’ou (徐曉鷗), Chen Fei (陳菲), Zhou Yuan (周元), Lemontree Friendship, Beijing Manfu, Linmon Dessin, Lemontree Harvest, A&O Investment, Faye Free, Linmon Run, Tencent Mobility, Mango Ningze, Great luminosity, Linmon AQ, Gongqingcheng Erchen, Zhongqing Xinxin, Zhuhai Yuman, Qianyi Mutian, Jushi Botao and Shanghai Yuyi with respect to the Reorganization of our Company for the

purpose of the proposed Listing, pursuant to which Tencent Mobility, Mango Ningze, Great luminosity, Gongqingcheng Erchen, Zhongqing Xinxin, Shanghai Yuyi, Zhuhai Yuman, Qianyi Mutian, Jushi Botao, Beijing Manfu, Linmon AQ and Linmon Dessin agreed to subscribe for an aggregate of 57,499,194 Series A Preferred Shares, 78,408,008 Series B Preferred Shares, 34,188,478 Series C Preferred Shares and 2,700,000 Ordinary Shares;

- (c) an exclusive consultation and service agreement dated August 31, 2021 entered into between Shanghai Ninghe and Shanghai Linmon, pursuant to which Shanghai Linmon agreed to engage Shanghai Ninghe as the exclusive provider of technical support, consultation and other services in return for service fees (the “**Exclusive Consultation and Service Agreement**”);
- (d) an exclusive option agreement dated August 31, 2021 entered into among Shanghai Linmon, Shanghai Ninghe, Su Xiao (蘇曉), Chen Fei (陳菲), Xu Xiao’ou (徐曉鷗), Zhou Yuan (周元), Shanghai Guanhong Enterprise Management Consulting Center (Limited Partnership) (上海觀弘企業管理諮詢中心(有限合夥)), Shanghai Guanhan Enterprise Management Consulting Partnership (Limited Partnership) (上海觀哈企業管理諮詢合夥企業(有限合夥)), Shanghai Guoshi Investment Management Center (Limited Partnership) (上海果實投資管理中心(有限合夥)), Shanghai Guoyun Enterprise Management Consulting Partnership (Limited Partnership) (上海果蘊企業管理諮詢合夥企業(有限合夥)) and Shenzhen Tencent Industry Investment Fund Co., Ltd. (深圳市騰訊產業投資基金有限公司), pursuant to which Shanghai Ninghe was granted an irrevocable, unconditional and exclusive right to require Su Xiao (蘇曉), Chen Fei (陳菲), Xu Xiao’ou (徐曉鷗), Zhou Yuan (周元), Shanghai Guanhong Enterprise Management Consulting Center (Limited Partnership) (上海觀弘企業管理諮詢中心(有限合夥)), Shanghai Guanhan Enterprise Management Consulting Partnership (Limited Partnership) (上海觀哈企業管理諮詢合夥企業(有限合夥)), Shanghai Guoshi Investment Management Center (Limited Partnership) (上海果實投資管理中心(有限合夥)), Shanghai Guoyun Enterprise Management Consulting Partnership (Limited Partnership) (上海果蘊企業管理諮詢合夥企業(有限合夥)) and Shenzhen Tencent Industry Investment Fund Co., Ltd. (深圳市騰訊產業投資基金有限公司) (the “**Registered Shareholders**”) to transfer any or all of their equity interests in Shanghai Linmon to Shanghai Ninghe and/or any third party designated by it, in whole or in part, at any time and from time to time, for consideration of RMB1 (the “**Exclusive Option Agreement**”);
- (e) an equity pledge agreement dated August 31, 2021 entered into among Shanghai Linmon, Shanghai Ninghe and each of the Registered Shareholders, pursuant to which the Registered Shareholders agreed to pledge all their respective equity interests in Shanghai Linmon, to Shanghai Ninghe to guarantee the performance of all the contractual obligations by the pledgors and/or Shanghai Linmon and all compensation liability to the pledgee arising from the invalidation, revocation or termination of the Exclusive Consultation and Service Agreement, the Exclusive Option Agreement and/or the Proxy Agreement;

- (f) a proxy agreement dated August 31, 2021 entered into among Shanghai Linmon, Shanghai Ninghe and the Registered Shareholders, pursuant to which each of the Registered Shareholders irrevocably appointed the persons designated by Shanghai Ninghe as its attorneys-in-fact to exercise on its behalf any and all rights that it has in respect of its equity interests in Shanghai Linmon (the “**Proxy Agreement**”);
- (g) the cornerstone investment agreement dated July 27, 2022 entered into among our Company, Harvest International Premium Value (Secondary Market) Fund SPC acting on behalf of Harvest Great Bay Investment SP, Morgan Stanley Asia Limited and China International Capital Corporation Hong Kong Securities Limited, pursuant to which Harvest International Premium Value (Secondary Market) Fund SPC acting on behalf of Harvest Great Bay Investment SP agreed to subscribe for such number of Shares of our Company at the Offer Price in an aggregate amount of US\$20 million (excluding brokerage fee, the SFC transaction levy, the FRC transaction levy and the Stock Exchange trading fee in respect of such number of Shares of our Company);
- (h) the cornerstone investment agreement dated July 27, 2022 entered into among our Company, Heilan Group Co., Limited, Morgan Stanley Asia Limited and China International Capital Corporation Hong Kong Securities Limited, pursuant to which Heilan Group Co., Limited agreed to subscribe for such number of Shares of our Company at the Offer Price in an aggregate amount of US\$5 million (excluding brokerage fee, the SFC transaction levy, the FRC transaction levy and the Stock Exchange trading fee in respect of such number of Shares of our Company); and
- (i) the Hong Kong Underwriting Agreement.

## 2. Intellectual Property Rights

### (a) Trademarks

#### (i) Trademarks Registered in the PRC

As at the Latest Practicable Date, we had registered the following trademarks in the PRC which we consider to be or may be material to our business:

No.	Trademark	Registered Owner	Class	Registered Number	Registered Expiry Date
1.	柠萌影业	Shanghai Linmon	38	19894304	June 27, 2027
2.	柠萌影业	Shanghai Linmon	41	19894938	July 27, 2028

No.	Trademark	Registered Owner	Class	Registered Number	Expiry Date
3.	柠萌影业	Shanghai Linmon	41	23860222	July 27, 2028
4.	柠萌影业	Shanghai Linmon	41	19250818	April 13, 2027
5.		Shanghai Linmon	9	19893937	September 13, 2027
6.		Shanghai Linmon	35	19894107	June 27, 2027
7.		Shanghai Linmon	38	19894345	June 27, 2027
8.		Shanghai Linmon	41	19894912	June 27, 2027
9.		Shanghai Linmon	42	19895106	June 27, 2027
10.		Shanghai Linmon	9	20246567	August 6, 2027
11.		Shanghai Linmon	35	20247018	June 27, 2028
12.		Shanghai Linmon	38	20247171	July 27, 2027
13.		Shanghai Linmon	41	20247758	October 13, 2027
14.		Shanghai Linmon	42	20247988	July 27, 2027

*(ii) Trademarks Registered in Hong Kong*

As at the Latest Practicable Date, we had registered the following trademarks in Hong Kong which we consider to be or may be material to our business:

No.	Trademark	Registered Owner	Class	Registered Number	Registered Expiry Date
1.	<p>A</p>  <p>B</p> 	Shanghai Linmon	9,41	305587732	April 8, 2031

*(iii) Trademarks Applications Pending in the PRC*

As at the Latest Practicable Date, we had applied for the registration of the following trademarks in the PRC which we consider to be or may be material to our business:

No.	Trademark	Applicant	Class	Application Number	Application Date
1.	<p>柠萌传媒</p> <p>LINMON PICTURES</p>	Shanghai Linmon	41	54010439	March 3, 2021

*(b) Copyrights*

As at the Latest Practicable Date, we were the owner of and had the right to use the following copyrights which we consider to be or may be material to our business:

*(i) Registered copyright*

No.	Name of Copyright	Owner
1.	Twenty Your Life on episodes (劇集《二十不惑》)	Shanghai Linmon
2.	Nothing but Thirty episodes (劇集《三十而已》)	Shanghai Linmon
3.	Hunting episodes (劇集《獵狐》)	Shanghai Linmon

No.	Name of Copyright	Owner
4.	A Little Reunion episodes (劇集《小歡喜》)	Shanghai Linmon
5.	Novoland: Eagle Flag episodes (劇集《九州縹緲錄》)	Shanghai Linmon
6.	Linmon Jun image (檸萌君形象)	Shanghai Linmon

(ii) *Copyrights in relation to TV/web dramas and web films*

No.	Name of Copyright	Ownership	Owner
1.	Nothing but Thirty (三十而已)	Wholly-owned copyright	Shanghai Linmon
2.	Twenty Your Life on (二十不惑)	Wholly-owned copyright	Shanghai Linmon
3.	A Little Dilemma (小舍得)	Wholly-owned copyright	Shanghai Linmon
4.	A Little Reunion (小歡喜)	Wholly-owned copyright	Shanghai Linmon
5.	A Love for Separation (小別離)	Wholly-owned copyright	Shanghai Linmon
6.	Hunting (獵狐)	Wholly-owned copyright	Shanghai Linmon
7.	Novoland: Eagle Flag (九州縹緲錄)	Wholly-owned copyright	Shanghai Linmon
8.	Only Side by Side with You (南方有喬木)	Wholly-owned copyright	Shanghai Linmon
9.	Legend of Fuyao (扶搖)	Wholly-owned copyright (jointly owned by Shanghai Linmon and Horgos Linmon Black Tea)	Shanghai Linmon and Horgos Linmon Black Tea
10.	Fighter of the Destiny (擇天記)	Proportionally owned copyright	Horgos Linmon
11.	To Be a Better Man (好先生)	Proportionally owned copyright	Shanghai Linmon
12.	Beyond (超越)	Wholly-owned copyright	Shanghai Linmon
13.	Xiaomin's House (小敏家)	Wholly-owned copyright	Shanghai Linmon
14.	To Fly with You (陪你逐風飛翔)	Wholly-owned copyright	Shanghai Linmon
15.	Under the Skin (獵罪圖鑑)	Wholly-owned copyright	Shanghai Linmon

*(iii) Licensed rights of works*

No.	Name of Copyright	Licensee	Rights	Period
1.	New Heart (episodes)	Shanghai Linmon	Adaptation right (TV series)	August 24, 2020 to August 23, 2025
2.	The Rebirth of an Illfated Consort (重生 之嫡女禍妃) (novel)	Shanghai Linmon	Adaptation right (movies, TV Series, games, animation and comics)	April 1, 2019 to March 31, 2026
3.	You Shall Have a Day Like This Too (你也有 今天) (novel)	Shanghai Linmon	Adaptation right (movies and TV Series)	March 15, 2019 to March 14, 2024
4.	The Small Mansion Gate (小宅門) (novel)	Shanghai Linmon	Adaptation right (audiovisual works)	September 4, 2020 to September 3, 2028
5.	There are No Good Men or Women Here (這裡 沒有善男信女) (novel)	Shanghai Linmon	Adaptation right (movies and TV Series)	March 16, 2020 to March 15, 2025
6.	A Thousand Miles of Moonlight (月明千里) (novel)	Shanghai Linmon	Adaptation right (movies and TV Series)	December 16, 2020 to December 15, 2025
7.	Fickle Lover Recycling Manual (薄情人回收 手冊) (novel)	Shanghai Linmon	Adaptation right (movies and TV Series)	January 21, 2021 to January 24, 2026
8.	A Little Reunion 2022 (小歡喜2022) (novel)	Shanghai Linmon	Adaptation right (audiovisual works)	October 26, 2021 to October 25, 2027
9.	The Wife of Chaff (糟糠 之妻) (novel)	Shanghai Linmon	Adaptation right (movies and TV Series)	July 18, 2019 to July 30, 2025

### 3. Domain names

As at the Latest Practicable Date, we owned the following domain names which we consider to be or may be material to our business:

No.	Domain Name	Registered Owner	Expiry Date
1.	lemonpictures.cn	Shanghai Linmon	July 14, 2024
2.	lemonpictures.com.cn	Shanghai Linmon	July 14, 2024
3.	lemonpictures.net	Shanghai Linmon	July 14, 2024
4.	linmonpictures.cn	Shanghai Linmon	September 28, 2024
5.	linmonpictures.com.cn	Shanghai Linmon	September 28, 2024
6.	linmonpictures.com	Shanghai Linmon	September 28, 2024
7.	linmon.cn	Shanghai Linmon	September 29, 2024
8.	linmon.com.cn	Shanghai Linmon	September 29, 2024

Save as aforesaid, as of the Latest Practicable Date, there were no other trade or service marks, patents, intellectual or industrial property rights which were material in relation to our business.

## C. FURTHER INFORMATION ABOUT OUR DIRECTORS

### 1. Particulars of Directors' service contracts and appointment letters

#### (a) *Executive Directors*

Each of our executive Directors has entered into a service contract with us pursuant to which he agreed to act as executive Director for an initial term of three years with effect from the date of this prospectus and until the third annual general meeting of our Company since the Listing Date (whichever ends earlier). Either party has the right to give not less than three months' prior written notice to terminate the agreement. Details of the Company's remuneration policy are described in the section headed "Directors and Senior Management – Compensation of Directors and Senior Management."

#### (b) *Non-executive Directors and independent non-executive Directors*

Each of the non-executive Directors has entered into an appointment letter with our Company on July 21, 2022. The initial term for their appointment letters is one year from the date on which the appointments are approved by the Shareholders' general meeting or until the first annual general meeting of the Company since the Listing Date, whichever ends earlier, and shall be automatically renewed for one year, provided that the terms under such appointment letters shall not exceed three years in aggregate. Such appointment letters could be terminated in accordance with the terms and conditions of the appointment letter or by either party giving to the other not less than one month's prior notice in writing subject always to re-election as and when required under the Memorandum and Articles of Association.



Each of the independent non-executive Directors has entered into an appointment letter with our Company on July 21, 2022. The initial term for their appointment letters shall be three years from the date of this prospectus, until terminated in accordance with the terms and conditions of the appointment letter or by either party giving to the other not less than one month's prior notice in writing subject always to re-election as and when required under the Memorandum and Articles of Association.

## 2. Remuneration of Directors

- (a) Save as disclosed above, none of our Directors has or is proposed to have a service contract with the Company other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation).
- (b) During the three years ended December 31, 2019, 2020 and 2021 and the three months ended March 31, 2022, the aggregate amount of fees, salaries, allowances, retirement benefits scheme contributions and other benefits incurred for our Directors were RMB9,139,000, RMB8,676,000, RMB9,244,000 and RMB3,626,000, respectively. Further information on the remuneration of each Director during the Track Record Period is set out in Appendix I to this prospectus.
- (c) Under the arrangements currently in force, the aggregate amount of remuneration payable by our Group to our Directors for the financial year ending December 31, 2022 is expected to be approximately RMB14.62 million (excluding discretionary bonus and without consideration of the employee incentive scheme).
- (d) No remuneration was paid to our Directors or the five highest paid individuals as an inducement to join, or upon joining, our Group. During the Track Record Period, no compensation was paid to, or has been received by, our Directors, former Directors or the five highest paid individuals for the loss of office as director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group. None of our Directors waived any emoluments during the Track Record Period.
- (e) Save as disclosed above, no other payments have been paid or are payable in respect of the Track Record Period to our Directors by our Group.

### 3. Disclosure of interests

*(a) Interests and short positions of our Directors in the share capital of our Company and its associated corporations following completion of the Global Offering*

Immediately following completion of the Global Offering (assuming the Over-allotment Option is not exercised), the interests or short positions of our Directors and chief executives in the Shares, underlying shares and debentures of our Company, within the meaning of Part XV of the SFO, which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she is taken or deemed to have under such provisions of the SFO), or which will be required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein, or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules, will be as follows:

*(i) Interest in Shares*

Name of Director	Nature of interest	Number of Shares held	Approximate percentage of shareholding interest <sup>(1)</sup>
Mr. Su Xiao <sup>(2)</sup>	Interest in controlled corporation; interest held jointly with other persons	159,782,040	44.33%
Ms. Chen Fei <sup>(2)</sup>	Interest in controlled corporation; interest held jointly with other persons	159,782,040	44.33%
Ms. Xu Xiao'ou <sup>(2)</sup>	Interest in controlled corporation; interest held jointly with other persons	159,782,040	44.33%
Mr. Zhou Yuan <sup>(2)</sup>	Interest in controlled corporation; interest held jointly with other persons	159,782,040	44.33%

*Notes:*

- (1) The calculation is based on the total number of 360,458,829 Shares in issue immediately after the Global Offering presuming the Assumptions.
- (2) See “Substantial Shareholders” in this prospectus for details.

(ii) *Interest in associated corporations*

Name of Director	Name of associated corporation	Nature of interest	Number of Shares held	Approximate percentage of interest as of the Latest Practicable Date
Mr. Su Xiao <sup>(1)</sup>	Shanghai Linmon	Beneficial Interest; interest held jointly with other persons	187,204,320	73.27% <sup>(2)</sup>
Ms. Chen Fei <sup>(1)</sup>	Shanghai Linmon	Beneficial Interest; interest held jointly with other persons	187,204,320	73.27% <sup>(2)</sup>
Ms. Xu Xiao'ou <sup>(1)</sup>	Shanghai Linmon	Beneficial Interest; interest held jointly with other persons	187,204,320	73.27% <sup>(2)</sup>
Mr. Zhou Yuan <sup>(1)</sup>	Shanghai Linmon	Beneficial Interest; interest held jointly with other persons	187,204,320	73.27% <sup>(2)</sup>

*Notes:*

- (1) Under the SFO, the deemed interest of each of Mr. Su, Ms. Chen, Ms. Xu and Mr. Zhou in Shanghai Linmon consists of (i) the number of shares held by him/her, and (ii) the shares held by other Controlling Shareholders as they are parties acting in concert.
- (2) The deemed interest of 73.27% for each of Mr. Su, Ms. Chen, Ms. Xu and Mr. Zhou in Shanghai Linmon includes:
- (i) the 62.53% interests in Shanghai Linmon directly held by them;
  - (ii) the 5.71% interests in Shanghai Linmon held by Shanghai Guanhong and Shanghai Guanhan. Each of Shanghai Guanhong and Shanghai Guanhan is a limited partnership established under the laws of the PRC as an employee share incentive shareholding platform of Shanghai Linmon prior to the Reorganization. After the Reorganization, the relevant interests of the employees in Shanghai Guanhong and Shanghai Guanhan have been reflected in the Options granted to such employees under the Pre-IPO Share Option Scheme. As of the Latest Practicable Date, Mr. Zhou acts as the general partner of Shanghai Guanhong. The only limited partner of Shanghai Guanhong is Shanghai Huazhangtai Enterprise Management Consulting Co., Ltd. (上海花章台企業管理諮詢有限公司), a company wholly owned by Mr. Su. As of the Latest Practicable Date, Ms. Chen acts as the general partner of Shanghai Guanhan. The only limited partner of Shanghai Guanhan is Mr. Zhou. In light of the above and the Concert Party Agreement, each of Mr. Su, Ms. Chen, Ms. Xu and Mr. Zhou would be deemed to be interested in all the shares of Shanghai Linmon held by Shanghai Guanhong and Shanghai Guanhan; and

- (iii) the 5.03% interests in Shanghai Linmon held by Shanghai Guoshi and Shanghai Guoyun. Each of Shanghai Guoshi and Shanghai Guoyun is a limited partnership established under the laws of the PRC as a supplier share incentive shareholding platform of Shanghai Linmon before and after the Reorganization. After the Reorganization, relevant interests of the suppliers in Shanghai Guoshi and Shanghai Guoyun have been reflected in the shareholding of Lemontree Friendship. As of the Latest Practicable Date, the largest limited partner of Shanghai Guoshi, Ms. Yang Xijuan, holds 37.2000% of its partnership interests, and no other limited partner holds more than 30% of the partnership interests in Shanghai Guoshi. Mr. Su acts as the general partner of Shanghai Guoshi. As of the Latest Practicable Date, the largest limited partner of Shanghai Guoyun, Mr. Zhang Xiaobo, holds 82.0102% of its partnership interests. Ms. Xu acts as the general partner of Shanghai Guoyun. In light of the above and the Concert Party Agreement, each of Mr. Su, Ms. Chen, Ms. Xu and Mr. Zhou would be deemed to be interested in all the shares of Shanghai Linmon held by Shanghai Guoshi and Shanghai Guoyun as Mr. Su and Ms. Xu act as the general partners of Shanghai Guoshi and Shanghai Guoyun, respectively.

Save as set out above, the Directors are not aware of any of our Directors or chief executives who will, immediately following completion of the Global Offering, have any interests and/or short positions in the Shares, underlying shares and debentures of our Company's associated corporations (within the meaning of Part XV of the SFO), which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she is taken or deemed to have under such provisions of the SFO), or which will be required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein, or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules.

***(b) Interests and short positions disclosable under Divisions 2 and 3 of Part XV of the SFO***

For information on the persons who will, immediately following the completion of the Global Offering, having or be deemed or taken to have beneficial interests or short position in our Shares or underlying shares which would fall to be disclosed to our Company under the provisions of 2 and 3 of Part XV of the SFO, or directly or indirectly be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group, please refer to the section headed "Substantial Shareholders" in this prospectus.

Immediately following completion of the Global Offering presuming the Assumptions, the following entity directly or indirectly be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of other members of our Group (excluding the Company):

<b>Name</b>	<b>Member of our Group</b>	<b>Nature of Interest</b>	<b>Approximate Percentage of Interest</b>
Tencent Investment	Shanghai Linmon	Beneficial owner	26.73%

Save as set out above, as of the Latest Practicable Date, our Directors were not aware of any persons who would, immediately following the completion of the Global Offering presuming the Assumptions, be interested, directly or indirectly, in 10% or more of the nominal of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group or had option in respect of such share capital.

#### 4. Disclaimers

- (a) None of the Directors or any experts named in the paragraph headed “E. Other Information – 4. Consents of Experts” below has any direct or indirect interest in the promotion of, or in any assets which have been, within the two years immediately preceding the date of this prospectus, acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group;
- (b) none of the Directors or any experts named in the paragraph headed “E. Other Information – 4. Consents of Experts” below is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group taken as a whole;
- (c) none of our Directors or any of experts named in the paragraph headed “E. Other Information – 4. Consents of Experts” below has any existing or proposed service contracts with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation));
- (d) taking no account of any Shares which may be taken up under the Global Offering, so far as is known to any Director or chief executive of the Company, save as disclosed in the paragraph headed “C. Further Information about Our Directors – 3. Disclosure of interests”, no other person will, immediately following completion of the Global Offering, have interests or short positions in our Shares and underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or (not being a member of the Group), be interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group;

- (e) save as disclosed in the paragraph headed “C. Further Information about Our Directors – 3. Disclosure of interests”, none of the Directors or chief executive of the Company has any interests or short positions in our Shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered into the register referred to therein, or will be required, pursuant to the Model Code for Securities Transaction by Directors of Listed Issuers, to be notified to the Company and the Stock Exchange once our Shares are listed thereon; and
- (f) so far as is known to our Directors, none of our Directors, their respective close associates or our Shareholders who are interested in more than 5% of the share capital of our Group has any interests in the five largest customers or the five largest suppliers of our Group, except for Tencent Group, one of the five largest customers of the Group for each of the Track Record Period which indirectly held approximately 19.78% of the issued share capital of our Company as of the Latest Practicable Date.

#### **D. PRE-IPO SHARE OPTION SCHEME**

The following is a summary of the principal terms of the Pre-IPO Share Option Scheme adopted by the Shareholders on September 24, 2021. The terms of the Pre-IPO Share Option Scheme are not subject to the provisions of Chapter 17 of the Listing Rules as it will not involve the grant of options by us to subscribe for Shares after the Listing.

##### **(a) Purpose**

The purpose of the Pre-IPO Share Option Scheme is to attract and retain the best available personnel for positions of substantial responsibility, to provide additional incentives to selected employees and consultants, and to promote the success of the Company’s business by offering these individuals an opportunity to acquire a proprietary interest in the success of the Company or to increase this interest, by permitting them to purchase Shares of the Company.

##### **(b) Who may join**

The administrator of the Pre-IPO Share Option Scheme (the “**Administrator**”), a committee consisting of Mr. Su, Ms. Chen, Ms. Xu and Mr. Zhou, may, subject to the approval of any relevant authorities and the requisite approval under the Memorandum and Articles of Association, in its sole discretion, determine any employees and consultants of the Group, to be eligible to participate in the Pre-IPO Share Option Scheme and take up options (the “**Options**”) to subscribe for Shares.

Each grant of an Option under the Pre-IPO Share Option Scheme shall be evidenced by an option agreement between the grantee of Pre-IPO Share Option Scheme (the “**Grantee**”) and the Company (the “**Option Agreement**”). The Options are granted for nil consideration.

**(c) Maximum number of Shares**

The maximum aggregate number of Shares that may be issued under the Pre-IPO Share Option Scheme shall not exceed 14,680,471 Shares, representing approximately 4.07% of the total issued Shares immediately following the completion of the Global Offering presuming the Assumptions.

**(d) Vesting period**

Details of the vesting period of the Options under the Options are set out in the paragraph headed “(k) Details of the Options granted under the Pre-IPO Share Option Scheme” below.

**(e) Exercise of the Options**

The exercise price of the Options shall be at the discretion of the Administrator and to the extent an applicable Option Agreement so provides. A Grantee may exercise his or her option within the term specified in the Option Agreement. The Option, to the extent then vested, shall only become exercisable upon the Listing Date unless otherwise determined by the Administrator. The period shall commence on the day upon which the offer for the grant of Options is made but shall end in any event not later than ten (10) years from the date of grant. Subject to the preceding sentence, the Administrator in its sole discretion shall determine when an Option is to expire.

**(f) Dividend and voting rights**

No dividends will be payable and no voting rights or any other rights as a member will be exercisable until the Shares are actually issued (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company). No adjustment shall be made for a dividend or other right for which the record date is prior to the date the Shares are issued, except for any alteration in the Shares of the Company.

**(g) Restrictions on transfer of Shares**

Any Shares issued upon exercise of an Option shall be subject to transfer restrictions as the Administrator may determine.

Unless otherwise waived by the Administrator, upon exercise of an Option, the Grantee shall enter into a power of attorney to unconditionally and irrevocably authorize and entrust Mr. Su to exercise all voting rights attached to the Shares subject to an Option with the terms of the power of attorney determined by the Administrator in its sole discretion.

**(h) Early Termination of Options*****Death, disability or retirement of Grantee***

If the Grantee ceases to be an employee or consultant of the Group by reason of his death, retirement or permanent and physical disability, then the Grantee's Option shall expire on the earlier of the following dates:

- (i) the Administrator in its sole discretion shall determine when an Option is to expire, but in any event the term shall not exceed ten (10) years from the date of Grant; or
- (ii) the last day of the six-month period following the Grantee's death, retirement, or permanent physical disability, or such later date as the Administrator may determine and specify in the Option Agreement.

***Other terminations of service***

If the Grantee ceases to be an employee or consultant of the Group for any reason other than death or disability, then the Grantee's Options shall expire on the earliest of the following occasions:

- (i) the Administrator in its sole discretion shall determine when an Option is to expire, but in any event the term shall not exceed ten (10) years from the date of grant;
- (ii) immediately expired following the termination of the Grantee's relationship as an employee or consultant for any reason other than the occasions set out in section (iii) below, or such later date as determined and specified by the Administrator in the Option Agreement; or
- (iii) immediately expired upon termination or demission of such Grantee's relationship as an employee or a consultant due to (a) infringement of the Company's interest by, or other fault or negligence of such Grantee at the Company's judgment, (b) fraud, dishonesty, embezzlement, gross negligence or willful misconduct in the performance of his or her duty to the Group, or (c) material or willful violation of any laws or regulations, or upon the Grantee's infringement of the Company's interest by breaching of his/her non-competition or non-solicitation obligations to the Group under relevant agreement(s) or unauthorized use or disclosure of any proprietary information or trade secrets of the Group.



**(i) Rights are personal to Grantee**

The Options shall be personal to each Grantee. Unless otherwise determined by the Administrator and provided in the applicable Option Agreement, no Option shall be sold, pledged, assigned, hypothecated, transferred, or disposed of in any manner (whether by operation of law or otherwise) other than by will or applicable laws of descent and distribution or pursuant to a qualified domestic relations order, and shall not be subject to execution, attachment, or similar process. Upon any attempt to pledge, assign, hypothecate, transfer, or otherwise dispose of any Option or of any right or privilege conferred by the Pre-IPO Share Option Scheme contrary to the provisions hereof, or upon the sale, levy or attachment or similar process upon the rights and privileges conferred by this Pre-IPO Share Option Scheme, such Option shall thereupon terminate and become null and void. Options may be exercised during the lifetime of the Grantee only by the Grantee.

**(j) Termination and alteration of the Pre-IPO Share Option Scheme**

The Pre-IPO Share Option Scheme will terminate on the tenth anniversary of the later of (i) the effective date of the Pre-IPO Share Option Scheme, or (ii) the date of the most recent duly approval by the members of the Company of an increase in the number of Shares reserved for issuance under the Pre-IPO Share Option Scheme, in accordance with the Shareholders Agreement.

The Board may at any time amend, alter, suspend, or terminate the Pre-IPO Share Option Scheme. No amendment, alteration, suspension, or termination of the Pre-IPO Share Option Scheme shall materially and adversely impair the rights of any Grantee with respect to an outstanding Option, unless mutually agreed otherwise between the Grantee and the Administrator, which agreement must be in writing and signed by the Grantee and the Company. Termination of the Pre-IPO Share Option Scheme shall not affect the Administrator's ability to exercise the powers granted to it hereunder with respect to Options granted under the Pre-IPO Share Option Scheme prior to the date of such termination. No Shares shall be issued or sold under the Pre-IPO Share Option Scheme after the termination thereof, except upon exercise of an Option granted prior to the termination of the Pre-IPO Share Option Scheme.

**(k) Details of the Options granted under the Pre-IPO Share Option Scheme**

As of the Latest Practicable Date, the Options under the Pre-IPO Share Option Scheme have been granted to 79 Grantees representing a total of 12,771,432 Shares under the Pre-IPO Share Option Scheme, representing approximately 3.54% of the total issued share capital immediately after completion of the Global Offering (presuming the Assumptions), and all of these Options have not been exercised and remain outstanding. Assuming full vesting and exercise of the outstanding Options, the shareholding percentage of our Shareholders immediately following the Listing would be diluted by approximately 3.4% as calculated based on 373,230,261 Shares then in issue (without taking into account any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option) and the dilution

effect on our earnings per Share would be approximately 3.4%. The table below sets out the details of options granted to the connected person and Key Employees of the Company under the Pre-IPO Share Option Scheme. No Director or member of the senior management of the Company was granted Options under the Pre-IPO Share Option Scheme:

Name of Grantee	Address	Relationship with the Group/ Positions held in our Company	Date of grant	Total number of Shares underlying the Options granted	Vesting period	Exercise price (RMB)	Approximate percentage of equity interest in the Company immediately following completion of the Global Offering presuming the Assumptions
<i>Connected Person</i>							
Ms. Cai Di <sup>(4)</sup> (蔡迪)	Room 301, No. 55, Lane 1000, Huajing Road, Xuhui District, Shanghai, the PRC	chief financial officer of the Company and a director of Shanghai Linmon	May 8, 2017	776,560	4 years from grant date <sup>(1)</sup>	7.7262	0.22%
			September 28, 2021	358,668	4 years from vesting commencement date <sup>(2)</sup>	11.1111	0.10%
<i>Key Employees</i>							
Gu Jiehui (顧潔慧)	Room 602, No. 41 Lane 1169 Songlan Road Baoshan District Shanghai, the PRC	vice president	December 31, 2015	156,816	4 years from grant date <sup>(1)</sup>	2.0870	0.04%
			March 10, 2017	388,280	4 years from grant date <sup>(1)</sup>	7.7262	0.11%
			September 28, 2021	338,256	4 years from vesting commencement date <sup>(2)</sup>	11.1111	0.09%

Name of Grantee	Address	Relationship with the Group/ Positions held in our Company	Date of grant	Total number of Shares underlying the Options granted	Vesting period	Exercise price (RMB)	Approximate percentage of equity interest in the Company immediately following completion of the Global Offering presuming the Assumptions
Chen Shuhao (陳書昊)	No. 167 Jianguo Middle Road Huangpu District Shanghai, the PRC	director of research and development center	March 10, 2017	388,288	4 years from grant date <sup>(1)</sup>	7.7262	0.11%
	September 28, 2021		301,185	4 years from vesting commencement date <sup>(2)</sup>	11.1111	0.08%	
Li Zhen (李楨)	No. 133, Juan Building 10 No. 20 Chengfu Road Haidian District Beijing, the PRC	a joint company secretary of the Company, the director of capital and strategy department and the board secretary of Shanghai Linmon	June 1, 2017	388,280	4 years from grant date <sup>(1)</sup>	7.7262	0.11%
			September 28, 2021	203,467	4 years from vesting commencement date <sup>(2)</sup>	11.1111	0.06%
Dong Xiaotong (董曉同)	Room 203, No. 6 Lane 41 Boshan East Road Pudong New Area Shanghai, the PRC	director of organization and talent department	July 1, 2020	388,280	2 years from grant date <sup>(3)</sup>	10	0.11%
			September 28, 2021	191,565	4 years from vesting commencement date <sup>(2)</sup>	11.1111	0.05%

Name of Grantee	Address	Relationship with the Group/ Positions held in our Company	Date of grant	Total number of Shares underlying the Options granted	Vesting period	Exercise price (RMB)	Approximate percentage of equity interest in the Company immediately following completion of the Global Offering presuming the Assumptions
Qiu Jin (邱瑾)	No. 294 Lane 1088	director of public affairs	March 10, 2017	388,280	4 years from grant date <sup>(1)</sup>	7.7262	0.11%
	Xin Nan Road Shanghai, the PRC	department	September 28, 2021	169,150	4 years from vesting commencement date <sup>(2)</sup>	11.1111	0.05%
Zeng Minghui (曾明輝)	Room 602, No. 11 Lane 1666	director of operation center	December 31, 2015	94,090	4 years from grant date <sup>(1)</sup>	2.0870	0.03%
	Changning Road Changning District		March 10, 2017	194,144	4 years from grant date <sup>(1)</sup>	7.7262	0.05%
	Shanghai, the PRC		September 28, 2021	222,380	4 years from vesting commencement date <sup>(2)</sup>	11.1111	0.06%
Wang Ye (王也)	Room 808, No. 2 Lane 2	deputy director of production center	December 31, 2015	109,771	4 years from grant date <sup>(1)</sup>	2.0870	0.03%
	Fahuazhen Road		March 10, 2017	194,144	4 years from grant date <sup>(1)</sup>	7.7262	0.05%
	Shanghai, the PRC		September 28, 2021	191,957	4 years from vesting commencement date <sup>(2)</sup>	11.1111	0.05%

Name of Grantee	Address	Relationship with the Group/ Positions held in our Company	Date of grant	Total number of Shares underlying the Options granted	Vesting period	Exercise price (RMB)	Approximate percentage of equity interest in the Company immediately following completion of the Global Offering presuming the Assumptions
Liu Xing (劉星)	Room 701, No. 23 Lane 198	general manager of Shanghai	December 31, 2015	47,045	4 years from grant date <sup>(1)</sup>	2.0870	0.01%
	Zhongshan South 1st Road	Ningchuan	March 10, 2017	194,144	4 years from grant date <sup>(1)</sup>	7.7262	0.05%
	Huangpu District Shanghai, the PRC		September 28, 2021	222,086	4 years from vesting commencement date <sup>(2)</sup>	11.1111	0.06%
<b>Total</b>				<b>5,906,836</b>			<b>1.64%</b>

*Notes:*

- (1) the Options granted shall vest in full upon expiry of the four-year vesting period.
- (2) 25%, 25%, 25% and 25% of the total number of the Options granted shall vest on the first, second, third and fourth anniversary of the vesting commencement date, respectively. The vesting commencement date is October 1, 2021.
- (3) 50% and 50% of the total number of the Options granted shall vest on the first and second anniversary of the grant date, respectively.
- (4) Ms. Cai Di (蔡迪), aged 44, joined the company in 2017 and has been the chief financial officer of the Company. Prior to joining our Group, Ms. Cai served as the chief financial officer of Richi Healthcare Holdings Limited (瑞慈醫療服務控股有限公司) (a company listed on the Hong Kong Stock Exchange (stock code: 1526)), a company focusing on general hospitals, specialty hospitals and medical examinations, responsible for financial management, budgeting, internal control and listing related matters from 2015 to 2017; the chief financial officer of Shanghai Newsummit Biopharma Research Co., Ltd. (上海新生源生物醫藥研究有限公司), responsible for its financial management, budgeting, internal control and internal administration from 2008 to 2013; and an audit manager of Ernst & Young Hua Ming LLP Shanghai Branch from 2000 to 2008.

Ms. Cai obtained a bachelor's degree in economics from Fudan University in PRC in July 2000. She obtained a master's degree in Executive Master of Business Administration from China Europe International Business School in PRC in November 2018. Ms. Cai has been a Chinese Certified Public Accountant recognized by the Shanghai Institute of Certified Public Accountants since December 2009.

The table below shows the details of Options granted to 65 employees other than the Grantees as set out in the table above under the Pre-IPO Share Option Scheme as of the Latest Practicable Date.

Range of outstanding Shares under options granted	Total number of grantees	Total number of outstanding Shares under options granted	Date of grant	Vesting period	Exercise price (RMB)	Approximate percentage of equity interest in the Company immediately following completion of the Global Offering presuming the Assumptions
1 to 100,000 Share	43	1,641,502	December 31, 2015 March 10, 2017 September 28, 2021	4 years from grant date <sup>(1)</sup> 4 years from vesting commencement date <sup>(2)</sup>	2.0870 to 11.1111	0.46%
100,001 to 300,000 Shares	17	2,676,192	December 31, 2015 March 10, 2017 September 28, 2021 to March 21, 2022	4 years from grant date <sup>(1)</sup> 4 years from vesting commencement date <sup>(2)</sup>	2.0870 to 11.1111	0.74%
300,001 to 459,999 Shares	5	1,826,383	December 31, 2015 March 10, 2017 September 28, 2021	4 years from grant date <sup>(1)</sup> 4 years from vesting commencement date <sup>(2)</sup>	2.0870 to 11.1111	0.51%
<b>Total</b>	<b>65</b>	<b>6,144,077</b>				<b>1.70%</b>

*Notes:*

- (1) The Options granted shall vest in full upon expiry of the four-year vesting period.
- (2) 25%, 25%, 25% and 25% of the total number of the Options granted shall vest on the first, second, third and fourth anniversary of the vesting commencement date, respectively.

The table below shows the details of Options granted to five consultants of the Group under the Pre-IPO Share Option Scheme as of the Latest Practicable Date.

Range of outstanding Shares under options granted	Total number of grantees	Total number of outstanding Shares under options granted	Date of grant	Vesting period	Exercise price (RMB)	Approximate percentage of equity interest in the Company immediately following completion of the Global Offering presuming the Assumptions
1 to 100,000 Share	2	42,099	September 28, 2021	4 years from vesting commencement date <sup>(1)</sup>	11.1111	0.01%
100,001 to 350,000 Shares	3	678,420	September 28, 2021	4 years from vesting commencement date <sup>(1)</sup>	par value of the Shares of the Company / 11.1111	0.19%
<b>Total</b>	<b>5</b>	<b>720,519</b>				<b>0.20%</b>

*Notes:*

- (1) 25%, 25%, 25% and 25% of the total number of the Options granted shall vest on the first, second, third and fourth anniversary of the vesting commencement date, respectively; and
- (2) The services provided by the consultants above include scriptwriting, planing and copyright licensing services.

Application has been made to the Stock Exchange for the listing of, and permission to deal in, our Shares which may be issued pursuant to the exercise of the Options, that is 14,680,471 Shares representing approximately 4.07% of total Shares in issue immediately following completion of the Global Offering presuming the Assumptions.

Our Company has applied for, and has been granted, (i) a waiver from the Stock Exchange from strict compliance with the disclosure requirements under Rule 17.02(1)(b) and paragraph 27 of Appendix IA to the Listing Rules and (ii) an exemption from the SFC from strict compliance with the disclosure requirements of paragraph 10(d) of Part I of the Third Schedule to the Companies Ordinance. See “Waivers from Strict Compliance with the Listing Rules and Exemptions from Strict Compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance” for details.

**E. OTHER INFORMATION****1. Estate Duty**

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of our subsidiaries.

**2. Litigation**

So far as our Directors are aware, no litigation or claim of material importance is pending or threatened against any member of our Group.

**3. Joint Sponsors**

The Joint Sponsors have made an application on our behalf to the Listing Committee for the listing of, and permission to deal in, our Shares in issue, and our Shares to be issued pursuant to the Global Offering (including any Shares which may fall to be issued pursuant to the exercise of the Over-allotment Option and the Pre-IPO Share Option Scheme). All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

Each of the Joint Sponsors satisfies the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rules.

Our Company has entered into an engagement agreement with the Joint Sponsors, pursuant to which our Company agreed to pay each of the Joint Sponsors a fee of US\$500,000 to act as a sponsor for the Listing, totalling an amount of US\$1,000,000.

**4. Consents of Experts**

The following experts have each given and have not withdrawn their respective written consents to the issue of this prospectus with copies of their reports, letters, opinions or summaries of opinions (as the case may be) and/or the references to their names included herein in the form and context in which they are respectively included.

<b>Name</b>	<b>Qualification</b>
Morgan Stanley Asia Limited	A licensed corporation to conduct Type 1 (dealing in securities), Type 4 (advising on securities), Type 5 (advising on futures contracts), Type 6 (advising on corporate finance) and Type 9 (asset management) of regulated activities as defined under the SFO



<b>Name</b>	<b>Qualification</b>
China International Capital Corporation Hong Kong Securities Limited	A licensed corporation to conduct Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 5 (advising on futures contracts) and Type 6 (advising on corporate finance) regulated activities as defined under the SFO
Ernst & Young	Certified Public Accountants and Registered Public Interest Entity Auditor
CM Law Firm	Qualified PRC Legal Advisor
Harney Westwood & Riegels	Cayman Islands attorneys-at-law
Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.	Industry consultant
King & Wood Mallesons	Tax Counsel

As of the Latest Practicable Date, none of the experts named above has any shareholding interest in our Company or any of our subsidiaries or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

#### **5. Binding Effect**

This document shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies Ordinance so far as applicable.

#### **6. Bilingual Document**

The English language and Chinese language versions of this document are being published separately in reliance upon the exemption provided by section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

#### **7. Compliance Adviser**

Our Company have appointed Somerley Capital Limited as its Compliance Adviser in compliance with Rule 3A.19 of the Listing Rules.

#### **8. Preliminary Expenses**

Our Company has not incurred any material preliminary expense.

**9. No Material Adverse Change**

The Directors confirm that there has been no material adverse change in our financial or trading position since March 31, 2022 (being the date of our latest audited financial statements) and there has been no event since March 31, 2022 which would materially affect the information shown in the Accountant's Report set out in Appendix I to this prospectus.

**10. Miscellaneous**

- (a) Save as disclosed in this section, within the two years immediately preceding the date of this prospectus:
  - (i) no share or loan capital or debenture of our Company or any of our subsidiaries has been issued or agreed to be issued or is proposed to be issued for cash or as fully or partly paid other than in cash or otherwise; and
  - (ii) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of our Company or any of its subsidiaries by our Company for subscribing or agreeing to subscribe, or procuring or agreeing to procure subscriptions, for any shares in or debentures of our Company or any of our subsidiaries.
- (b) There are no founder, management or deferred shares nor any debentures in our Company or any of our subsidiaries.
- (c) Save as disclosed in this section, no share or loan capital or debenture of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option.
- (d) Save as disclosed in the paragraph headed "B. Further Information about our Business – 1. Summary of Material Contracts" in this section, none of our Directors or experts (as named in this prospectus), have any interest, direct or indirect, in any assets which have been, within the two years immediately preceding the date of this prospectus, acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group.
- (e) We do not have any promoter. No cash, securities or other benefit have been paid, allotted or given nor are any proposed to be paid, allotted or given to any promoters in connection with the Global Offering and the related transactions described in this prospectus within the two years immediately preceding the date of this prospectus.
- (f) No equity or debt securities of any company within our Group is presently listed on any stock exchange or traded on any trading system nor is any listing or permission to deal being or proposed to be sought.

- (g) There has been no interruption in our business which may have or have had a significant effect on the financial position in the last 12 months.
- (h) Our Company has no outstanding convertible debt securities or debentures.
- (i) There is no arrangement under which future dividends are waived or agreed to be waived.

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## APPENDIX V DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES AND AVAILABLE ON DISPLAY

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### FURTHER INFORMATION ABOUT OUR GROUP

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were, among other documents:

- (a) a copy of the **GREEN** Application Form;
- (b) the written consents referred to under the paragraph headed “Statutory and General Information – E. Other Information – 4. Consents of Experts” in Appendix IV to this prospectus; and
- (c) copies of the material contracts referred to in the paragraph headed “Statutory and General Information – B. Further Information about Our Business – 1. Summary of Material Contracts” in Appendix IV to this prospectus.

### DOCUMENTS AVAILABLE ON DISPLAY

Copies of the following documents will be available on display on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and our website at [www.linmon.cn](http://www.linmon.cn) during a period of 14 days from the date of this prospectus:

- (a) the Memorandum of Association and the Articles of Association;
- (b) the Accountant’s Report of our Group from Ernst & Young, the text of which is set out in Appendix I to this prospectus;
- (c) the report on the unaudited pro forma financial information of our Group from Ernst & Young, the text of which is set out in Appendix II to this prospectus;
- (d) the audited consolidated financial statements of our Group for the three financial years ended December 31, 2019, 2020 and 2021 and the three months ended March 31, 2022;
- (e) the PRC legal opinion issued by CM Law Firm, our legal advisor as to PRC law, in respect of certain general corporate matters and property interests of our Group;
- (f) the letter of advice prepared by Harney Westwood & Riegels, our legal advisors as to Cayman Islands law, summarizing certain aspects of the Cayman Companies Act referred to in Appendix III to this prospectus;
- (g) the Cayman Companies Act;

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**APPENDIX V    DOCUMENTS DELIVERED TO THE REGISTRAR OF  
COMPANIES AND AVAILABLE ON DISPLAY**

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- (h) the report issued by Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., the summary of which is set forth in the section headed “Industry Overview” in this prospectus;
- (i) the report issued by King & Wood Mallesons, our Tax Counsel, in respect of the transfer pricing matters of our Group;
- (j) the report issued by King & Wood Mallesons, our Tax Counsel, in respect of the substantive risks in respect of the PRC tax matters of our Group;
- (k) the written consents referred to under the paragraph headed “Statutory and General Information – E. Other Information – 4. Consents of Experts” in Appendix IV to this prospectus;
- (l) the material contracts referred to in “Statutory and General Information – B. Further Information about Our Business – 1. Summary of Material Contracts” in Appendix IV to this prospectus;
- (m) the service contracts with our Directors referred to in “Statutory and General Information – C. Further Information about Our Directors – 1. Particulars of Directors’ service contracts and appointment letters” in Appendix IV to this prospectus; and
- (n) the terms of the Pre-IPO Share Option Scheme.

**DOCUMENT AVAILABLE FOR INSPECTION**

A copy of a list of Grantees under the Pre-IPO Share Option Scheme, containing all details as required under the Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance, will be available for inspection at the Company’s principal place of business in Hong Kong at 31/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus.



柠萌影业

**柠萌影視傳媒有限公司**  
**Linmon Media Limited**

