MAOYAN ENTERTAINMENT
貓眼娛樂

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 1896

Maoyan Entertainment

2018 Annual Report

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Director

Mr. Zheng Zhihao *(Chief Executive Officer)*

Non-executive Directors

Mr. Wang Changtian *(Chairman)*
Ms. Li Xiaoping
Ms. Wang Jian
Mr. Zhan Weibiao
Mr. Chen Shaohui
Mr. Lin Ning

Independent Non-executive Directors

Mr. Wang Hua
Mr. Chan Charles Sheung Wai
Mr. Ma Dong
Mr. Luo Zhenyu

AUDIT COMMITTEE

Mr. Chan Charles Sheung Wai *(Chairman)*
Mr. Wang Hua
Mr. Ma Dong

NOMINATION COMMITTEE

Mr. Wang Hua *(Chairman)*
Mr. Chan Charles Sheung Wai
Mr. Zheng Zhihao

REMUNERATION COMMITTEE

Mr. Wang Hua *(Chairman)*
Mr. Ma Dong
Mr. Zheng Zhihao

JOINT COMPANY SECRETARIES

Ms. Zheng Xia
Mr. Cheng Ching Kit

AUTHORIZED REPRESENTATIVES

Mr. Zheng Zhihao
Mr. Cheng Ching Kit

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants

REGISTERED OFFICE

Walkers Corporate Limited
Cayman Corporate Centre
27 Hospital Road
George Town
Grand Cayman KY1-9008
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN CHINA

No. 3 Building, Yonghe Hangxing Garden
No. 11 Hepingli East Street
Dongcheng District
Beijing, PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

40th Floor, Sunlight Tower
No. 248 Queen's Road East
Wanchai, Hong Kong

LEGAL ADVISORS

As to Hong Kong law:
Clifford Chance

As to Cayman Islands law:
Walkers (Hong Kong)

COMPLIANCE ADVISOR

Guotai Junan Capital Limited
27/F., Low Block
Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

Corporate Information

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Walkers Corporate Limited
Cayman Corporate Centre
27 Hospital Road
George Town
Grand Cayman KY1-9008
Cayman Islands

PRINCIPAL BANKERS

Standard Chartered Bank, Tianjin Branch
PingAn Bank, Garden Road Sub-Branch

STOCK CODE

1896

COMPANY'S WEBSITE

www.maoyan.com

CEO's Statement

I am pleased to present our annual results for the year ended December 31, 2018.

FINANCIAL HIGHLIGHTS

Our revenue grew to RMB3,755.0 million in 2018 from RMB2,548.0 million in 2017, representing a year-on-year increase of 47.4%. Our gross profit grew to RMB2,356.2 million in 2018 from RMB1,742.0 million in 2017, representing a year-on-year increase of 35.3%. Our loss for the year was RMB138.4 million in 2018, as compared with RMB76.0 million in 2017. Our adjusted EBITDA for the year was RMB229.2 million in 2018 as compared with RMB169.3 million in 2017, whereas our adjusted net profit* was RMB89.7 million in 2018 as compared with RMB124.1 million in 2017.

* During the years ended December 31, 2017 and 2018, we defined adjusted net profit/(loss) as net profit/(loss) for the year adjusted by adding back share-based compensation, net losses of convertible bonds and financial liabilities at fair value through profit or loss and listing expenses. If we further add back the amortization of intangible assets resulting from business combination and the impairment provision of goodwill resulting from business combination, the adjusted net profit will be RMB290.1 million and RMB216.1 million for the years ended December 31, 2018 and 2017, respectively.

BUSINESS REVIEW

Online entertainment ticketing services. We remained the largest online movie ticketing service platform in China in 2018, with more than 60% market share by GMV of movie tickets sold for the year ended December 31, 2018. We became the leading live event ticketing player in China with a very fast growing pace. Revenue from our overall online entertainment ticketing business increased by 53.0% to RMB2.3 billion in 2018.

Entertainment content services. During the year of 2018, we expanded our business to capture more opportunities upstream, especially in the production, distribution, and promotion of movies. For the year ended December 31, 2018, we provided services for movies that contributed the majority of the box office in China. We were also the largest lead distributor of domestic movies in China, such as *Monster Hunt 2 (捉妖記2), Us and Them (後來的我們), Hidden Man (邪不壓正), Hello, Mrs. Money (李茶的姑媽)* and *Kill Mobile (來電狂響)*.

Also, we started to take a more active role in the production of content. Our extensive influence in the industry allowed us to participate in a growing number of movie projects, which enables us to capture more value from each movie that passes through a cinema. Furthermore, we also expanded to TV and web series production business in 2018 and involved in a number of popular projects, such as *The Way We Were (歸去來)* and *Medicine Man (老中醫)*.

E-commerce and advertising services. In an effort to further diversify our business and leverage our broad customer reach, we have started to develop e-commerce and advertising services to provide more values to our business partners and create greater revenue opportunities. Users can now buy food and beverages and movie merchandises directly from our platform. We provided integrated online and offline marketing and advertising services to major brands such as Uniqlo, Miss Dior and Haagen-Dazs. While this segment currently makes up a small part of our business, we believe it could create greater user stickiness and growth opportunities.

CEO's Statement

Furthermore, on the industry service side, we continue to develop our entertainment industry service platform capabilities, strengthen our technology infrastructure, go deeper in the value chain, and enhance our operating capabilities. Our *Maoyan Pro* app is a leading professional service platform in China's entertainment industry, providing innovative data and analysis services for directors, actors, cinema managers and other entertainment professionals to optimize their decisions on content creation, investment, distribution and promotion. In terms of operations, we have established partnerships with cinemas, entertainment event promoters, venue operators and offline media, and offer them comprehensive intelligent solutions.

OUTLOOK

We believe the entertainment industry in China has huge potential. Looking out to the coming year, we will continue to push forward our "Internet + Entertainment" platform strategy and leverage our technology and massive user base in order to strengthen our leading position and capture more opportunities across the entertainment industry. Our development measures include:

- Continue to expand our user base and influence;
- Continue to develop our business in the cultural and entertainment industry, and enhance penetration across multiple formats, including events, TV and web series, and short videos;
- Strengthen technology and big data capabilities to provide greater value to partners across the industry;
- Enhance collaboration with strategic partners such as Tencent and Meituan Dianping, and expand and deepen cooperation with outstanding content creators and other high-quality enterprises along the value chain.

Finally, on behalf of the Board, I would like to express our sincere gratitude to all of our employees and management for their hard work, strong teamwork and valuable contribution. I am also thankful for the trust and support that we have received from all of our shareholders and stakeholders.

ZHENG Zhihao
Executive Director and Chief Executive Officer

Hong Kong
March 25, 2019

Management Discussion and Analysis

2018 REVIEW

	Year ended December 31,			
	2018		2017	
	RMB million	%	RMB million	%
Revenue	3,755.0	100.0	2,548.0	100.0
Cost of revenue	(1,398.8)	(37.3)	(806.0)	(31.6)
Gross profit	2,356.2	62.7	1,742.0	68.4
Selling and marketing expenses	(1,940.4)	(51.7)	(1,419.5)	(55.7)
General and administrative expenses	(523.0)	(13.9)	(381.3)	(15.0)
Other losses, net	(32.2)	(0.8)	(7.2)	(0.3)
Operating loss	(139.4)	(3.7)	(66.0)	(2.6)
Finance income	4.1	0.1	2.0	0.1
Finance costs	(10.9)	(0.3)	(13.2)	(0.5)
Finance costs, net	(6.8)	(0.2)	(11.2)	(0.4)
Share of (losses)/profits of investments accounted for using equity method	(1.8)	0.0	1.4	0.0
Loss before income tax	(148.0)	(3.9)	(75.8)	(3.0)
Income tax credits/(expenses)	9.6	0.2	(0.2)	0.0
Loss for the year	(138.4)	(3.7)	(76.0)	(3.0)
Non-IFRS Measures:				
EBITDA	9.1	0.2	(17.5)	(0.7)
Adjusted EBITDA	229.2	6.1	169.3	6.6
Adjusted net profit	89.7	2.4	124.1	4.9

Note: During the years ended December 31, 2017 and 2018, we defined adjusted net profit/(loss) as net profit/(loss) for the year adjusted by adding back share-based compensation, net losses of convertible bonds and financial liabilities at fair value through profit or loss and listing expenses. If we further add back the amortization of intangible assets resulting from business combination and the impairment provision of goodwill resulting from business combination, the adjusted net profit will be RMB290.1 million and RMB216.1 million for the years ended December 31, 2018 and 2017, respectively.

Management Discussion and Analysis

Revenue

Our revenue increased by 47.4% to RMB3,755.0 million in 2018 from RMB2,548.0 million in 2017. This increase was primarily a result of increases in the revenue from both the online entertainment ticketing services and the entertainment content services. The following table sets forth our revenues by service for the years ended December 31, 2017 and 2018.

	Year ended December 31,			
	2018		2017	
	RMB million	%	RMB million	%
Revenue				
Online entertainment ticketing services	2,280.2	60.7	1,490.0	58.5
Entertainment content services	1,068.6	28.5	852.3	33.4
E-commerce services	195.8	5.2	127.2	5.0
Advertising services and others	210.4	5.6	78.5	3.1
Total	3,755.0	100.0	2,548.0	100.0

Online Entertainment Ticketing Services

Revenue from our online entertainment ticketing business increased by 53.0% to RMB2,280.2 million in 2018 from RMB1,490.0 million in 2017. Our entertainment ticketing GMV increased to RMB32,699.0 million in 2018 from RMB22,011.4 million in 2017. Such increase was primarily a result of: (i) the organic development of our business and the Weying Acquisition; and (ii) the growth of gross box office in China increasing to RMB60.7 billion in 2018 from RMB55.9 billion in 2017.

Entertainment Content Services

Revenue from our entertainment content services increased by 25.4% to RMB1,068.6 million in 2018 from RMB852.3 million in 2017. Such increase was mainly because of the continued expansion of our movie distribution, promotion and production business, reflecting the increasing recognition of our strong content services platform in the industry that has availed us of more opportunities to participate in movies with commercial success and undertake key roles. In 2018, we participated as a co-producer or lead distributors in blockbusters such as *Kill Mobile (來電狂響), Hello, Mrs. Money (李茶的姑媽), Hidden Man (邪不壓正), Dying to Survive (我不是藥神)* and *Monster Hunt 2 (捉妖記2)*.

E-commerce Services

Revenue from our e-commerce services increased by 53.9% to RMB195.8 million in 2018 from RMB127.2 million in 2017, primarily due to increases in the sales of membership subscription services and food and beverages.

Advertising Services and Others

Revenue from our advertising services and others increased by 168.0% to RMB210.4 million in 2018 from RMB78.5 million in 2017, which was primarily due to an increase in the number of advertisers for brand or content advertisement who recognized the efficiency of our advertising solutions.

Management Discussion and Analysis

Cost of revenue

Our cost of revenue increased by 73.5% to RMB1,398.8 million in 2018 from RMB806.0 million in 2017. The increase in our cost of revenue was mainly due to: (i) an increase in ticketing system cost which was in line with the growth of our online movie ticketing services; (ii) an increase in the content distribution and promotion cost reflecting the continued growth of our entertainment content services; and (iii) amortization of intangible assets in connection with the acquisition of Weying which was completed in September 2017.

The following table sets forth our cost of revenue by amount, as a percentage of total cost of revenue and as a percentage of total revenues for the years indicated:

	Year ended December 31,					
	2018			2017		
	RMB million	%	% of revenue	RMB million	%	% of revenue
Ticketing system cost	545.7	39.1	14.5	393.5	48.9	15.3
Internet infrastructure cost	193.1	13.8	5.1	136.8	17.0	5.4
Content distribution and promotion cost	269.8	19.3	7.2	126.6	15.7	5.0
Content production cost	136.3	9.7	3.6	59.8	7.4	2.3
Amortization of intangible assets	133.5	9.5	3.6	44.6	5.5	1.8
Depreciation of property, plant and equipment	4.5	0.3	0.1	2.0	0.2	0.1
Other expenses	115.9	8.3	3.2	42.7	5.3	1.7
Total	1,398.8	100.0	37.3	806.0	100.0	31.6

Gross Profit and Gross Margin

Our gross profit increased by RMB614.2 million, or 35.3%, to RMB2,356.2 million in 2018 from RMB1,742.0 million in 2017, and our gross margin was 68.4% and 62.7% in 2017 and 2018, respectively. The decrease in our gross margin was primarily due to the change in our revenue mix. In 2018, we continued to expand our entertainment content distribution and promotion operations with the aim to optimize our service portfolio. As a result, revenue from our entertainment content distribution and promotion operations, which have generally lower gross margin, accounted for a higher percentage of our total revenue. The decrease of our gross margin was also attributable, to a lesser extent, to the amortization of intangible assets.

Selling and Marketing Expenses

Our selling and marketing expenses increased by 36.7% to RMB1,940.4 million in 2018 from RMB1,419.5 million in 2017, primarily due to an increase in user incentives to promote our services. The percentage of selling and marketing expenses to our revenue decreased from 55.7% to 51.7% due to more rational competition and reduction in user incentives. We believe such trend to be a positive sign of our profitability.

Management Discussion and Analysis

General and Administrative Expenses

Our general and administrative expenses increased by 37.2% to RMB523.0 million in 2018 from RMB381.3 million in 2017, primarily due to the listing expenses recognized and an increase in the office expenses which were primarily incurred in the operation and maintenance of our office venues. Such an increase was in line with the general expansion of our business.

Other Losses, Net

We had net other losses of RMB32.2 million in 2018, compared to net other losses of RMB7.2 million in 2017, primarily due to the goodwill impairment resulted from our disposal of equity interest in Beijing Jietong Wuxian Technology Co., Ltd., which was partially offset by a fair value gain on financial assets at fair value through profit or loss related to bank-issued wealth management products, and investment gains in TV series for which we did not act as producer or distributor.

Operating Loss

As a result of the foregoing, our operating loss was RMB139.4 million in 2018, compared to an operating loss of RMB66.0 million in 2017.

Finance Costs, Net

Our net finance costs decreased by 39.3% to RMB6.8 million in 2018 from RMB11.2 million in 2017, primarily due to the redemption of convertible bonds in November 2017, partially offset by an increase in interest expenses on bank borrowings.

Income Tax Credits/(Expenses)

We had income tax credits of RMB9.6 million in 2018 compared to income tax expenses of RMB0.2 million in 2017. Tax credits in 2018 were resulted from utilisation of tax losses previously not recognized.

Loss for the Year

As a result of the foregoing, our loss for the year was RMB138.4 million in 2018, compared to the loss for the year of RMB76.0 million in 2017.

Non-IFRS Financial Measure

To supplement our consolidated financial statements which are presented in accordance with IFRS, we also use EBITDA/adjusted EBITDA and adjusted net profit/(loss) as additional financial measures, which are not required by, or presented in accordance with, IFRS. We believe that these non-IFRS measures facilitate comparisons of operating performance from period to period and company to company by eliminating potential impacts of items that our management does not consider to be indicative of our operating performance. We believe that these measures provide 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 the EBITDA/adjusted EBITDA and adjusted net profit/(loss) may not be comparable to similarly titled measures presented by other companies. The use of these non-IFRS measures has limitations as an analytical tool, and you should not consider them in isolation from, or as substitute for analysis of, our results of operations or financial condition as reported under IFRS.

ADJUSTED NET PROFIT/(LOSS), EBITDA, AND ADJUSTED EBITDA

The following tables reconcile our adjusted net profit/(loss) and EBITDA and adjusted EBITDA for the years presented to the most directly comparable financial measure calculated and presented in accordance with IFRS:

	Year ended December 31,	
	2018 RMB million	2017 RMB million
Reconciliation of net losses to adjusted net profit		
Net losses for the year	(138.4)	(76.0)
Add:		
Share-based compensation	161.9	184.5
Net losses of convertible bonds and financial liabilities at fair value through profit or loss	8.0	13.3
Listing expenses	58.2	2.3
Adjusted net profit	89.7	124.1

Note: During the years ended December 31, 2017 and 2018, we defined adjusted net profit/(loss) as net profit/(loss) for the year adjusted by adding back share-based compensation, net losses of convertible bonds and financial liabilities at fair value through profit or loss and listing expenses. If we further add back the amortization of intangible assets resulting from business combination and the impairment provision of goodwill resulting from business combination, the adjusted net profit will be RMB290.1 million and RMB216.1 million for the years ended December 31, 2018 and 2017, respectively.

	Year ended December 31,	
	2018 RMB million	2017 RMB million
Reconciliation of operating loss to EBITDA and adjusted EBITDA		
Operating loss for the year	(139.4)	(66.0)
Add:		
Depreciation of property, plant and equipment	10.8	3.4
Amortization of intangible assets	137.7	45.1
EBITDA	9.1	(17.5)
Add:		
Share-based compensation	161.9	184.5
Listing expenses	58.2	2.3
Adjusted EBITDA	229.2	169.3

Notes: During the years ended December 31, 2017 and 2018, we defined EBITDA as operating loss for the year adjusted for depreciation and amortization expenses. We add back share-based compensation and listing expenses to EBITDA to derive adjusted EBITDA.

Management Discussion and Analysis

OTHER FINANCIAL INFORMATION

Capital Structure

The Company continued to maintain a healthy and sound financial position. Our total assets grew to RMB9,076.4 million as of December 31, 2018 from RMB9,038.8 million as of December 31, 2017, whilst our total liabilities changed to RMB3,369.9 million as of December 31, 2018 from RMB3,507.5 million as of December 31, 2017. Liabilities-to-assets ratio changed to 37.1% in 2018 from 38.8% the in 2017.

As of December 31, 2018, we pledged bank deposits of RMB208.7 million as security for a bank borrowing.

Liquidity, Financial Resources, and Gearing

We have historically funded our cash requirements principally from cash generated from operations, and to a lesser extent, equity and debt financing. We adopt prudent treasury policies in cash and financial management. To achieve better risk control and minimise cost of funds, our treasury activities are centralised. Cash is generally placed in short-term deposits mostly denominated in Renminbi or Hong Kong dollars. Our liquidity and financing requirements are reviewed regularly. We will consider new financing while maintaining an appropriate level of gearing in anticipation of new investments or maturity of bank loans.

As of December 31, 2018, we had cash and cash equivalents of RMB1,536.5 million, which were predominantly denominated in RMB. Going forward, we believe that our liquidity requirements will be satisfied by using a combination of cash generated from operating activities, other funds raised from the capital markets from time to time and the net proceeds received from the global offering of the Company.

As of December 31, 2018, our total borrowings were approximately RMB958.0 million, of which RMB600.0 million was bank borrowings denominated in RMB and approximately RMB358.0 million was the 2018 convertible bond denominated in US dollars. The following table sets forth further details of our banking borrowings as of December 31, 2018:

	RMB million	Interest rate
Secured	200.0	4.3500%
Guaranteed	300.0	4.7850%~5.4375%
Unsecured	100.0	4.9590%
Total	**600.0**	**NA**

As of December 31, 2018, we had unutilized banking facilities of RMB900.0 million.

As of December 31, 2018, we did not have any significant contingent liabilities.

As of December 31, 2018, we had a gearing ratio[1] of 20.3% (62.8% as of December 31, 2017).

Note:

1 Gearing ratio is calculated as net debt divided by total capital. Net debt calculated as total borrowings less cash and cash equivalents, and liquid investment which are financial assets held at fair value through profit or loss. Total capital is calculated as "equity" as shown in the consolidated statement of financial position plus net debt.

Management Discussion and Analysis

Capital Expenditure

Our capital expenditures primarily included purchase of equipment and intangible assets. Our capital expenditures decreased by 43.6% to RMB14.5 million in 2018 from RMB25.7 million in 2017. We plan to fund our planned capital expenditures using cash generated from operations and the net proceeds from the Global Offering.

Material Acquisitions and Future Plans for Major Investments

The Company did not conduct any material acquisition or investment during the year ended December 31, 2018.

On March 12, 2019, we entered into a subscription agreement (the "Subscription Agreement") with Huanxi Media Group Limited ("Huanxi Media", together with its subsidiaries and consolidated affiliated companies, the "Huanxi Media Group"), pursuant to which we have conditionally agreed to subscribe for, and Huanxi Media has conditionally agreed to allot and issue to us, 236,600,000 shares of Huanxi Media at a total consideration of HK$390,555,620 (the "Proposed Subscription").

On March 12, 2019, Tianjin Maoyan Weying Cultural Media Co., Ltd. (天津貓眼微影文化傳媒有限公司) ("Tianjin Maoyan Weying"), the holding company of all the Consolidated Affiliates Entities also entered into a strategic cooperation agreement (the "Strategic Cooperation Agreement") with Huanxi Media, pursuant to which the parties agree to cooperate in the following business areas: (i) we will be granted priority investment rights and exclusive promotion and distribution right to Huanxi Media Group's films and television/Internet drama series, and has the sole right to transfer the rights to affiliates designated by Tianjin Maoyan Weying; (ii) we and Huanxi Media Group will co-invest in films and TV/Internet drama series projects; and (iii) we will provide a service entrance on our website and app for Huanxi Media Group's new media video contents and services, and will make use of our Internet resources and technologies to promote and facilitate the operation and expansion of Huanxi Media Group's new media video contents and services (the "Proposed Strategic Cooperation"). It is expected that the Proposed Subscription and the Proposed Strategic Cooperation will enable the Group and Huanxi Media Group to achieve business synergy in various aspects.

For details of the Proposed Subscription and the Proposed Strategic Cooperation, see our announcement dated March 13, 2019.

On March 19, 2019, the Proposed Subscription was completed and the consideration for the Proposed Subscription of HK$390,555,620 was duly paid.

Significant Investments Held

As of December 31, 2018, the Company did not hold any significant investments.

Foreign Exchange Risk Management

Our businesses are principally conducted in RMB, which is exposed to foreign currency risk with respect to transactions denominated in currencies other than RMB. Foreign exchange risk arises from recognized assets and liabilities and net investments in foreign operations. We manage foreign exchange risk by performing regular reviews of our foreign exchange exposures and try to minimize these exposures through natural hedges, wherever possible, and may enter into forward foreign exchange contracts, when necessary. We did not enter into any forward contract or other financial instruments to hedge our exposure to foreign currency risk in 2018.

Employees and Remuneration Policy

As of December 31, 2018, we had 1,090 full-time employees, all of whom were based in China, primarily at our headquarters in Beijing, with the remainder in Shanghai and various other cities in China.

Committed to establishing a competitive, fair remuneration and benefits system, we continually refine our remuneration and incentive policies through market research and comparison with our competitors, in order to ensure that our employees receive competitive remuneration packages. As required under the PRC regulations, we participate in housing fund and various employee social security plan that are organized by applicable local municipal and provincial governments. We also purchase commercial health and accidental insurance for our employees. We also provide regular and specialized trainings tailored to the needs of our employees in different departments, so that our employees may stay up to date with the latest industrial developments and technological advancements. In order to incentivize our Directors, senior management and other employees for their contribution to our Group and to attract and retain suitable personnel, we have granted and planned to continue to grant share-based incentive awards to our employees in the future to incentivize their contributions to our growth and development.

EVENTS AFTER THE REPORTING PERIOD

On January 17, 2019, the Board resolved to modify the exercise price of certain share options, which have been granted to a designated group of employees under the Pre-IPO Share Option Scheme, from HK$24.0367 per Share to the lower of HK$24.0367 and the final Offer Price per share. The incremental fair value of such granted share options at the date of modification, if computed based on the Offer Price, would be recognized as expense and charged to the consolidated statement of comprehensive income and amortized over the remaining vesting period.

On February 4, 2019, the Company were listed on the Main Board of the Stock Exchange.

In addition, on March 13, 2019, we conducted the Proposed Subscription of 236,600,000 shares of Huanxi Media. For details of the Proposed Subscription, please refer to the paragraph headed "Management Discussion and Analysis – Material Acquisitions and Future Plans for Major Investments" above and the Company's announcement dated March 13, 2019.

Save as disclosed above, no important events affecting the Company occurred since December 31, 2018 and up to the date of this Annual Report.

Profiles of Directors and Senior Management

EXECUTIVE DIRECTOR

Mr. Zheng Zhihao (鄭志昊), aged 49, is an executive Director and the chief executive officer of the Company and has held directorships and senior management positions at various subsidiaries within the Group, including as a director and the general manager of Tianjin Maoyan Weying since April 2016, and as an executive director, the legal representative as well as the manager of Maoyan Technology since February 2018.

Mr. Zheng has over 15 years of experience in the Internet and media industries. From April 2001 to February 2005, Mr. Zheng served as a senior consultant in Microsoft Corporation, a company listed on the NASDAQ (Stock Code: MSFT). From February 2005 to September 2006, Mr. Zheng successively served as senior program manager and group manager in Microsoft (China) Co., Ltd. Shanghai Branch (微軟(中國)有限公司上海分公司). Mr. Zheng then served as a department general manager and vice president of Tencent Technology (Shenzhen) Company Limited (騰訊科技(深圳)有限公司) from September 2006 to April 2015. Mr. Zheng also served as the president and the chief product officer at Dianping Holdings Ltd. between March 2014 and November 2015, responsible for its overall operations and the management of various products, including the development of the movie department and the management of the entertainment business such as the movie ticketing services business, and as the president of the platform business group of Meituan Dianping between November 2015 and April 2016, mainly in charge of the management of various products, including the movie ticketing services, product operations and technologies.

Mr. Zheng received a bachelor's degree in applied chemistry from Shandong University (山東大學) in Shandong, the PRC in July 1992 and a master's degree in science from University of Kentucky in Kentucky, the United States, in December 1996.

NON-EXECUTIVE DIRECTORS

Mr. Wang Changtian (王長田), aged 53, is a non-executive Director and the Chairman of the Company and the chairman of Tianjin Maoyan Weying since July 2016. Mr. Wang also holds directorships and senior management positions in companies across various industries; in the media industry, Mr. Wang has served as the chairman and general manager of Enlight Media since April 2000, and held directorships at its various subsidiaries, including Beijing Enlight Pictures Co., Ltd. (北京光線影業有限公司) ("Enlight Pictures") and Horgos Colorful (Enlight) Pictures Co., Ltd. (霍爾果斯彩條屋影業有限公司) ("Colorful Pictures") since October 2004 and July 2015, respectively; and in the finance sector, Mr. Wang has served as a director of China Renaissance Securities (China) Co., Ltd. (華菁證券有限公司) and Beijing Zhongguancun Bank Co., Ltd. (北京中關村銀行股份有限公司) since August 2016 and June 2017, respectively.

Mr. Wang received a bachelor's degree in journalism from Fudan University (復旦大學) in Shanghai, the PRC in July 1988.

Profiles of Directors and Senior Management

Ms. Li Xiaoping (李曉萍), aged 44, is a non-executive Director of the Company and a director of Tianjin Maoyan Weying since September 2017. Ms. Li also holds directorships and senior management positions at various companies in the media industry where she has served as a deputy general manager of Enlight Media since October 1999 and as its director since July 2009, as the president of Enlight Pictures since March 2011, and also as a director of various other subsidiaries of Enlight Media including Beijing Chuanmei Zhiguang Advertising Co., Ltd. (北京傳媒之光廣告有限公司) and Beijing Enlight Yishi Internet Technology Co., Ltd. (北京光線易視網絡科技有限公司). Ms. Li also holds directorships at Beijing Tianshen Hudong Technology Co., Ltd. (北京天神互動科技有限公司) since July 2013 and Beijing Duomi Online Technology Co., Ltd. (北京多米在線科技股份有限公司) since May 2016.

Previously, Ms. Li served as a director at Dalian Zeus Entertainment Co., Ltd. (大連天神娛樂股份有限公司), a company listed on the Shenzhen Stock Exchange (SSE Stock Code: 002354) between December 2014 and December 2017.

Ms. Wang Jian (王牮), aged 47, is a non-executive Director of the Company and holds directorships and senior management positions at various companies within the Group, including as a director of Tianjin Maoyan Weying since July 2016, as an executive director and the manager of Maoyan Picture since August 2016, and as an executive director, the general manager as well as the legal representative of Beijing Maoyan since August 2016. Currently Ms. Wang also holds directorships and senior management positions at Enlight Media and its various subsidiaries, including as a director and the general manager of Shannan Enlight Pictures Co., Ltd. (山南光線影業有限公司) since August 2017. Ms. Wang has also served as a director at Enlight Investment since January 2009.

Previously, Ms. Wang served as the chief financial officer of Enlight Media from June 2000 to September 2011 and from August 2012 to August 2018. She also served as a board secretary of Enlight Media from July 2009 to February 2016.

Ms. Wang received her associate's degree in foreign trade and economy from Dalian Institute of Economy and Management (大連經濟管理學院) in Liaoning, the PRC in July 1992.

Mr. Zhan Weibiao (湛煒標), aged 45, is a non-executive Director of the Company and a director of Tianjin Maoyan Weying since September 2017. Mr. Zhan also holds directorships at various companies in the information technology industry, including as a director of Beijing Weying Shidai since December 2017.

Mr. Zhan has over 20 years of experience in technology, media and telecom and investment sectors and had held various positions in large consulting and information technology services companies. Between July 1997 and July 1998, Mr. Zhan served as an assistant to the department head of the technology department of China Academy of Science and Technology Development (中國科技開發院). From July 1998 to June 2000, Mr. Zhan successively served as a software engineer and a project manager at Kingdee Software (China) Co., Ltd. (金蝶軟件(中國)有限公司). From June 2000 to May 2003, Mr. Zhan successively served as an application development consultant and a regional manager for southern China region at the Client Support Department of Microsoft (China) Co., Ltd. Guangzhou Branch (微軟(中國)有限公司廣州分公司). Mr. Zhan joined Tencent since 2003 and now serves as the vice general manager of Tencent Mergers and Acquisitions Department. From March 2018 to February 2019, Mr. Zhan served as a director at Cango (New York Stock Exchange Symbol: CANG) and currently he serves as a director at Beijing Navinfo Co., Ltd. (北京四維圖新科技股份有限公司, SSE Stock Code: 002405).

Mr. Zhan received his bachelor's degrees in both engineering and economics from South China University of Technology (華南理工大學) in Guangdong, the PRC in July 1997, and his executive master of business administration from Hong Kong University of Science and Technology in Hong Kong in November 2011.

Mr. Chen Shaohui (陳少暉), aged 37, is a non-executive Director of the Company and a director of Tianjin Maoyan Weying since March 2017.

Mr. Chen has extensive experience in investment and strategic management. Between June 2004 and October 2005, he worked as an analyst at A.T. Kearney. From October 2005 to August 2008, he was employed as an investment manager at WI Harper Group (中經合集團). Between January 2011 and October 2014, he served as an investment director at Tencent. In November 2014, he joined Meituan Dianping and currently serves as its chief financial officer and senior vice president. In July 2018, Mr. Chen was appointed as a director at Enlight Media.

Mr. Chen received a bachelor's degree in economics from Peking University (北京大學) in Beijing, the PRC in June 2004 and a master's degree in business administration from Harvard Business School in Massachusetts, the United States, in May 2010.

Mr. Lin Ning (林寧), aged 45, is a non-executive Director of the Company and a director of Tianjin Maoyan Weying since September 2017. Mr. Lin has served as the chairman and chief executive officer of Beijing Weying Shidai since May 2014, and also the chairman of its subsidiaries, including Beijing Weisai Shidai Sports Technology Co., Ltd. (北京微賽時代體育科技有限公司) and the executive director of Horgos Yuyue Media Co., Ltd. (霍爾果斯娛躍文化傳播有限公司) since November 2015 and March 2017, respectively.

Mr. Lin received a bachelor's degree in television program editing from Beijing Broadcasting Institute (北京廣播學院) (now known as Communication University of China (中國傳媒大學)) in Beijing, the PRC in July 1995 and his executive master degree in business administration from Peking University (北京大學) in Beijing, the PRC in July 2009. Currently he is studying for a doctorate degree in business administration at Cheung Kong Graduate School of Business (長江商學院) in Beijing, the PRC.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Wang Hua (汪華), aged 41, has been appointed as an independent non-executive Director of the Company on August 22, 2018, effective in January 2019.

Mr. Wang is the founder of and currently serves as a managing partner in the investment department of Sinovation Ventures (創新工場), an established Chinese technology-savvy investment firm. Mr. Wang has extensive experience in capital investment and information technology industry. He founded Shanghai Yinda Technology Co., Ltd. (上海音達科技集團有限公司), a company providing technical solutions to telecommunication carriers and equipment providers. Between September 2006 and October 2009, Mr. Wang served as the strategic partner manager in Google China.

Mr. Wang received a bachelor's degree in automation from Shanghai University of Electric Power (上海電力大學) in Shanghai, the PRC in July 1999 and a master's degree of business administration from Stanford University in California, the United States in June 2006.

Profiles of Directors and Senior Management

Mr. Chan Charles Sheung Wai (陳尚偉), aged 65, has been appointed as an independent non-executive Director of the Company on August 22, 2018, effective in January 2019.

Mr. Chan holds directorships in various companies. Since July 2012, Mr. Chan has served as an independent non-executive director of SRE Group Ltd. (上置集團), a company listed on the Stock Exchange (Stock Code: 1207). Since September 2013, Mr. Chan has served as an independent non-executive director of Changyou.com Ltd. (暢遊有限公司), a company listed on the NASDAQ (Stock Code: CYOU). Between October 2013 and August 2015, Mr. Chan served as an independent non-executive director of Guanghui Automobile Service Co., Ltd. (廣匯汽車服務股份有限公司), a company listed on the Shanghai Stock Exchange (Stock Code: 600297). Between January 2016 and April 2016, Mr. Chan served as an independent non-executive director of SPI Energy Co., Ltd., a company listed on the NASDAQ (Stock Code: SPI). Since May 2016, Mr. Chan has served as an independent non-executive director of CITIC Securities Ltd. (中信證券股份有限公司), a company listed on the Stock Exchange and Shanghai Stock Exchange (Stock Code: 600030).

Between 1977 and 1994, Mr. Chan worked in Arthur Andersen Canada. Between 1994 and 2002, Mr. Chan served as a partner and head of audit and business advisory division in Arthur Andersen China/Hong Kong, during which he had been a global partner since 1998. Between July 2002 and June 2012, he served as a partner in assurance department of PricewaterhouseCoopers Zhong Tian CPAs Limited.

Mr. Chan received a bachelor's degree in commerce from University of Manitoba in Manitoba, Canada in May 1977. Mr. Chan has been a Chartered Accountant in Canada and a Certified Public Accountant in Hong Kong since 1980 and 1995, respectively. Mr. Chan was a member of Council, Hong Kong Society of Accountants (now named Hong Kong Institute of Certified Public Accountants). Between 1998 and 2001, he was a member of Listing Committee of the Stock Exchange. Mr. Chan was a member of the First Election Committee for the Hong Kong Legislature in April 1998.

Mr. Ma Dong (馬東), aged 50, has been appointed as an independent non-executive Director of the Company on August 22, 2018, effective in January 2019.

Mr. Ma has extensive experience in the cultural industry. Mr. Ma served as a director and producer in China Central Television (中國中央電視臺). Between January 2013 and October 2015, he served as the chief content officer in Beijing iQIYI Technology Co., Ltd. (北京愛奇藝科技有限公司). Mr. Ma is the founder of Beijing MEWE Media Co., Ltd. (北京米未傳媒有限公司) and has served as its CEO since October 2015.

Mr. Ma received a bachelor's degree in cultural management from Beijing Film Academy (北京電影學院) in Beijing, the PRC in June 1998.

Mr. Luo Zhenyu (羅振宇), aged 46, was appointed as an independent non-executive Director of the Company on August 22, 2018, effective in January 2019.

Mr. Luo has extensive experience in journalism and media industry. He served as the chairman and legal representative of Beijing Logicreation Information and Technology Co., Ltd. (北京思維造物信息科技有限公司).

Mr. Luo received a doctorate degree in journalism of broadcast and television from Communication University of China (中國傳媒大學) in Beijing, the PRC in June 2011.

Profiles of Directors and Senior Management

SENIOR MANAGEMENT

Mr. Zheng Zhihao (鄭志昊) is our executive Director and the chief executive officer of the Company. See "Executive Director" above for his biographical details.

Mr. Gu Sibin (顧思斌), aged 36, is the president of the Group and the president of Tianjin Maoyan Weying since October 2017.

Mr. Gu has over 14 years of experience in the Internet and media industries. Between July 2004 to March 2014, he worked at Tencent and gained experience in, among others, internet value-added services, membership system, e-commerce, and virtual community building. Between April 2014 and September 2014, Mr. Gu served as a vice president at JD.com Inc., a company listed on the NASDAQ (Stock Code: JD), overseeing its wireless business. Between September 2014 and January 2017, Mr. Gu served as the chief product officer at Youku Tudou Inc. (優酷土豆股份有限公司), where he was responsible for product research and development, user operations and paid memberships.

Mr. Gu graduated from the college of management of Beijing University of Posts and Telecommunications (北京郵電大學) in Beijing, the PRC in July 2004.

Mr. Kang Li (康利), aged 36, is the chief operating officer of the Group. He joined our Group and has been serving as the vice president of Tianjin Maoyan Weying since April 2016 and the chief operating officer of Tianjin Maoyan Weying since May 2017. Mr. Kang is in charge of the overall operation and development of the Group.

Mr. Kang has over 10 years of experience in business operation management. He served as a director at Beijing Jietong Wuxian Technology Co., Ltd. (北京捷通無限科技有限公司) from November 2017 to August 2018. From March 2013 to April 2016, Mr. Kang served as a senior director and was responsible for managing the business operations of Tianjin Sankuai Technology Co., Ltd. (天津三快科技有限公司), which is a group company of Meituan Dianping, from the entertainment department of which our Group's business originated.

Mr. Kang received an associate's degree in marketing from Beijing City University (北京城市學院) in Beijing, the PRC in July 2005.

Mr. Shi Kangping (施康平), aged 43, is the chief financial officer of the Group. He joined our Group and has served as the chief financial officer of Tianjin Maoyan Weying since February 2018.

Mr. Shi has over 20 years of experience in accounting and finance. Mr. Shi served in the auditing department of Arthur Andersen LLP (安達信華強會計師事務所) from July 1998 to September 2000 and served at the transaction services department of PricewaterhouseCoopers LLP (Beijing) (普華永道諮詢(深圳)有限公司北京分公司) from January 2002 to July 2005. He served in Microsoft Corporation, a company listed on the NASDAQ (stock symbol: MSFT), from July 2007 to September 2011. After that, Mr. Shi joined Baidu, Inc. (百度股份有限公司), a company listed on the NASDAQ (stock symbol: BIDU), and served as the director of internal audit department from September 2011 to August 2014, and the director of financial planning and analysis department from August 2014 to December 2016. He served as a chief financial officer from December 2016 to December 2017 at Ping An Healthcare and Technology Company Limited (平安健康醫療科技有限公司), a company listed on the Stock Exchange (Stock Code: 1833). He has been serving as an independent non-executive director of Dining Concepts Holdings Limited (飲食概念控股有限公司), a company listed on the Stock Exchange (Stock Code: 8056), since December 2018.

Mr. Shi received a bachelor's degree in accounting from School of Economics and Management of Tsinghua University (清華大學) in Beijing, the PRC in July 1998 and a master's degree in Business Administration from Ross School of Business at the University of Michigan in Michigan, the United States in April 2007. Mr. Shi has been a Chartered Professional Accountant of Canada since August 2000.

JOINT COMPANY SECRETARIES

Ms. Zheng Xia (鄭霞) was appointed as a Joint Company Secretary of the Company in August 2018. Ms. Zheng has served as the legal director since joining the Company in May 2018. Ms. Zheng has over 13 years of experience as a lawyer and worked in Beijing Tianyuan Law Firm (北京市天元律師事務所) from January 2013 to December 2017.

Ms. Zheng received a bachelor's degree in law and a master's degree in law from China University of Political Science and Law (中國政法大學) in Beijing, the PRC, in June 2004 and January 2011, respectively. Ms. Zheng also obtained a LL.M degree from the University of Southern California in May 2012. Ms. Zheng is qualified as a lawyer in the PRC and New York.

Mr. Cheng Ching Kit (鄭程傑) was appointed as a Joint Company Secretary of the Company in August 2018. Mr. Cheng is an assistant manager of SWCS Corporate Services Group (Hong Kong) Limited, a professional services provider specialising in corporate services, and has over six years of experience in corporate secretarial field. He is an associate member of both The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators in the United Kingdom.

Mr. Cheng obtained his bachelor of commerce degree in finance from the University of Queensland, Australia.

Directors' Report

The Board presents the directors' report together with the audited consolidated financial statements of our Group for the year ended December 31, 2018.

PRINCIPAL ACTIVITIES

We are a leading platform providing innovative Internet-empowered entertainment services in China, offering online entertainment ticketing services, entertainment content services, e-commerce services and advertising services and others.

RESULTS OF OPERATIONS

The results of our Group for the year ended December 31, 2018 are set out in the consolidated statement of comprehensive income on pages 77 to 78 of this Annual Report.

FINANCIAL SUMMARY

The financial summary of our Group between 2015 and 2018 is set out on page 186 in the section headed "Financial Summary" in this Annual Report.

BUSINESS REVIEW

We remained the largest online movie ticketing service platform in China in 2018, with more than 60% market share by GMV of movie tickets sold for the year ended December 31, 2018. We became the leading live event ticketing player in China with a very fast growing pace. Revenue from our overall online entertainment ticketing business increased by 53.0% to RMB2.3 billion in 2018.

For more details of the business development and performance of our Group for the Year, please refer to the sections headed "CEO Statement" and "Management Discussion and Analysis" in this Annual Report.

Principal risks and uncertainties

Please refer to the section headed "Risk Management and Internal Control" in the corporate governance report in this Annual Report for the principal risks and uncertainties facing the Group.

Important events occurred since the end of the financial year

On January 17, 2019, the Board resolved to modify the exercise price of certain share options, which have been granted to a designated group of employees under the Pre-IPO Share Option Scheme, from HK$24.0367 per Share to the lower of HK$24.0367 and the final Offer Price per share. The incremental fair value of such granted share options at the date of modification, if computed based on the Offer Price, would be recognized as expense and charged to the consolidated statement of comprehensive income and amortized over the remaining vesting period.

On February 4, 2019, the Company were listed on the Main Board of the Stock Exchange.

In addition, we conducted the Proposed Subscription of 236,600,000 shares of Huanxi Media. For details of the Proposed Subscription, please refer to the paragraph headed "Management Discussion and Analysis – Material Acquisitions and Future Plans for Major Investments" above and the Company's announcement dated March 13, 2019.

Save as disclosed above, no important events affecting the Company occurred since December 31, 2018 and up to the date of this Annual Report.

Future development

We believe the entertainment industry in China has huge potential. Looking out to the coming year, we will continue to push forward our "Internet + Entertainment" platform strategy and leverage our technology and massive user base in order to strengthen our leading position and capture more opportunities across the entertainment industry. Our development measures include:

– Continue to expand our user base and influence;

– Continue to develop our business in the cultural and entertainment industry, and enhance penetration across multiple formats, including events, TV and web series, and short videos;

– Strengthen technology and big data capabilities to provide greater value to partners across the industry;

– Enhance collaboration with strategic partners such as Tencent and Meituan Dianping, and expand and deepen cooperation with outstanding content creators and other high-quality enterprises along the value chain.

Environmental policies and performance

We are not subject to significant environmental risks. During the year ended December 31, 2018 and up to the date of this Annual Report, we had not been subject to any fines or other penalties due to non-compliance with environmental regulations.

More details of the environment policies and performance of the Company will be set out in the environmental, social responsibilities and governance report of the Company ("ESG Report") to be published separately by July 2019.

Compliance with the relevant laws and regulations

Our Group is subject to applicable laws and regulations in the PRC in respect of its business operations, including but not limited to those relating to value-added telecommunications services, information security and privacy protection, film distribution, radio and television programs, and Internet advertisement. During the year ended December 31, 2018 and up to the date of this Annual Report, we had not been and were not involved in any non-compliance incidents that led to fines, enforcement action or other penalties that could, individually or in the aggregate, have a material adverse effect on our business, financial condition or results of operations, and had complied with all relevant PRC laws and regulations in all material respects.

Relationships with stakeholders

The Group's success depends on the support from key stakeholders which comprise our Directors and senior management members, employees, customers and suppliers.

Employees

As of December 31, 2018, we had 1,090 full-time employees, all of whom were based in China, primarily at our headquarters in Beijing, with the remainder in Shanghai and various other cities in China.

Committed to establishing a competitive, fair remuneration and benefits system, we continually refine our remuneration and incentive policies through market research and comparison with our competitors, in order to ensure that our employees receive competitive remuneration packages. As required under the PRC regulations, we participate in housing fund and various employee social security plan that are organized by applicable local municipal and provincial governments. We also purchase commercial health and accidental insurance for our employees. We also provide regular and specialized trainings tailored to the needs of our employees in different departments, so that our employees may stay up to date with the latest industrial developments and technological advancements. In order to incentivize our Directors, senior management and other employees for their contribution to our Group and to attract and retain suitable personnel, we have granted and planned to continue to grant share-based incentive awards to our employees in the future to incentivize their contributions to our growth and development.

Customers

Our customers primarily include cinemas, entertainment content producers and distributors, and advertisers. Our major customers are cinemas and cinema circuits. Pursuant to the ticket sales agreements with cinemas, we typically act as a non-exclusive online ticketing service provider for tickets sold outside of cinemas. Cinemas determine the movie scheduling, ticket sale time frame and the ticket price. We receive the ticket price paid by the end customers on our platform, deduct service fees to us and subsequently settle with cinemas and the ticketing system companies. Our settlement periods with cinemas range typically from one week to one month.

Suppliers

Our suppliers primarily include ticketing system companies who help establish and maintain our connection with cinemas' ticketing systems. We generally enter into separate agreements with these ticketing system companies supplementary to our agreements with cinemas, to establish a connection between our platform and the ticketing system of each cinema and to ensure the smooth integration of its ticketing system into our network. The settlement period with ticketing system companies is typically one month.

MAJOR SUPPLIERS AND CUSTOMERS

For the year ended December 31, 2018, the percentage of the total purchases attributable to the five largest suppliers did not exceed 30% of the total purchase of the Group.

For the year ended December 31, 2018, the percentage of the total revenue attributable to the five largest customers did not exceed 30% of the total revenue of the Group.

Directors' Report

PROPERTY AND EQUIPMENT

Details of the movements in property and equipment of the Group during the year ended December 31, 2018 are set out in Note 14 to the audited consolidated financial statements.

FINAL DIVIDEND

The Board has resolved not to recommend the payment of a final dividend for the year ended December 31, 2018 (2017: Nil).

CLOSURES OF THE REGISTER OF MEMBERS

The Company will hold the AGM on Tuesday, June 18, 2019. The register of members of the Company will be closed from Wednesday, June 12, 2019 to Tuesday, June 18, 2019, both days inclusive, in order to determine the identity of the Shareholders who are entitled to attend and vote at the AGM, during which period no share transfers will be registered. To be eligible to attend and vote at the AGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Tuesday, June 11, 2019.

SUBSIDIARIES

Particulars of the Company's subsidiaries are set out in Note 38 to the audited consolidated financial statements.

SHARE CAPITAL

Details of the movements in the Company's share capital during the year ended December 31, 2018 are set out in Note 28 to the audited consolidated financial statements.

RESERVES

Details of the movement in the reserves of the Group and the Company during the year ended December 31, 2018 are set out in Notes 29 and 37 respectively to the audited consolidated financial statements.

DISTRIBUTABLE RESERVES

Details of the Company's reserves available for distribution to the Shareholders, calculated in accordance with the provisions of the Companies Law, as at December 31, 2018, are set out in Note 37 to the audited consolidated financial statements.

BORROWINGS

Details of the borrowings of the Group are set out in the paragraph headed "Liquidity, Financial Resources and Gearing" in the section headed "Management Discussion and Analysis" in this Annual Report and Note 24 to the audited consolidated financial statements.

Directors' Report

ISSUE OF DEBENTURE

The Group has not issued any debentures during the year ended December 31, 2018.

TAX RELIEF AND EXEMPTION

The Directors are not aware of any tax relief and exemption available to the Shareholders by reasons of their holding of the Company's securities.

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

Since the Company was not listed on the Stock Exchange during the year ended December 31, 2018, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended December 31, 2018.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Articles of Association, or the law of Cayman Islands being the jurisdiction in which the Company is incorporated, under which would oblige the Company to offer new Shares on a pro-rata basis to existing Shareholders.

CHARITABLE DONATIONS

During the year ended December 31, 2018, the Group made approximately HK$1 million charitable and other donations.

USE OF NET PROCEEDS FROM THE GLOBAL OFFERING

The Shares of the Company were listed on the Main Board of the Stock Exchange on the Listing Date with net proceeds received by the Company from the global offering in the amount of approximately HK$1,839.3 million after deducting underwriting commissions and all related expenses.

As disclosed in the Company's announcement dated March 13, 2019, the Company has utilized approximately HK$390.6 million for subscribing for shares in Huanxi Media, which was applied pursuant to the intended purpose for funding the potential investment and acquisition opportunities which we may seek from time to time to expand our business operations.

Save as disclosed above, since the Listing Date, the Group has not utilized any other portion of the net proceeds, and will gradually utilize the net proceeds in accordance with the intended purposes as stated in the Prospectus. Please refer to the section headed "Future Plans and Use of Proceeds" in the Prospectus for details.

Directors' Report

DIRECTORS

The Directors as of the date of this Annual Report are:

Executive Director

Mr. Zheng Zhihao *(Chief Executive Officer)*

Non-executive Directors

Mr. Wang Changtian *(Chairman)*
Ms. Li Xiaoping
Ms. Wang Jian
Mr. Zhan Weibiao
Mr. Chen Shaohui
Mr. Lin Ning

Independent Non-executive Directors

Mr. Wang Hua
Mr. Chan Charles Sheung Wai
Mr. Ma Dong
Mr. Luo Zhenyu

The biographical details of the Directors and senior management are set out in the section headed "Profiles of Directors and Senior Management" in this Annual Report.

In accordance with Article 109(a) of the Articles of Association, Mr. Zheng Zhihao, Ms. Li Xiaoping and Ms. Wang Jian shall retire by rotation at the AGM and, being eligible, have offered themselves for re-election.

In accordance with Article 113 of the Articles of Association, Mr. Wang Hua, Mr. Chan Charles Sheung Wai, Mr. Ma Dong, Mr. Luo Zhenyu shall retire at the AGM and, being eligible, have offered themselves for re-election.

DIRECTORS' SERVICE CONTRACTS

Our executive Director has entered into a service contract with us pursuant to which he agreed to act as an executive Director for an initial term of three years with effect from January 23, 2019 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' written notice to terminate the agreement.

Each of the non-executive Directors and independent non-executive Directors has entered into an appointment letter with our Company. The initial term for their appointment letters shall be three years from January 23, 2019 or until the third annual general meeting of the Company since the Listing Date, whichever ends earlier (subject to re-election as and when required under the Articles of Association), until terminated in accordance with the terms and conditions of the appointment letter or by either party giving to the other not less than three months' prior notice in writing.

There was no service contract entered into/appointment letter signed by the Company and any Directors to be re-elected at the forthcoming AGM which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

Our Company has received, from each of the independent non-executive Directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive Directors to be independent.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS OF SIGNIFICANCE

Save as disclosed in Note 34 to the Consolidated Financial Statements and in the section headed "Connected Transactions" of Directors' Report in this Annual Report, no Director nor an entity connected with a Director has or had a material beneficial interest, directly or indirectly, in any transaction and arrangement or contract of significance subsisting as at December 31, 2018 or at any time during the year ended December 31, 2018.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at the date of this Annual Report, Mr. Wang Changtian, our Chairman and non-executive Director, indirectly held (i) approximately 41.86% interests in our Company's issued share capital through Vibrant Wide Limited (a wholly owned subsidiary of Mr. Wang) and Hong Kong Pictures International Limited (a wholly owned subsidiary of Enlight Media); and (ii) 95% in Enlight Investment (in which the remaining 5% is held by Ms. Wang Jian, being Mr. Wang's sister), which owned approximately 44.06% interests in Enlight Media.

As disclosed in the Prospectus, Enlight Media is primarily engaged in investment and production of entertainment content, including movies, TV series, comics and animation, video, music and literature, as well as movie and TV series promotion and distribution. For details of the delineation of the businesses of our Group and of Enlight Media, please refer to the section headed "Relationship with Enlight and Tencent" in the Prospectus.

Saved as disclosed above, as at the date of this Annual Report, none of the Directors nor their respective close associates had interests in businesses, which compete or are likely to compete, either directly or indirectly, with the businesses of the Company and its subsidiaries as required to be disclosed pursuant to Rule 8.10(2) of the Listing Rules.

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended December 31, 2018.

REMUNERATION OF DIRECTORS

In compliance with the CG Code, the Company has established the Remuneration Committee to formulate remuneration policies. Directors' remuneration is subject to Shareholders' approval at general meetings. Other emoluments are determined by the Board with reference to Directors' duties and responsibilities, the recommendations of the Remuneration Committee and the performance and results of the Group. No Director, or any of their respective associates, was involved in deciding his/her own remuneration.

Details of the remuneration of the Directors and the five highest paid individuals during the year ended December 31, 2018 are set out in Notes 39 and 9 to the audited consolidated financial statements respectively.

During the year ended December 31, 2018, none of the Directors had waived or agreed to waive any remuneration and there were no emoluments paid by the Group to any of the Directors as an inducement to join, or upon joining the Group, or as compensation for loss of office.

PERMITTED INDEMNITY PROVISION

A permitted indemnity provision for the benefit of the Directors is currently in force. The Company has taken out and maintained appropriate insurance cover in respect of potential legal actions against its Directors and officers.

EQUITY-LINKED AGREEMENT

On July 24, 2018, the Company and Cheshire Investments Fund entered into a convertible bond subscription agreement which was further amended on July 30, 2018 (the "2018 CB Subscription Agreement"), pursuant to which, the Company agreed to issue, and Cheshire Investments Fund agreed to subscribe for a convertible bond in the principal amount of US$50,955,200 (the "2018 CB") which shall be mandatorily and automatically converted into our Shares (the "Conversion Shares").

As the Company was listed on the Stock Exchange on February 4, 2019, the principal amount of the 2018 CB in the amount of US$50,955,200 (together with the accrued but unpaid interest thereon) was mandatorily and automatically converted into Shares of the Company. Therefore, the 2018 CB was converted into 27,702,280 Shares taking into account the final Offer Price of HK$14.80 per Share and the relevant exchange rate of HK$7.8431 to US$1.00.

Save as disclosed above and except for the employee incentive schemes as set out in this Annual Report, no equity-linked agreements were entered into by the Group, or existed during the year ended December 31, 2018.

EMPLOYEE INCENTIVE SCHEMES

In order to provide incentives and rewards to directors, senior management and employees of the Group and other eligible individuals and entities, the Company adopted a series of employee incentive scheme, including Pre-IPO Share Option Scheme, Post-IPO Share Option Scheme, RSU Scheme and Restricted Share Agreement (collectively, the "ESOP Plan") on July 23, 2018 (the "Adoption Date").

The total number of Shares issued or issuable pursuant to the ESOP Plan shall not be more than 117,033,705 Shares, representing approximately 10.4% of the total issued share capital of the Company as at the date of this Annual Report.

PRE-IPO SHARE OPTION SCHEME

The Pre-IPO Share Option Scheme was adopted by the Company as a continuation and restructuring of the employee share incentive scheme originally adopted by Tianjin Maoyan Weying on November 8, 2016 (the "2016 ESOP") following the Reorganization, which was established to recognize and reward the contribution of the participants to the growth and development of Tianjin Maoyan Weying. The 2016 ESOP was terminated as a result of the adoption of the ESOP Plan. The terms of the Pre-IPO Share Option Scheme are not subject to the provisions of Chapter 17 of the Listing Rules as our Pre-IPO Share Option Scheme will not involve the grant of options by us to subscribe for new Shares of the Company.

The Pre-IPO Share Option Scheme shall be valid and effective for the period of time commencing on the Adoption Date and unless amended, altered, suspended or terminated by the Board and Shareholders, the Pre-IPO Share Option Scheme shall continue in effect for a term of eight (8) years and shall terminate on the eighth anniversary of the Adoption Date, upon which any Pre-IPO Share Options granted or agreed to be granted pursuant to the Pre-IPO Share Option Scheme and any offer of such a grant shall be of no effect, and for which no claim whatsoever shall be made against the Company.

Participants of the Pre-IPO Share Option Scheme, (the "Pre-IPO Eligible Participants") include the directors, senior management and employees of the Group and any other persons as the Board may deem appropriate provided that such Pre-IPO Eligible Participants shall have satisfied certain conditions. Nil consideration is required to be paid by the grantee of Pre-IPO Share Option Scheme (the "Grantee") for the grant of any Pre-IPO Share Options under the Pre-IPO Share Option Scheme.

The maximum number of Shares that may be issued upon exercise of all options granted and to be granted under the Pre-IPO Share Option Scheme shall be no more than 42,544,600 (which have been reserved by the Company), representing approximately 3.8% of the total issued share capital of the Company as at the date of this Annual Report.

A Grantee may exercise his or her option in whole or in part (but if in part only, in respect of a board lot or any integral multiple thereof) at any time during the period which may be specified by the Board or the CEO in the grant letter (the "Pre-IPO Exercise Period") by the Grantee (or in the case of his death, his legal personal representatives) giving notice in writing (in such form as the Company may from time to time specify) to the Company stating that the Pre-IPO Share Options are thereby exercised and the number of Shares in respect of which it is exercised. Each such notice must be accompanied by a remittance for the full amount of exercise price (the "Pre-IPO Exercise Price") for the Shares in respect of which the notice is given.

The vesting of the Pre-IPO Share Options to each Grantee shall follow the vesting schedule in each of such Grantee's grant letter. The vesting period shall commence on the date of the grant letter or any other date as the CEO may agree. Notwithstanding the foregoing, in order to match the vested options under the 2016 ESOP, certain Pre-IPO Share Options shall be vested to the Grantees upon the date of the grant letter but shall only become exercisable as and when permitted by applicable laws, which will be more specifically set out in the grant letter. All the underlying Shares pursuant to the share options granted and to be granted under the Pre-IPO Share Option Scheme are subject to lock-up for a period of six months following the Listing during which no employee shall dispose of the underlying Shares issued to such employee.

In the case of retirement, voluntary termination of employment or engagement of the Grantee, any unvested Pre-IPO Share Options at such termination will be automatically forfeited and any Pre-IPO Share Option not exercised prior to the expiry of the ninety-day period will lapse.

The Pre-IPO Share Options exercise price shall be as specified by the Board or the CEO in the grant letter and may be determined by reference of the market practice and the historical value of the Shares during the capitalisation period of the Company, which shall in no event be lower than the par value of the Shares in the Company.

POST-IPO SHARE OPTION SCHEME

The purpose of the Post-IPO Share Option Scheme is to provide incentives and rewards to directors, senior management and employees of the Group and any other eligible individuals and/or entities in order to provide incentives and rewards to them for their contribution, and to align the corporate objectives and interests between the Group and its key talents.

The Post-IPO Share Option Scheme was conditionally adopted together with the Restricted Share Agreement, Pre-IPO Share Option Scheme and the RSU Scheme by the Shareholders' resolutions on the Adoption Date. The total number of Shares which may be issued upon exercise of options that may be granted under the Post-IPO Share Option Scheme and the RSU Scheme shall not in aggregate exceed 55,211,880 Shares ("Post-IPO Share Option and RSU Total Limit") (which have been reserved by the Company), representing approximately 4.9% of the total issued share capital of the Company as at the date of this Annual Report.

Participants of the Post-IPO Share Option Scheme (the "Post-IPO Eligible Participants") include the directors, senior management and employees of the Group and any other persons as the Board may deem appropriate. The subscription price in respect of any option shall be a price determined by the Board which shall be no less than (i) the closing price of a Share as stated in the Stock Exchange's daily quotations sheet on the date of the grant letter; (ii) an amount equivalent to the average closing price of a Share as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of the grant letter of the relevant Post-IPO Share Options; and (iii) the par value of the Share on the date of the grant letter.

Except with the approval of shareholders in general meeting, no option may be granted to any one person such that the total number of Shares issued and to be issued upon exercise of options and any other option over the Shares (including exercised, cancelled and outstanding options) granted and to be granted to such person in any 12-month period up to the date of the latest grant exceeds 1% of the Shares in issue from time to time. Any grant of further Post-IPO Share Options above this limit shall be subject to the requirement under the Listing Rules.

Upon acceptance of the offer of Post-IPO Share Options, a payment of RMB1 by the grantee to the Company is payable, and such remittance shall not be refundable and shall not be deemed to be a part payment of the subscription price.

A person entitled to any Post-IPO Share Option in consequence of the death of the original grantee (or in the case of his death, his legal personal representatives) may exercise his Post-IPO Share Options in whole or in part (but if in part, only in respect of a board lot or any integral multiple thereof) at any time during the Post-IPO Exercise Period which may be specified by the Board in the grant letter in the manner by giving notice in writing (in such form as the Company may from time to time specify) to the Company stating that the Post-IPO Share Options are thereby exercised and the number of Shares in respect of which it is exercised with a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given.

Subject to the rules of the Post-IPO Share Option Scheme, options may be exercised by an Post-IPO Eligible Participant, in whole or in part, at any time during the period commencing from the grant date and such expiry date as determined by the Board in the grant letter (the "Post-IPO Exercise Period").

Subject to earlier termination by our Company in general meeting or by the Board, the Post-IPO Share Option Scheme shall be valid and effective for a period of 10 years commencing on the effective date, after which period no further options will be granted by the provisions of the scheme, but the provisions of the scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of any options granted prior thereto or otherwise as may be required in accordance with the provisions of the Post-IPO Share Option Scheme.

As at the date of this Annual Report, no option were granted or agreed to be granted under the Post-IPO Share Option Scheme.

RSU SCHEME

The purposes of the RSU Scheme is to recognize and reward participants for their contribution to the Group, to attract best available personnel, and to provide additional incentives to them to remain with and further promote the success of the Group's business. The RSU Scheme is not subject to the provisions of Chapter 17 of the Listing Rules as the RSU Scheme does not involve the grant of options by our Company to subscribe for new Shares.

An award of restricted share units under the RSU Scheme (the "Award(s)") gives a participant in the RSU Scheme a conditional right when the Award vests to obtain either Shares or an equivalent value in cash with reference to the market value of the Shares on or about the date of vesting, as determined by the Board in its absolute discretion. An Award may include, if so specified by the Board in its entire discretion, cash and non-cash income, dividends or distributions and/or the sale proceeds of non-cash and non-scrip distributions in respect of those Shares from the date that the Award is granted to the date that it vests.

Participants of the RSU Scheme (the "RSU Participants") include the directors, senior management and employees of the Group and any other persons as the Board may deem appropriate.

Subject to any early termination as may be determined by the Board and Shareholders, the RSU Scheme shall be valid and effective for the period of eight years commencing on the date of adoption (the "Term of the RSU Scheme"), after which no further Awards will be granted, but the provisions of the RSU Scheme shall in all other respects remain in full force and effect and Awards that are granted during the Term of the RSU Scheme may continue to be exercisable in accordance with their terms of issue.

On and subject to the terms of the RSU Scheme and the terms and conditions that the Board and/or the CEO (as the case may be) imposes pursuant to, the Board and the CEO shall be entitled at any time during the term of the RSU Scheme to make a grant to any RSU Participant as the Board or the CEO may in its respective absolute discretion determine. The amount of an Award may be determined at the sole and absolute discretion of the Board and the CEO (as the case may be) and may differ among selected Participants.

No Award shall be granted pursuant to the RSU Scheme if as a result of such grant (assumed accepted), the aggregate number of Shares (being in a board lot or an integral multiple thereof) (or, where cash is awarded in lieu of Shares, the aggregate number of Shares as are equivalent to the amount of cash so awarded) underlying all grants made pursuant to the RSU Scheme (excluding Awards that have lapsed or been cancelled in accordance with the rules of the RSU Scheme) will exceed in total 31,918,285 Shares (the "RSU Scheme Limit") (which have been reserved by the Company), representing approximately 2.8% of the total issued share capital of the Company as at the date of this annual report.

The Company may appoint a professional Trustee (the "RSU Trustee") to assist with the administration and vesting of RSUs granted pursuant to the RSU Scheme.

Subject to the execution of documents by the grantee, the RSUs which have vested shall be satisfied at the Board's or the CEO's absolute discretion.

The RSU Scheme may be terminated at any time prior to the expiry of its term by the Board and Shareholders provided that the Company shall protect all subsisting rights of all grantees hereunder, including the repayment of consideration or transfer price payable under the RSU Scheme. In this event no further Awards shall be granted after the RSU Scheme is terminated but in all other respects the provisions of the RSU Scheme shall remain in full force and effect. All RSUs granted prior to such termination and not vested on the date of termination shall remain valid.

As at the date of this Annual Report, no RSU had been granted or agreed to be granted by our Company pursuant to the RSU Scheme. The grant and vesting of any RSUs which may be granted pursuant to the RSU Scheme will be in compliance with Rule 10.08 of the Listing Rules.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SECURITIES

As the Company was not listed on the Stock Exchange as at December 31, 2018, Divisions 7 and 8 of Part XV of the SFO and section 352 of the SFO were not applicable to the Directors or chief executives of the Company as at December 31, 2018. As at the date of this Annual Report, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which (a) were required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein; or (b) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

(i) Interest in the Shares

Name of Directors/ Chief Executive	Capacity	Nature of Interests	No. of Shares	Approximate percentage of the issued share capital of the Company (%)
ZHENG Zhihao[1]	Interest in controlled corporations	Long Position	19,277,225	1.71
WANG Changtian[2]	Interest in controlled corporations	Long Position	471,465,845	41.86

Notes:

1. As at the date of this Annual Report, Rhythm Brilliant Limited directly held 19,277,225 Shares in our Company. Rhythm Brilliant Limited is a wholly-owned subsidiary of Mr. ZHENG Zhihao. Therefore, ZHENG Zhihao is deemed to be interested in the 19,277,225 Shares held by Rhythm Brilliant Limited for purpose of Part XV of the SFO.

2. As at the date of this Annual Report, Vibrant Wide Limited and Hong Kong Pictures International Limited directly held 277,979,625 Shares and 193,486,220 Shares in our Company, respectively. Vibrant Wide Limited is owned by Mr. WANG Changtian as to 100% of its equity interests. Hong Kong Pictures International Limited is a wholly-owned subsidiary of Enlight Media, which is owned by Enlight Investment as to 44.06% of its equity interests, which in turn is owned by Mr. WANG Changtian as to 95% of its equity interests. Therefore, Mr. WANG Changtian is deemed to be interested in the 471,465,845 Shares held by Vibrant Wide Limited and Hong Kong Pictures International Limited for purpose of Part XV of the SFO.

Save as disclosed above, as at the date of this Annual Report, neither the Directors nor chief executive of the Company (including their spouses and children under 18 years of age) had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As the Company was not listed on the Stock Exchange as at December 31, 2018, Divisions 2 and 3 of Part XV of the SFO and section 336 of the SFO were not applicable to the Company as at December 31, 2018. As at the date of this Annual Report, so far as the Directors or the chief executive of the Company were aware, the Substantial Shareholders, other than the Directors or chief executive of the Company, who had interests or short positions in the Shares or underlying Shares as recorded in the register required to be kept by the Company under section 336 of the SFO, were as follows:

Name of Substantial Shareholders	Capacity	Nature of Interest	No. of Shares	Approximate percentage of the issued share capital of the Company (%)
Vibrant Wide Limited	Beneficial owner	Long position	277,976,625	24.68
Hong Kong Pictures International Limited	Beneficial owner	Long position	193,486,220	17.18
Inspired Elite Investments Limited[1]	Beneficial owner	Long position	82,693,975	7.34
Meituan Dianping[1]	Interest in a controlled corporation	Long position	82,693,975	7.34
Crown Holdings Asia Limited[1]	Interest in a controlled corporation	Long position	82,693,975	7.34
Songtao Limited[1]	Interest in a controlled corporation	Long position	82,693,975	7.34
TMF (Cayman) Ltd.[1]	Trustee	Long position	82,693,975	7.34
Wang Xing[1]	Interest in a controlled corporation	Long position	82,693,975	7.34
Image Flag Investment (HK) Limited[2]	Beneficial owner	Long position	157,169,260	13.95
Tencent Holdings Limited[2]	Interest in a controlled corporation	Long position	157,169,260	13.95
Weying (BVI) Limited	Beneficial owner	Long position	157,602,375	13.99

Notes:

1. Inspired Elite Investments Limited is wholly-owned by Meituan Dianping, which is owned as to 40.42% by Crown Holdings Asia Limited, which is in turn wholly-owned by Songtao Limited, and in turn wholly-owned by Mr. Wang Xing. Therefore, Meituan Dianping, Crown Holdings Asia Limited, Songtao Limited, TMF (Cayman) Ltd. and Mr. WANG Xing is deemed to be interested in the 82,693,975 shares held by Inspired Elite Investment Limited for purpose of Part XV of the SFO.

2. Image Flag Investment (HK) Limited is wholly-owned by Tencent Holdings Limited. Therefore, Tencent Holdings Limited is deemed to be interested in the 157,169,260 shares held by Image Flag Investment (HK) Limited for purpose of Part XV of the SFO.

Save as disclosed above, as at the date of this Annual Report, so far was known to the Directors, no other persons (other than the Directors or chief executives) had any interests or short positions in the Shares and underlying Shares as recorded in the register required to be kept by the Company under Section 336 of the SFO.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the section headed "Employee Incentive Scheme" above, at no time during the year ended December 31, 2018 were rights to acquire benefits by means of the acquisition of Shares in or debentures of the Company granted to any Director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company or any of its subsidiaries or any of its holding companies or any of subsidiaries of its holding companies a party to any arrangement to enable the Directors, or their respective spouse or children under 18 years of age, to acquire such rights in any other body corporate.

EMPLOYEE RETIREMENT BENEFITS

Particulars of the employee retirement benefits of the Group are set out in Note 9 to the audited consolidated financial statements.

SUFFICIENCY OF PUBLIC FLOAT

The Stock Exchange has granted the Company a waiver from strict compliance with the requirements of Rule 8.08(1)(a) of the Listing Rules. Based on the information that is publicly available to the Company and to the best knowledge and information of the Directors, as at the date of this Annual Report, the number of Shares in public hands represents approximately 24.78% of the total issued share capital of the Company which satisfies the minimum percentage prescribed in the conditions imposed in the waiver granted by the Stock Exchange from strict compliance with Rule 8.08(1) of the Listing Rules.

CONNECTED TRANSACTIONS

As the Company was not a listed company during the year ended December 31, 2018, the annual review and reporting requirements under Chapter 14A of the Listing Rules were therefore not applicable to the Company for the year ended 31 December 2018.

Upon Listing, transactions between members of the Group and our connected persons have become connected transactions or continuing connected transactions of the Company under Chapter 14A of the Listing Rules. Details of our Group's continuing connected transactions, the term of which took effect on the Listing Date, are set out as follows:

I. Continuing Connected Transactions with the Enlight Media Group

Non-Exempt Continuing Connected Transactions

1. Enlight Movie and TV Series Production Cooperation Framework Agreement

   We entered into a movie and TV series production cooperation framework agreement with Enlight Media (for itself and on behalf of its subsidiaries (the "Enlight Media Group")) (the "Enlight Movie and TV Series Production Cooperation Framework Agreement") on December 10, 2018, pursuant to which we and the Enlight Media Group agreed to make joint investments in production of movies and TV series (for the avoidance of doubt, in relation to this agreement, TV series refers to all audio and/or video programs, whether played through TV stations, websites, mobile applications or other channels). Forms of cooperation under the Enlight Movie and TV Series Production Cooperation Framework Agreement include but are not limited to the following:

   - our Group and the Enlight Media Group will enter into an investment agreement with third party producers of the same movie or TV series; and

   - either party (as a co-producer) will enter into an investment agreement with the other party (as a lead producer) to purchase a certain percentage of investment amount.

   The aforementioned cooperation shall exclude any transactions which involve the formation of a joint venture entity in connection with or for the purpose of the joint investment in production of movies and TV series.

   The initial term of the Enlight Movie and TV Series Production Cooperation Framework Agreement has commenced on the Listing Date and will end on December 31, 2021, subject to renewal upon the mutual agreement of both parties.

2. Enlight Movie and TV Series Promotion and Distribution Framework Agreement

2(a). Provision of Movie and TV Series Promotion and Distribution Services by Our Group to the Enlight Media Group

We entered into a movie and TV series promotion and distribution framework agreement with Enlight Media (for itself and on behalf of its subsidiaries) (the "Enlight Movie and TV Series Promotion and Distribution Framework Agreement") on December 10, 2018, pursuant to which our Group will provide movie and TV series (for the avoidance of doubt, in relation to this agreement, TV series refers to all audio and/or video programs, whether played through TV stations, websites, mobile applications or other channels) promotion and distribution services to the Enlight Media Group, and service fees will be paid to us in respect of such services.

- Movies and TV series promotion services: we will plan and coordinate various marketing and promotional activities to optimize the performance of movies and TV series, including but not limited to, conducting marketing and publicity campaigns as well as organizing fans gatherings and road shows.

- Movies and TV series distribution services: we will coordinate the distribution of marketing materials to cinemas and TV stations, configure marketing strategies and release plans, monitor box office performance and market feedback of movies and TV series.

The initial term of the Enlight Movie and TV Series Promotion and Distribution Framework Agreement has commenced on the Listing Date and will end on December 31, 2021, subject to renewal upon the mutual agreement of both parties.

2(b). Provision of Movie and TV Series Promotion and Distribution Services by the Enlight Media Group to Our Group

Pursuant to the Enlight Movie and TV Series Promotion and Distribution Framework Agreement, the Enlight Media Group will also provide movie and TV series (for the avoidance of doubt, in relation to this agreement, TV series refers to all audio and/or video programs, whether played through TV stations, websites, mobile applications or other channels) promotion and distribution services to our Group, and we will pay service fees to the Enlight Media Group. The principal terms are substantially the same as the terms on which we provide movie and TV series promotion and distribution services to the Enlight Media Group.

3. Enlight Business Collaboration and Services Framework Agreement

We entered into a business collaboration and services framework agreement with Enlight Media (for itself and on behalf of its subsidiaries) (the "Enlight Business Collaboration and Services Framework Agreement") on December 10, 2018, pursuant to which our Group and the Enlight Media Group will engage in the following collaboration from time to time.

- **Provision of prepaid card and voucher:** the Enlight Media Group will purchase prepaid card and voucher from us;

- **Provision of advertising services:** we will provide advertising services to the Enlight Media Group, and Enlight Media Group will pay service fees for such advertisement services;

- **Purchase of video display services:** the Enlight Media Group will display movies and videos which are legally owned by us or movies and videos which we have the right to display, on its platform as we request;

- **Purchase of media materials:** our Group will purchase certain media materials (e.g. customized posters, short videos and other promotional materials) from the Enlight Media Group that will be used in our advertising business and publicity activities during the movie and TV series distribution and promotion process; and

- **Purchase of other forms of advertisement resources:** our Group will purchase other forms of advertisement resources to be used in our advertising business and publicity activities from the Enlight Media Group. For example, we started to engage online key opinion leaders or artists managed by the Enlight Media Group to attend our publicity activities since the second half of 2018.

The initial term of the Enlight Business Collaboration and Services Framework Agreement has commenced on the Listing Date and will end on December 31, 2021, subject to renewal upon the mutual agreement of both parties.

II. Continuing Connected Transaction with the Weying Group

Non-exempt continuing connected transaction

4. Weying Business Collaboration and Services Framework Agreement

We entered into a business collaboration and services framework agreement with Weying (BVI) Limited (for itself and on behalf of its associates (the "Weying Group")) (the "Weying Business Collaboration and Services Framework Agreement") on January 9, 2019, pursuant to which our Group will provide the following products and services to the Weying Group from time to time.

- **Settlement of prepaid card and voucher issued by the Weying Group:** The Weying Group issued a number of prepaid card and voucher to its customers before its business integration with our Group in September 2017. As the result of the business integration, the Weying Group injected Beijing Weige Shidai into our Group and we agreed to provide movie ticketing services to the holders of prepaid card and voucher issued by the Weying Group. The Weying Group will reimburse us for the costs we incur when providing such services;

- **Provision of advertising services:** we will provide online advertising services on our platform and in-movie advertisement placements to the Weying Group, and the Weying Group will, in return, pay for such advertisement placements;

- **Provision of entertainment event ticketing services:** our Group will provide ticketing services to the Weying Group, the event organizer, for service fees; and

- **Provision of sports ticketing access:** our Group will provide sports ticketing access services to the Weying Group for service fees.

The initial term of the Weying Business Collaboration and Services Framework Agreement has commenced on the Listing Date and will end on December 31, 2021, and can be renewed upon its expiry as agreed by relevant parties to the agreement.

III. Continuing Connected Transactions with the Represented Tencent Group

Non-exempt continuing connected transactions

5. Tencent Movie and TV Series Promotion and Distribution Framework Agreement

We entered into a movie and TV series promotion and distribution framework agreement with Tencent Computer (for itself and on behalf of its group members, excluding China Literature Limited and its subsidiaries, and Tencent Music Entertainment Group and its subsidiaries, (the "Represented Tencent Group")) (the "Tencent Movie and TV Series Promotion and Distribution Framework Agreement") on January 9, 2019, pursuant to which we will provide movie and TV series (for the avoidance of doubt, in relation to this agreement, TV series refers to all audio and/or video programs, whether played through TV stations, websites, mobile applications or other channels) promotion and distribution services to the Represented Tencent Group, and service fees will be paid to us in respect of such services.

The principal terms of the Tencent Movie and TV Series Promotion and Distribution Framework Agreement, the reason for this transaction and the pricing policies of this transaction are substantially the same as those of the provision of movie and TV series promotion and distribution services by our Group to the Enlight Media Group as provided in the Enlight Movie and TV Series Promotion and Distribution Framework Agreement.

6. Payment Services Cooperation Framework Agreement

We entered into a payment services cooperation framework agreement (the "Payment Services Cooperation Framework Agreement") with Tencent Computer (for itself and on behalf of the Represented Tencent Group) on January 9, 2019, pursuant to which the Represented Tencent Group will provide us with payment services through its payment channels so as to enable our users to conduct online transactions and we will pay service commissions to the Represented Tencent Group in respect of such services.

The initial term of the Payment Services Cooperation Framework Agreement has commenced on the Listing Date and will end on December 31, 2021, subject to renewal upon the mutual agreement of both parties.

7. Cloud Services and Technical Services Framework Agreement

We entered into a cloud services and technical services framework agreement (the "Cloud Services and Technical Services Framework Agreement") with Tencent Computer (for itself and on behalf of the Represented Tencent Group) on January 9, 2019, pursuant to which the Represented Tencent Group will provide cloud services and other technical services to us for service fees. Cloud services and other technical services include but not limited to provision of cloud services, cloud storage, technical support related to cloud services, and domain name resolution services.

The initial term of the Cloud Services and Technical Services Framework Agreement has commenced on the Listing Date and will end on December 31, 2021, subject to renewal upon the mutual agreement of both parties.

8. Tencent Business Collaboration and Services Framework Agreement

We entered into a business collaboration and services framework agreement with Tencent Computer (for itself and on behalf of the Represented Tencent Group) (the "Tencent Business Collaboration and Services Framework Agreement") on January 9, 2019, pursuant to which our Group and the Represented Tencent Group will engage in the following collaboration from time to time.

- **Provision of prepaid card and voucher:** the Represented Tencent Group will purchase prepaid card and voucher from us;
- **Licensing of broadcasting rights:** our Group will license the broadcasting rights of entertainment content, including movies, concerts, live shows and other entertainment events, to the Represented Tencent Group for a licensing fee;
- **Provision of advertising services:** we will provide advertising services to the Represented Tencent Group, and the Represented Tencent Group will pay service fees for such advertisement services;
- **Provision of online entertainment event ticketing services:** our Group will provide online ticketing services to the Represented Tencent Group for service fees;
- **Purchase of advertising services:** the Represented Tencent Group will provide advertising services to us for service fees; and
- **Purchase of other forms of advertisement resources:** our Group will purchase other forms of advertisement resources to be used in our advertising business and publicity activities from the Represented Tencent Group. For example, we will engage online KOLs or artists managed by the Represented Tencent Group to attend our publicity activities.

The initial term of the Tencent Business Collaboration and Services Framework Agreement has commenced on the Listing Date and will end on December 31, 2021, subject to renewal upon the mutual agreement of both parties.

9. Tencent Entertainment Content Production Cooperation Framework Agreement

We entered into a entertainment content production cooperation framework agreement with Tencent Computer (for itself and on behalf of the Represented Tencent Group) (the "Tencent Entertainment Content Production Cooperation Framework Agreement") on January 9, 2019, pursuant to which our Company (for itself and on behalf of our subsidiaries) and the Represented Tencent Group agreed to cooperate in making joint investments in the production of several types of entertainment content, including but not limited to, movies, TV series (for the avoidance of doubt, in relation to this agreement, TV series refers to all audio and/or video programs, whether played through TV stations, websites, mobile applications or other channels), concerts and live shows. Forms of cooperation under the Tencent Entertainment Content Production Cooperation Framework Agreement include but are not limited to the following:

- our Group and the Represented Tencent Group will enter into an investment agreement with third-party producers of the same entertainment content, respectively; and

- either party (as a co-producer) will enter into an investment agreement with the other party (as a lead producer) to purchase a certain percentage of investment amounts.

The aforementioned cooperation shall exclude any transactions which involve the formation of a joint venture entity in connection with or for the purpose of the joint investment in production of entertainment content.

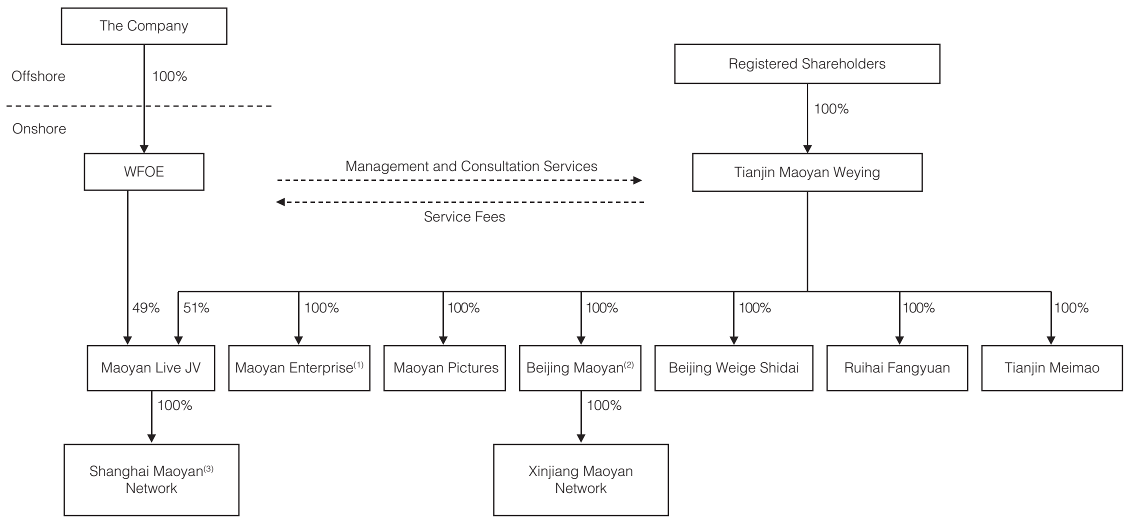
The initial term of the Tencent Entertainment Content Cooperation Framework Agreement has commenced on the Listing Date and will end on December 31, 2021, subject to renewal upon the mutual agreement of both parties.

Directors' Report

CONTRACTUAL ARRANGEMENTS

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 Enlight Investment, Enlight Media, Shanghai Sankuai Technology, Beijing Shiji Weying and Linzhi Lixin and Historical ESOP Platforms. The Contractual Arrangements enable us to (i) receive substantially all of the economic benefit from our Consolidated Affiliated Entities in consideration for the services provided by Maoyan Technology 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.

The following simplified diagram illustrates the flow of economic benefits from our Consolidated Affiliated Entities to our Group stipulated under the Contractual Arrangements:



Notes:

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

"- - -▶" denotes contractual relationship.

(1) Maoyan Enterprise is an investment holding company which holds, directly or indirectly, minority equity investments, amounted to approximately RMB30 million, in certain companies ("Investee Companies") which engage in businesses subject to foreign investment prohibition or restriction, including value-added telecommunication service, radio and television program production and internet audio-visual programs. The investments are passive and are non-controlling interests that are classified as investments accounted for using the equity method and financial assets at fair value through profit or loss. As advised by our PRC legal advisor, foreign investors are either prohibited or restricted from holding equity interest in companies conducting such businesses. The financial results of the Investee Companies are not consolidated into our financial statements and do not form part of our Group, and our minority investment interests in the Investee Companies are immaterial to our financial and operational results.

(2) Beijing Maoyan has another subsidiary named Xinjiang Maoyan Live. Such subsidiary has no actual business operation and is in the process of deregistration as of the date of this Annual Report.

(3) On February 13, 2019, Maoyan Live JV established a wholly-owned subsidiary, Shanghai Maoyan Network, which has become a Consolidated Affiliated Entity since its incorporation. Shanghai Maoyan Network will conduct the business of entertainment events ticketing services. Pursuant to the Contractual Arrangements, we will receive its economic benefits and consolidate its financial results into our consolidated financial statements. Shanghai Maoyan Network is in the progress of applying for the requisite license for its operations and has no actual business operation as of the date of this Annual Report.

Directors' Report

A description of each of the specific agreements that comprise the Contractual Arrangements is set out below.

Exclusive Consultation and Service Agreement

Pursuant to the amended and restated exclusive consultation and service agreement dated August 9, 2018 between Tianjin Maoyan Weying and the WFOE (the "Exclusive Consultation and Service Agreement"), Tianjin Maoyan Weying agreed to engage the WFOE as its exclusive provider of technical support, consultation and other services, including the following services:

- providing information consultation services in respect of the Consolidated Affiliated Entities' business;
- providing business management consultation;
- providing technical support and professional training services to relevant staff of the Consolidated Affiliated Entities;
- providing order management and customer services;
- providing marketing and promotion services;
- assisting Consolidated Affiliated Entities in consultancy, collection and research of technology and market information (excluding market research business that wholly foreign owned enterprises are prohibited from conducting under PRC laws);
- design, development, maintenance and updating of software in respect of the Consolidated Affiliated Entities' business;
- license and authorization of use of the software, trademarks, domain names and various other types of intellectual properties owned by the WFOE;
- design, installation, daily management, maintenance and updating of network systems, hardware and database;
- maintenance of the local area network of the Consolidated Affiliated Entities' business and anti-virus and security management of the network of the Consolidated Affiliated Entities' business;
- assisting Consolidated Affiliated Entities for transfer, leasing and disposal of equipment and properties;
- providing on-site services upon request from the Consolidated Affiliated Entities, arranging engineers to provide on-site assistance for conferences and other relevant technical support and consultation services; and
- other relevant services 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, the WFOE may adjust the scope and amount of service fees as well as the payment time and method according to PRC tax law and tax practices, and Tianjin Maoyan Weying will accept such adjustments. The WFOE shall calculate the service fees on a monthly basis and issue a corresponding invoice to Tianjin Maoyan Weying. Tianjin Maoyan Weying shall make payment to the bank account designated by the WFOE within 10 days upon receipt of the invoice and send payment certificates to the WFOE.

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 and other matters, the Consolidated Affiliated Entities shall not directly or indirectly accept the same or any similar services provided by any third party, establish cooperation relationships similar to that formed by the Exclusive Consultation and Service Agreement with any third party, or in its own initiative perform any acts which might affect the confidentiality of the technology and secrets involved in the service provided by the WFOE or the effectiveness and efficiency of the technical supports or allow any third party to do the same. The WFOE may appoint other parties, who may enter into certain agreements with the Consolidated Affiliated Entities, to provide the Consolidated Affiliated Entities with the services under the Exclusive Consultation and Service Agreement.

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 20 years unless terminated (a) by agreement between the WFOE and Tianjin Maoyan Weying; or (b) by a written notice from the WFOE at least 30 days before termination. Tianjin Maoyan Weying is not entitled to unilaterally terminate the agreement. Upon expiration of the agreement and if the WFOE intends to extend it, Tianjin Maoyan Weying shall accept the extension without conditions.

Exclusive Option Agreement

Pursuant to the amended and restated exclusive equity transfer option agreement dated August 9, 2018 among Tianjin Maoyan Weying, 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 Tianjin Maoyan Weying to the WFOE and/or a third party designated by it, in whole or in part at any time and from time to time. Tianjin Maoyan Weying and the Registered Shareholders, among other things, have covenanted that:

- without the prior written consent of the WFOE, they shall not in any manner supplement, change or amend the constitutional documents of the Consolidated Affiliated Entities, increase or decrease their registered capital, or change the structure of their registered capital in other manner;

- they shall maintain the Consolidated Affiliated Entities' 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 their affairs;

- without the prior written consent of the WFOE, they shall not and shall procure its subsidiaries 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 of more than RMB5,000,000, business, operation rights or legitimate interest in the income of Tianjin Maoyan Weying;

- without the prior written consent of the WFOE, the Consolidated Affiliated Entities shall not incur, inherit, guarantee or assume any debt, except for payables incurred in the ordinary course of business not generated from loans;

- the Consolidated Affiliated Entities shall always operate all of their businesses during the ordinary course of business to maintain their asset value and refrain from any action/omission that may adversely affect their operating status and asset value;

- without the prior written consent of the WFOE, they shall not cause the Consolidated Affiliated Entities to execute any material contract with a value of more than RMB5,000,000, except the contracts executed in the ordinary course of business;

- without the prior written consent of the WFOE, they shall not cause the Consolidated Affiliated Entities to provide any person with any loan or credit, or guarantee for any third-party debt;

- they shall provide the WFOE with information on the Consolidated Affiliated Entities' business operations and financial condition at the request of the WFOE;

- if requested by the WFOE, they shall procure and maintain insurance in respect of the Consolidated Affiliated Entities' assets and business from an insurance carrier acceptable to the WFOE, at an amount and type of coverage typical for companies that operate similar businesses;

- without the prior written consent of the WFOE, they shall not cause or permit the Consolidated Affiliated Entities to merge, consolidate with, acquire or invest in any person;

- they shall immediately notify the WFOE of the occurrence or possible occurrence of any litigation, arbitration or administrative proceedings relating to the Consolidated Affiliated Entities' assets, business or revenue, as well as any circumstances which may adversely affect the Consolidated Affiliated Entities' existence, business operation, financial situation, assets or goodwill;

- to maintain the ownership by the Consolidated Affiliated Entities of all of their assets, 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;

- without the prior written consent of the WFOE, the Consolidated Affiliated Entities shall not in any manner distribute profits or dividends to their shareholders, provided that upon the request of the WFOE, the Consolidated Affiliated Entities shall immediately distribute all distributable profits to their shareholders;

- at the request of the WFOE, they shall appoint any persons designated by the WFOE as the directors, supervisors and senior management of the Consolidated Affiliated Entities, replace or remove the directors, supervisors and senior management of the Consolidated Affiliated Entities, and go through all relevant resolution procedures and filings;

- without the written consent of the WFOE, the Consolidated Affiliated Entities shall not engage in any business in competition with the WFOE or its affiliates;

- unless otherwise mandatorily required by PRC laws, the Consolidated Affiliated Entities shall not be dissolved or liquidated without prior written consent by the WFOE;

- if the exercise of the rights by the WFOE is obstructed due to the Consolidated Affiliated Entities' or any of their shareholders' non-compliance of their tax duties under applicable laws, the WFOE shall have the right to require them to fulfil such tax duties;

- in the event of bankruptcy, dissolution, liquidation, death or loss of legal capacity (if applicable) of any of Consolidated Affiliated Entities' shareholders, or other circumstances that may affect the Consolidated Affiliated Entities' equity interests, any successor of an existing shareholder shall be deemed to be a party to the Exclusive Option Agreement. The Consolidated Affiliated Entities shall, on or before the day of signing this agreement to make everything properly arranged and signed in order to ensure the documentations, in the event of bankruptcy, dissolution, liquidation, death, incapacity or divorce (if applicable) and any circumstance of their shareholders, will not affect or hinder the fulfilment of the Exclusive Option Agreement. The Exclusive Option Agreement and other contractual arrangements shall prevail any form of agreements relating to disposition of interests in the Consolidated Affiliated Entity unless prior written consent from the WFOE is obtained;

- without the prior written consent of the WFOE, the Consolidated Affiliated Entities will not and shall not assist or permit their shareholders to transfer or otherwise dispose of any option equity or to establish any security interest or other third-party rights on any option equity; and

- if signing and performance of the Exclusive Option Agreement and the stock transfer options granted under the Exclusive Option Agreement shall require any third party's consent, permission, waiver, authorization or any governmental agency's approval, license, immunity, registration or filing in accordance with the law, the Consolidated Affiliated Entities shall make every endeavour to help satisfy the above conditions.

In addition, the Registered Shareholders, among other things, have covenanted that:

- without the written consent of the WFOE, they shall not sell, transfer, pledge or dispose of in any other manner the legal or beneficial interest in Tianjin Maoyan Weying, or allow the encumbrance thereon of any security interest, except for the Equity Pledge Agreement and the interests prescribed in the Proxy Agreement;

- for each exercise of the equity purchase option, they shall cause the shareholders' meeting and/or the board of directors of Tianjin Maoyan Weying to vote on the approval of the transfer of equity interests and any other action requested by the WFOE;

- Registered Shareholders whose equity interest has not been transferred shall relinquish the pre-emptive right (if any) it is entitled to in relation to the transfer of equity interest by any other shareholders to the WFOE and/or any entity or individual appointed by the WFOE pursuant to Exclusive Option Agreement;

- without the written consent of the WFOE, each of the Registered Shareholders shall not request Tianjin Maoyan Weying to distribute dividends or profits in any form, propose resolutions in relation to this at a general meeting, or vote to pass such resolutions. In any event, unless decided otherwise by the WFOE, if any Registered Shareholder receives corporate income, profits or dividends from Tianjin Maoyan Weying, they shall pay or transfer the received income, profits, dividends to the WFOE or any party designated by the WFOE to the extent allowed by the PRC laws; and

- Registered Shareholders shall also strictly comply with the provisions of the Exclusive Option Agreement between Registered Shareholders, the Consolidated Affiliated Entity and the WFOE, and shall faithfully perform the obligations under such agreements and shall not conduct any act and/or omission which shall affect the validity and enforceability of such agreements. If any Registered Shareholder retains any rights on the equities as in the Equity Pledge Agreement or the Proxy Agreement, it shall not exercise such rights unless instructed in writing by the WFOE.

The validity period of the Exclusive Option Agreement shall start from the execution date and it shall remain effective unless terminated if the entire equity interests held by the Registered Shareholders or their successors or the transferees in Tianjin Maoyan Weying have been transferred to the WFOE or their appointee(s).

Equity Pledge Agreement

Pursuant to the amended and restated equity pledge agreement dated August 9, 2018 entered into among the WFOE, Tianjin Maoyan Weying and each of the Registered Shareholders (the "Equity Pledge Agreement"), the Registered Shareholders agreed to pledge all their respective equity interests in Tianjin Maoyan Weying 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 and the payment of outstanding debts.

The pledge in respect of Tianjin Maoyan Weying takes effect upon the completion of change of registration with the relevant administration for industry and commerce and shall remain valid until after all the contractual obligations of the Registered Shareholders and Tianjin Maoyan Weying under the relevant Contractual Arrangements have been fully performed and all the outstanding debts of the Registered Shareholders and Tianjin Maoyan Weying under the relevant Contractual Arrangements have been fully paid.

Upon the occurrence and during the continuance of an event of default (as defined in the Equity Pledge Agreement), unless such default is cured within twenty days following the Registered Shareholders or Tianjin Maoyan Weying's receipt of the written notice which requests for the cure of such default, the WFOE shall have the right to exercise all such rights as a secured party under any applicable PRC law and the Equity Pledge Agreement, including without limitations, being paid in priority with the equity interests based on the monetary valuation that such equity interests are converted into or from the proceeds from auction or sale of the equity interest upon written notice to the Registered Shareholders.

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 amended and restated proxy agreement dated August 9, 2018 entered into among the WFOE, Tianjin Maoyan Weying and the Registered Shareholders (collectively, the "Proxy Agreement"), pursuant to which, each of the Registered Shareholders irrevocably and exclusively appointed the persons designated by the WFOE (including but not limited to Directors of the WFOE's parent company, Maoyan Entertainment, 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 Tianjin Maoyan Weying, including without limitation:

- to propose to convene and to attend shareholders' meetings of Tianjin Maoyan Weying and to execute any and all written resolutions and meeting minutes in the name and on behalf of such shareholder;
- to exercise all shareholder's rights and shareholder's voting rights in accordance with law and the constitutional documents of Tianjin Maoyan Weying, including but not limited to the sale, transfer, pledge or disposal of any or all of the equity interests in Tianjin Maoyan Weying;
- to nominate, elect, appoint or remove the legal representatives, directors, supervisors, general manager, chief financial officer and other senior management of Tianjin Maoyan Weying;
- to supervise business performance, approve annual budget, declare dividends, and consult financial information of Tianjin Maoyan Weying;
- to permit Tianjin Maoyan Weying to submit any registration documents to relevant governmental authorities and to file documents with company registry;

- to exercise voting rights on behalf of the shareholders on liquidation of Tianjin Maoyan Weying;
- If the act of directors and/or senior management harms the interests of Tianjin Maoyan Weying or its shareholders, to file a shareholder action against such directors and/or senior management or to take other legal actions;
- to approve amendments on the articles of association; and
- to exercise any other rights granted to shareholders pursuant to Tianjin Maoyan Weying's articles of association or relevant laws and regulations.

For the year ended December 31, 2018, none of the Contractual Arrangements had been unwound on the basis that none of the restrictions that led to the adoption of the Contractual Arrangements had been removed. As of December 31, 2018, we had not encountered interference or encumbrance from any PRC governing bodies in operating our businesses through our Consolidated Affiliated Entities under the Contractual Arrangements.

The revenue of the Consolidated Affiliated Entities amounted to RMB3,330.0 million for the year ended December 31, 2018, representing an increase by 30.7% from RMB2,547.7 million for the year ended December 31, 2017.

Reasons for Adopting the Contractual Arrangements

Foreign investment activities in the PRC are mainly governed by the Guidance Catalog of Industries for Foreign Investment (the "Catalog") and the Special Administrative Measures for Access of Foreign Investment (Negative List) (2018 Edition) (the "Negative List"), which have been promulgated and amended from time to time jointly by the MOFCOM and the NDRC. The Catalog divides industries into four categories in terms of foreign investment, namely, "encouraged", "restricted", "prohibited" and "permitted" (the last category of which includes all industries not listed under the "encouraged", "restricted" and "prohibited" categories).

As advised by our PRC legal advisor, our (i) value-added telecommunication services business; (ii) performance brokerage services; (iii) movie distribution; and (vi) radio and television program production conducted by our Consolidated Affiliated Entities are subject to foreign investment restriction or prohibition in accordance with the Catalog and the Negative List.

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 operation of our Consolidated Affiliated Entities and enjoy all the economic interests derived therefrom.

For details of the foreign investment restrictions relating to the Contractual Arrangements, please refer to the sections headed "Contractual Arrangements – PRC Regulatory Background" and "Contractual Arrangements – Qualification Requirements under the FITE Regulations" on pages 270 to 275, and the section headed "Contractual Arrangements – Development in the PRC Legislation on Foreign Investment" on pages 291 to 295 of the Prospectus.

Risks Relating to the Contractual Arrangements

The Company believes the following risks are associated with the Contractual Arrangements:

- If the PRC government finds that the agreements that establish the structure for operating our businesses in China do not comply with applicable PRC laws and regulations, or if these regulations or their interpretation 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.

- Our contractual arrangements may not be as effective in providing operational control as direct ownership. Tianjin Maoyan Weying or its shareholders may fail to perform their obligations under our contractual arrangements.

- We may lose the ability to use and enjoy 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.

- The shareholders and directors of Tianjin Maoyan Weying may have conflicts of interest with us, which may materially and adversely affect our business.

- If we exercise the option to acquire equity ownership or assets of Consolidated Affiliated Entities, the ownership or asset transfer may subject us to certain limitations and substantial costs.

- Substantial uncertainties exist with respect to the enactment timetable, interpretation and implementation of the Draft Foreign Investment Law and how it may impact the viability of our current corporate structure, corporate governance and business operations.

- 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 profit and the value of the Shareholders' investment.

Further details of these risks are set out in the section headed "Risk Factors – Risks Relating to Our Contractual Arrangement" on pages 59 to 65 of the Prospectus.

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.

WAIVERS GRANTED BY THE STOCK EXCHANGE

In respect of the Contractual Arrangements, the Company has applied to the Stock Exchange for, and the Stock Exchange has granted to the Company, a waiver from strict compliance with (i) the announcement and independent Shareholders' approval requirements under Rules 14A.04 and 14A.105 of the Listing Rules; and (ii) the requirement of setting an annual cap for the transaction under the Contractual Arrangements under Rule 14A.53 of the Listing Rules, for so long as our Share are listed on the Stock Exchange, subject to the certain conditions as disclosed on pages 253 to 256 of the Prospectus.

Confirmation from Independent Non-executive Directors

The Company's independent non-executive Directors have reviewed the Contractual Arrangements and confirmed that:

(i) the transactions carried out during the year ended December 31, 2018 have been entered into in accordance 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 the Group during the year ended December 31, 2018; and

(iii) any new contracts entered into, renewed or reproduced between the Group and the Consolidated Affiliated Entities during the year ended December 31, 2018 are fair and reasonable, or advantageous to the Shareholders, so far as the Group is concerned and in the interests of the Company and the Shareholders as a whole.

Confirmations from the Auditor

The Auditor has confirmed in a letter to the Board that, with respect to the aforesaid Contractual Arrangements:

(i) nothing has come to their attention that causes the Auditor to believe that the disclosed transactions under the Contractual Arrangements have not been approved by the Board;

(ii) nothing has come to their attention that causes the Auditor to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements under the Contractual Arrangements governing such transactions; and

(iii) nothing has come to their attention that causes the Auditor to believe that there were dividends or other distributions declared and/or distributed by our Consolidated Affiliated Entities to the holders of their equity interests which were not otherwise subsequently assigned or transferred to our Group.

AUDIT COMMITTEE

The Audit Committee had reviewed together with the management and external auditor the accounting principles and policies adopted by the Group and the audited consolidated financial statements for the year ended December 31, 2018.

AUDITOR

The financial statements of the Group for the year ended December 31, 2018 have been audited by PricewaterhouseCoopers, auditor of the Company, who shall retire and, being eligible, have offered itself for re-appointment as auditor at the AGM.

A resolution will be proposed at the AGM to re-appoint PricewaterhouseCoopers as the auditor of the Company and to authorize the Board to fix the remuneration of auditor.

By order of the Board
Maoyan Entertainment
ZHENG Zhihao
Executive Director
Hong Kong, March 25, 2019

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The Company is dedicated to maintaining and ensuring high standards of corporate governance practices and the corporate governance principles of the Company are adopted in the interest of the Company and its Shareholders.

The Company has adopted the applicable code provisions as set out in the Corporate Governance Code as set out in Appendix 14 to the Listing Rules since the Listing Date. As the Shares of the Company were not listed on the Stock Exchange during the year ended December 31, 2018, the Corporate Governance Code was not applicable to the Company during that period, but has become applicable to the Company since the Listing Date. The Board considered that the Company has complied with all applicable code provisions set out in the Corporate Governance Code since the Listing Date.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transactions. As the Shares of the Company were not listed on the Stock Exchange during the year ended December 31, 2018, related rules under the Model Code that Directors shall observe did not apply to the Company during that period. Having made specific enquiry of all Directors, each of the Directors has confirmed that he/she has complied with the Model Code since the Listing Date.

THE BOARD OF DIRECTORS

Board composition

The Board currently comprises one executive Director, six non-executive Directors and four independent non-executive Directors. The composition of the Board is set out as follows:

Executive Director

Mr. Zheng Zhihao *(Chief Executive Officer)*

Non-Executive Directors

Mr. Wang Changtian[1] *(Chairman)*
Ms. Li Xiaoping
Ms. Wang Jian[2]
Mr. Zhan Weibiao
Mr. Chen Shaohui
Mr. Lin Ning

Independent Non-Executive Directors

Mr. Wang Hua
Mr. Chan Charles Sheung Wai
Mr. Ma Dong
Mr. Luo Zhenyu

Notes:

1. Mr. Wang Changtian is the brother of Ms. Wang Jian.

2. Ms. Wang Jian is the sister of Mr. Wang Changtian.

The biographical details of the Directors are set out in the section headed "Profiles of Directors and Senior Management" in this Annual Report.

Since the Listing Date, the Board has at all times met the requirements of Rules 3.10(1), 3.10(2) and 3.10A of the Listing Rules relating to the appointment of at least three independent non-executive Directors with at least one independent non-executive Director possessing appropriate professional qualifications, or accounting or related financial management expertise, and independent non-executive Directors representing at least one-third of the Board.

Each of the independent non-executive Director has confirmed his independence pursuant to Rule 3.13 of the Listing Rules and the Company considers each of them to be independent.

Chairman and Chief Executive Officer

The positions of the chairman ("Chairman") and the chief executive officer ("Chief Executive Officer") of the Company are held separately. The role of Chairman is held by Mr. Wang Changtian, and the role of Chief Executive Officer is held by Mr. Zheng Zhihao. The Chairman is responsible for chairing the general meetings and board meetings of the Company, making decision on and guiding the Company for the significant matters in respect of the Company's external affairs and financial planning and the Company's important business activities. The Chief Executive Officer is responsible for operating management and the daily management of Company's business, making decision on the Company's major plan and development and investment proposals, and leading and managing the Company's business with the delegated power.

The division of responsibilities between the Chairman and the Chief Executive Officer is defined and established in writing.

Board Meetings, Board Committees Meetings and General Meetings

The Board should meet regularly and Board meetings should be held at least four times a year. At least 14 days' notice of all regular Board meetings is given to the Directors who are given the opportunity to include other matters in the agenda of meetings.

The Company was listed on the Main Board of the Stock Exchange on February 4, 2019. During the year ended December 31, 2018, the Company held one Board meeting in which all the executive Director and non-executive Directors had attended and discussed various matters and affairs of the Company. No general meeting was held during the year ended December 31, 2018.

On March 25, 2019, a Board Meeting was held to approve, among others, the annual results of the Group for the year ended December 31, 2018 and to review the operation and compliance of the Company.

Appointment, Re-election and Removal of Directors

Each of the Directors (including the non-executive Directors and independent non-executive Directors) has entered into a service contract or appointment letter with the Company for a term of three years commencing from January 23, 2019 or until the third annual general meeting of the Company since the Listing Date, whichever ends earlier.

The Articles of Association provides that all Directors appointed by the Board to fill a casual vacancy shall hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting.

In accordance with the Articles of Association, at each annual general meeting one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third, shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall be eligible for re-election.

In accordance with Article 109(a) of the Articles of Association, Mr. Zheng Zhihao, Ms. Li Xiaoping and Ms. Wang Jian shall retire by rotation at the AGM and, being eligible, will offer themselves for re-election.

In accordance with Article 113 of the Articles of Association, Mr. Wang Hua, Mr. Chan Charles Sheung Wai, Mr. Ma Dong, Mr. Luo Zhenyu shall retire at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election.

Corporate Governance Report

Directors' Responsibilities for Financial Statements

The Directors acknowledge their responsibilities for preparing the financial statements of the Group in accordance with statutory requirements and applicable accounting standards. The Directors also acknowledge their responsibilities to ensure that the financial statements of the Group are published in a timely manner.

The Directors are not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Company's ability to continue as a going concern. Accordingly, the Directors have prepared the financial statements of the Company on a going concern basis.

The reporting responsibilities of the Company's external auditor on the financial statements of the Group are set out in the section headed "Independent Auditor's Report" in this Annual Report.

Responsibilities of and Delegation by the Board

The major powers and functions of the Board include, but are not limited to, convening the general meetings, presenting reports to the general meetings, implementing the resolutions passed at the general meetings, determining the operational plans and investment plans of the Group, determining the annual financial budgets and final accounts of the Group, determining the fundamental management systems of the Group, formulating profit distribution plans and loss recovery plans of the Group, and exercising other powers and functions as conferred by the Articles of Association.

All Directors, including Non-executive Directors and Independent Non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning.

The Board reserves for its decision all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and coordinating the daily operation of the Group and management of the Company are delegated to the management of the Company.

The Board and the management have clearly defined their authorities and responsibilities under various internal control and check and balance mechanisms. The Board does not delegate matters to the Board committee(s), executive Directors or the management to an extent that would significantly hinder or reduce the ability of the Board as a whole to perform its functions.

Corporate Governance Report

Continuous Professional Development

Directors shall keep abreast of regulatory developments and changes in order to effectively perform their responsibilities and to ensure that their contribution to the Board remains informed and relevant.

During the year ended December 31, 2018, all Directors attended training session prior to the Listing on duties and obligations of directors of companies listed on the Stock Exchange, covering topics on connected transactions and corporate governance, the duties and responsibilities of being a Director, the relevant laws and regulations applicable to the Directors and duty of disclosure of interest.

Directors	Attending training session	Reading regulatory materials
Executive Director		
Mr. Zheng Zhihao	✓	✓
Non-Executive Directors		
Mr. Wang Changtian	✓	✓
Ms. Li Xiaoping	✓	✓
Ms. Wang Jian	✓	✓
Mr. Zhan Weibiao	✓	✓
Mr. Chen Shaohui	✓	✓
Mr. Lin Ning	✓	✓
Independent Non-Executive Directors		
Mr. Wang Hua	✓	✓
Mr. Chan Charles Sheung Wai	✓	✓
Mr. Ma Dong	✓	✓
Mr. Luo Zhenyu	✓	✓

Corporate Governance Function

The Board recognizes that corporate governance should be the collective responsibility of Directors and their corporate governance duties include:

– to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;

– to review and monitor the training and continuous professional development of Directors and senior management;

– to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

– to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and

– to review the Company's compliance with the code provisions of the CG Code and disclosure in the corporate governance report under the Listing Rules.

The Board has reviewed the policies and practices on corporate governance and this corporate governance report.

BOARD COMMITTEES

The Company has established three Board committees in accordance with the relevant laws and regulations and the corporate governance practice under the Listing Rules, including the Audit Committee, the Remuneration Committee and the Nomination Committee.

Audit Committee

The Audit Committee of the Company consists of three independent non-executive Directors, namely Mr. Chan Charles Sheung Wai, Mr. Wang Hua and Mr. Ma Dong. Mr. Chan Charles Sheung Wai currently serves as the chairman of the Audit Committee.

The terms of reference of the Audit Committee are of no less exacting terms than those set out in the CG Code. The primary duties of the Audit Committee are as follows:

1. to review significant financial policies of the Company and their implementation, and supervise the financial activities of the Company;

2. to review the financial information and relevant disclosures of the Company;

3. to consider and approve the risk management and internal control evaluation proposal of the Company, and supervise and evaluate the risk management and internal control of the Company;

4. to consider and approve the audit budget, remuneration of staff and appointment and dismissal of major officers of the Company, supervise and evaluate the work of internal audit of the Company and formulate the medium- to long-term audit plan, annual working plan and internal audit system setting plan of the Company as authorized by the Board, and report to the Board;

5. to propose the appointment or dismissal of an external accounting firm, supervise the work of the external accounting firm, and evaluate the report of the external accounting firm to ensure that the external accounting firm undertakes its audit responsibilities;

6. to facilitate communications and monitor the relationship between the internal audit department and the external accounting firm;

7. to monitor the non-compliance of the Company in respect of the financial reports and the risk management and internal control; and

8. other matters required by laws, regulations, regulatory documents, the rules of the securities regulatory authority of the place where our Shares are listed and the requirements of the Articles of Association, and as authorized by the Board.

Corporate Governance Report

Since the Company was listed on the Stock Exchange on February 4, 2019, no meeting of the Audit Committee was held in 2018.

The Audit Committee held a meeting on March 25, 2019 and reviewed, among other things, the audited consolidated results of the Group for the year ended December 31, 2018 and the effectiveness of the risk management and internal control systems of the Company.

Nomination Committee

The Nomination Committee of the Company consists of two independent non-executive Directors, namely Mr. Wang Hua and Mr. Chan Charles Sheung Wai and one executive Director, namely Mr. Zheng Zhihao. Mr. Wang Hua currently serves as the chairman of the Nomination Committee.

The terms of reference of the Nomination Committee are of no less exacting terms than those set out in the CG Code. The primary duties of the Nomination Committee are as follows:

1. to formulate procedures and standards for the election of Directors and senior management and make recommendations to the Board on the proposed procedures and standards;

2. to make recommendations to the Board on the nomination of candidates for Directors, Presidents and secretary of the Board;

3. to preliminarily examine the eligibility of candidates for Directors and senior management;

4. to make recommendations to the Board on the nomination of candidates for chairmen and members of the Board committees; and

5. other matters required by laws, regulations, regulatory documents, the rules of the securities regulatory authority of the place where our Shares are listed and the requirements of the Articles of Association, and as authorized by the Board.

Since the Company was listed on the Stock Exchange on February 4, 2019, no meeting of the Nomination Committee was held in 2018.

The Nomination Committee held a meeting on March 25, 2019 and reviewed, among other things, the structure, size and composition of the Board, assessed the independence of independent non-executive Directors to determine their eligibility and discussed the re-appointment of directors and succession planning for directors.

Remuneration Committee

The Remuneration Committee of the Company consists of two independent non-executive Directors, namely Mr. Wang Hua and Mr. Ma Dong, and one executive Director, namely Mr. Zheng Zhihao. Mr. Wang Hua currently serves as the chairman of the Remuneration Committee.

The terms of reference of the Remuneration Committee are of no less exacting terms than those set out in the CG Code. The primary duties of the Remuneration Committee are as follows:

1. to organize and formulate the remuneration policy and plan of Directors and senior management and submit to the Board for approval, and propose the remuneration distribution plan according to the performance evaluation of Directors and senior management and submit to the Board for approval; and

2. other matters required by laws, regulations, regulatory documents, the rules of the securities regulatory authority of the place where our Shares are listed and the requirements of the Articles of Association, and as authorized by the Board.

Since the Company was listed on the Stock Exchange on February 4, 2019, no meeting of the Remuneration Committee was held in 2018.

The Remuneration Committee held a meeting on March 25, 2019 and reviewed, among other things, the remuneration package of the Directors of the Company and the remuneration policy of the Group's senior management.

BOARD DIVERSITY POLICY

The Group adopted a board diversity policy (the "Board Diversity Policy") on 10 January 2019. A summary of this policy are disclosed as below:

The purpose of the Board Diversity Policy is to set out the basic principles to be followed to ensure that the Board has the appropriate balance of skills, experience and diversity of perspectives necessary to enhance the effectiveness of the Board and to maintain high standards of corporate governance.

The Nomination Committee has primary responsibility for identifying candidates, formulating selection standards and procedures, and examining candidates for directors and senior management of the Company, and providing recommendations on the selection. The Nomination Committee will give adequate consideration to this policy in identifying and selecting suitably qualified candidates to become directors of the Company.

Selection of director candidates shall be based on a range of diversity perspectives with reference to the Company's business model and specific needs, including but not limited to gender, race, language, cultural background, educational background, industry experience and professional experience.

The Nomination Committee is responsible for reviewing the Board Diversity Policy, developing and reviewing measurable objectives for implementing the policy and monitoring the progress on achieving these measurable objectives. The Nomination Committee shall review the Board Diversity Policy and the measurable objectives at least annually to ensure the continuing effectiveness of the Board.

As of the date of this Annual Report, the Company had a total of 11 Directors, covering different gender and have a broad age distribution. There is a diverse mix of experience and background including Internet and media, information technology, investment and accounting. The Nomination Committee has reviewed the Board Diversity Policy and considers that, appropriate balance has been stricken among the Board members in terms of skills, experience and perspectives.

NOMINATION POLICY

The Company adopted a policy for nomination on March 25, 2019, pursuant to which, the Nomination Committee shall advise the Board on the appointment of any director in accordance with the following procedures and process:

1. The Nomination Committee shall, upon completing the assessment over the current composition and size of the Board, produce a description of the responsibilities and capabilities required for the specific appointment with reference to the findings of such assessment.

2. Taking into consideration these conditions of identifying or selecting suitable candidates, the Nomination Committee may seek any source of assistance as it sees fit, including referrals from existing directors, use of public advertisement or external consultancy services, and recommendations from the shareholders of the Company.

3. The Nomination Committee shall conduct preliminary review over the qualifications and conditions of the candidates for directorship before recommending suitable candidates for directorship to the Board, while the Remuneration Committee shall review the letter of appointment or major terms of such appointment in regard to the candidates for directorship.

4. As for the procedures for shareholders to nominate a person for election as a director, please refer to the "Procedures for Shareholders to Nominate a Person for Election as a Director" set out on the website of the Company.

5. The Board is entitled to final decision in connection with all matters involving election of the recommended candidates at a general meeting.

In assessing the candidates, the Nomination Committee shall take into the following factors, including but not limited to:

- reputation for individual character, integrity, and others;

- achievements and experiences in the related industry;

- time available for performing duties;

- diversity of the Board in various aspects, including but not limited to gender, age, cultural and education backgrounds, ethnicity, professional experiences, skills, knowledge, and length of services;

- independence from the Company, as well as potential or actual conflict of interest; and

- potential contributions to the Board.

REMUNERATION OF THE MEMBERS OF THE SENIOR MANAGEMENT BY BAND

Details of the remuneration of the Directors are set out in Note 39 to the audited consolidated financial statements. Save as disclosed therein, there is other 3 individuals of senior management. Pursuant to paragraph B.1.5 of the CG Code, their remuneration by band for the year ended December 31, 2018 is set out below:

Remuneration bands	Number of individual
RMB1 to RMB5,000,000	–
RMB5,000,001 to RMB10,000,000	2
RMB10,000,001 to RMB50,000,000	1
RMB50,000,001 to RMB100,000,000	–

EXTERNAL AUDITOR'S REMUNERATION

The remunerations paid or payable to the external auditor of the Company in respect of audit and non-audit services provided to the Group for the year ended December 31, 2018 are set out as below. The amount of audit services fee also included the service fee in connection with the Initial Public Offering. The non-audit services conducted by the Auditor mainly include professional services on tax advisory and internal control consultation services.

	Fees payable or paid RMB'000
Services Category	
Audit Services	8,700
Not-audit Services	1,866
Total Fees	10,566

RISK MANAGEMENT AND INTERNAL CONTROL

The Board has overall responsibility for the risk management and internal control systems of the Company, as well as for reviewing their effectiveness. The Board is committed to implementing an effective and sound risk management and internal control system to safeguard the interest of our shareholders and the assets of the Company. The Board has appointed the management to implement the risk management and internal control system within the delegated scope, as well as to review all control and risk management functions in respect to finance, operation, and compliance with laws and rules.

The Board acknowledges that it is the responsibility of the Board to ensure that the Company has established and maintained adequate and effective risk management and internal control systems and to review their effectiveness. The Board delegates its responsibility to the Audit Committee to review the practices of management with respect to risk management and internal control, including the design, implementation and supervision of the risk management and internal control systems on an annual basis. Furthermore, the Audit Committee also reviews the effectiveness of the risk management and internal control systems.

To ensure that the risk management and internal control systems are effective, the Company, under the supervision and guidance of the Board and factoring the actual needs of the Company, has adopted the "Three Defenses" model as an official organisational structure for risk management and internal control.

First Defense – Core Business Departments

First defense is comprised of business departments or positions of various operation lines of the Company, which is responsible for daily operation and management of the Company, as well as design and implementation of related internal control and risk management measures for their respective department.

Second Defense – Functional Departments

The Second Defense is comprised of various functional departments, which is responsible for overseeing the enforcement of policies related to the risk management and internal control of the Company. For ensuring effective implementation of the risk management and internal control systems, the Second Defense also assists and supervises the First Defense in the establishment and improvement of such systems.

Third Defense – Internal Audit Department

The Third Defense is established by the internal audit department, which is responsible for providing independent assessment and verification of the effectiveness of risk management and internal control systems of the Company. In addition to assisting the business departments and functional departments in formulating internal control systems and risk management measures, the Third Defense regularly monitors, supervises, and assesses the implementation of the relevant systems and measures at various departments of the Company to ensure that the Company will continue to improve and enhance the risk management and internal control systems of the Company.

These systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss.

Risk Management

The Company has been committed to continuously improving the risk management system, including structure, process and culture, through the enhancement of risk management ability, to ensure long-term growth and sustainable development of the Company's business.

The Company has established a risk management system (including the "Three Defenses" internal monitoring model as detailed above) which sets out the roles and responsibilities of each relevant party as well as the relevant risk management policies and processes. Each operation line of the Company, on a regular basis, identifies and assesses risk factors that may negatively impact the achievement of its objectives, and formulates appropriate response measures. The Company's staff also attends training in relation to risk management and internal controls on a regular basis.

Risk Management Process

The Company has established a dynamic risk management process:

- Business and functional departments of each operation line identify, assess and respond to risks in the course of operation in a systematic manner, escalating concerns and communicating results to the internal audit department;

- The internal audit department collects, analyses, and consolidates a list of significant risks at the company level, and provides input on risk response strategies and control measures for such risks. The corresponding risk responses and control measures against these significant risks will be reviewed by the Audit Committee before reporting to the Board;

- The internal audit department reviews and evaluates the responses to significant risks from time to time, and reports to the Audit Committee at least once a year; and

- The Audit Committee, on behalf of the Board, assesses and determines the nature and level of the risks that the Company is willing to take in order to achieve its business objectives and formulates appropriate response strategies which include designating responsible departments for handling each significant risk. The Audit Committee provides guidance to the Company's management to implement effective risk management system with supports from the internal audit department.

Significant Risks of the Company

In 2018, the management identified four significant risks in accordance with the abovementioned risk management process. The Board will monitor the overall risk exposure of the Company and review the nature and severity of such significant risks facing the Company. The Board is of opinion that the management has implemented appropriate measures to address and manage these significant risks to such a level acceptable to the management.

Set out below is a summary over the significant risks currently facing the Company and the countermeasures implemented against these risks. As the risk exposure against the Company may at any time change, the list as follows is not exhaustive.

1. Governmental and regulatory risks

The government and relevant regulatory bodies impose more stringent regulations over the internet and movie industry, including ownership structure, necessary licensing, marketing strategies, entertainment contents, customer relations, and intellectual property rights. Any company that fails to comply with these laws and regulations may be subject to administrative penalties or litigation, which may constrain its business development in serious cases.

The Company has the legal department and government affairs department, and appoints an external compliance consultant, all of which are responsible for timely obtaining and understanding information regarding regulations, systems, and regulatory requirements published by the government and regulatory bodies before timely relaying such information to the relevant business departments of the operation lines. The business departments will exercise strict control over investments in and promotion of entertainment contents to ensure that the subject matters of such entertainment contents are in compliance with regulatory requirements, while the legal department shall conduct audits over the business qualifications of the Company in accordance with latest policies, and timely provide updates to safeguard the compliance of our businesses with such policies.

2. Market competition risks

The movie entertainment industry faces an increasingly fierce competition in terms of content production, promotion, distribution, and many other areas. Furthermore, the rapid development of the entertainment industry, coupled with the emergence and evolution of new forms of media or entertainment, is likely to bring new competitions and challenges to the current businesses of the Company. If the Company fails to perform well against competitors, the Company's operating results and financial conditions may be affected by the possible failure to generate expected revenue or achieve investment returns.

The Company develops and maintains close relationship with industrial players, including content producers, content distributors, cinemas, and other on-site entertainment sponsors to enhance our content production and promotion capacity to provide a better coverage of valued services to our users, as well as to strengthen the ability to attract and retain users. In addition, the Company enjoys various advantages to stand out amid the market competition, including the capability to maintain information technologies and big data, strategic partnership with leading internet platforms, contact with a broader group of internet users, timely and accurate insight into market changes and demands, as well as persistence in enhancing the research and development capacity and keeping abreast with technological advancements.

3. Brand and reputation risks

Given the nature of the industry where the Company operates, there is a high level of user engagement, as well as public and media attention. In case that the failure to appropriately resolve public relations crises results in public access to false information, the Company's reputation and brand image may be impaired alongside loss of users, which will cause adverse effects on the operating results of the Company.

The Company establishes a taskforce dedicated to public relations, which will collect and monitor public opinions through the internet and other media sources, and collate and analyze the relevant information before reporting the same to the management. In accordance with the corporate policies, the management will make response plans to ensure that the public relations crises are effectively controlled and resolved in a timely manner, and to protect the Company's reputation and brand image.

4. Employee turnover risks

The Company is dependent on the chief executives and key talents that perform important functions for its successful operation and development. Loss of key talents may have adverse impact on the business growth and outlook of the Company. In addition, if the abovementioned personnel joins our competitors or establishes a competing business, the Company may lose technological advantages, trade secrets, business partners, and other critical resources, which in return will affect the operating results of the Company.

The Company acknowledges the importance of developing healthy corporate culture and good workplace conditions, and pays attention to individual growth and improvement of our employees. Meanwhile, the Company establishes a well-developed employee promotion mechanism and long-term incentive scheme to enhance the enthusiasm and performance efficiency of our employees. In addition, the Company explicitly prescribes non-competition restrictions in our labour contracts with all employees, which will effectively prevent our employees from joining the competitors or establishing competing entities. Furthermore, the Company maintains close business contacts with recruitment medias and headhunting agencies to safeguard the talent recruitment channels.

Corporate Governance Report

Internal Control

The management of the Company is responsible for the design, implementation and maintenance of the effectiveness of internal control systems. The Board and the Audit Committee are responsible for monitoring and overseeing the performance of the internal control systems by the management to ensure it is appropriate and effective.

The Company's internal control systems clearly define roles and responsibilities of each party as well as authorizations and approvals required for key actions of the Company. Policies and procedures are put in place for the key business processes. Such information is also clearly shared with employees in practice and plays an important role in internal control systems. All employees must strictly follow the policies which cover, amongst other things, financial, legal and operational issues that set the control standards for the management of each business process.

The functional departments supervise the establishment of the risk management and internal control systems set up by the core business departments, and ensure that appropriate management measures are implemented. The internal audit department, serving as the independent third defense, conducts objective evaluation on the effectiveness of the Company's risk management and internal control systems and reports the results to the Audit Committee.

Inside Information

The Company has established an inside information policy, conducted relevant training, and regularly reminded the directors and employees of due compliance with all policies regarding inside information. To ensure adequate attention to whistleblowing, the Company has established a reporting mechanism to handle and discuss internal whistleblowing of financial, operational, internal control and fraud issues. Major internal control deficiencies or whistle-blowing issues will be submitted to the Audit Committee.

Effectiveness of Risk Management and Internal Control Systems

The Board conducted an annual review over the effectiveness of risk management and internal control systems of the Company for the year ended December 31, 2018, and the management confirmed the effectiveness of the risk management internal control systems within their terms of reference during the year. As a result, the Board is confident, without any evidence to the contrary, that the Company has provided reasonable assurance as to compliance with the risk management and internal control systems for the year ended December 31, 2018, which has prevented any significant financial misstatement or loss, and included protection of assets, appropriate maintenance of accounting records, reliability of financial data, compliance with applicable laws and regulations, and identification and control of business risks. In connection with the effectiveness of risk management and internal control systems, the Board has confirmed that no significant areas of concern have been identified and believes that the system remains effective and adequate, including sufficient resources, appropriate qualifications and experiences of our employees, and employee training programs, and that there are adequate budgets for accounting, internal audit, and financial reporting functions.

Corporate Governance Report

JOINT COMPANY SECRETARIES

The joint company secretaries of the Company are Ms. Zheng Xia and Mr. Cheng Ching Kit.

Ms. Zheng Xia has served as the legal director since joining the Company in May 2018. Mr. Cheng Ching Kit is an assistant manager of SWCS Corporate Services Group (Hong Kong) Limited, a professional services provider specialising in corporate services, and has over six years of experience in corporate secretarial field. Mr. Cheng Ching Kit's primary corporate contact person at the Company is Ms. Zheng Xia.

Since the Company was listed on the Stock Exchange on February 4, 2019, Rule 3.29 of the Listing Rules was not applicable to the Company for year ended December 31, 2018.

SHAREHOLDERS' RIGHTS

The Company encourages the Shareholders to attend the general meetings of the Company.

The Procedures for Shareholders to Convene an Extraordinary General Meeting ("EGM") and for Putting Forward Proposals at General Meeting

Pursuant to Article 64 of Articles of Association, extraordinary general meeting of the Company shall be convened on the requisition of one or more shareholders of the Company holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the company secretary of the Company at the headquarter of the Company in the PRC, which is presently situated at No. 3 Building, Yonghe Hangxing Garden, No. 11 Hepingli East Street, Dongcheng District, Beijing, PRC, for the purpose of requiring an EGM to be called by the Board for the transaction of any business specified in such requisition and signed by the requisitionist(s) (the "Requisitionist(s)").

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.

Article 114 of the Articles of Association provides that no person, other than a retiring director of the Company, shall, unless recommended by the board of directors of the Company for election, be eligible for election to the office of director of the Company (the "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 shall have been lodged at the head office or at the registration office. The period for lodging the notices as required under the Articles of Association will commence no earlier than the day after the despatch of the notice of the general meeting appointed for such election and end no later than seven days prior to the date of such general meeting and the minimum length of the period during which such notices to the Company may be given will be at least seven days.

Accordingly, if a shareholder wishes to nominate a person to stand for election as a director of the Company at the general meeting, the following documents must be validly served at the registered office of the Company, namely (1) his/her notice of intention to propose a resolution at the general meeting; (2) a notice signed by the nominated candidate of his/her willingness to be elected; (3) the nominated candidate's information as required to be disclosed under Rule 13.51(2) of the Listing Rules; and (4) the nominated candidate's written consent to the publication of his/her personal data.

Corporate Governance Report

DIVIDEND POLICY

The Company adopted a dividend policy on March 25, 2019.

The Company intends to achieve a balance between maintaining sufficient capital for the Group's business development and operation and rewarding the shareholders of the Company with dividends.

In accordance with the dividend policy, in deciding whether to propose the payment of dividends and the amount of dividend payable, the Board will take into consideration the following factors affecting the Group, including but not limited to:

- actual and expected financial results of the Group;
- distributable profits of the Company and other subsidiaries of the Group;
- dividend income attributable to subsidiaries;
- future operation and profitability;
- capital requirements, earnings, and future expansion plans;
- the overall financial conditions of the Group, including the level of debts, liquidity, and future commitments;
- any contractual limitation on payment of dividends by the Company or payment of dividends by subsidiaries of the Company to the Company;
- taxation factors, as well as legal and regulatory restrictions; and
- other factors as the Board may consider.

INVESTOR RELATIONS AND COMMUNICATIONS WITH SHAREHOLDERS

Shareholders, investors and members of the public should direct their questions about their shareholdings to the Company's Hong Kong Share Registrar. The contact details for the Hong Kong Share Registrar are as follows:

Computershare Hong Kong Investor Services Limited

Shop 1712 – 1716
17th Floor, Hopewell Centre
183 Queen's Road East
Wan Chai, Hong Kong
Telephone: (852) 2862 8555
Fax: (852) 2865 0990
Email: hkinfo@computershare.com.hk

CONSTITUTIONAL DOCUMENTS

The Articles of Associations were approved on January 11, 2019 by special resolution and with effect from the Listing Date. Save as disclosed herein, there were no significant changes in the constitutional documents of the Company during the year ended December 31, 2018 and up to the date of this Annual Report.

Independent Auditor's Report

To the Shareholders of Maoyan Entertainment
(incorporated in the Cayman Islands with limited liability)

OPINION

What we have audited

The consolidated financial statements of Maoyan Entertainment (the "Company") and its subsidiaries (the "Group") set out on pages 77 to 185, which comprise:

- the consolidated statement of financial position as at December 31, 2018;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Independent Auditor's Report

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:

- Impairment assessments of goodwill
- Revenue recognition from movie promotion service as a principal

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessments of goodwill Refer to Notes 2.7, 4 (a), 15 (a) and 31 to the consolidated financial statements. As at December 31, 2018, there was goodwill with carrying amount of RMB4,451,974,000 arising from the acquisitions of Beijing Weige Shidai Entertainment Technology Co., Ltd and Shenzhen Ruihai Fangyuan Technology Co., Ltd. in the prior year. Management performed annual goodwill impairment test by comparing the recoverable amounts of cash generating unit ("CGU") to the carrying amounts. Management determined the recoverable amounts of the CGU based on value in use ("VIU"), which is the present value of the future cash flows expected to be derived from the Group's CGU. Based on the assessments, management considered no impairment is necessary in respect of the goodwill as at December 31, 2018. We focused on this area due to the magnitude of the carrying amounts of goodwill and the fact that significant judgements were required by management as the VIU of the related CGU is determined based on assumptions used in the cash flow forecast. The key assumptions adopted by management including the revenue growth rate, gross margin, terminal growth rate and discount rate.	Our procedures in relation to impairment assessments of goodwill included: – We understood, evaluated and tested management's key controls in respect of the goodwill impairment assessments, including the determination of CGU, the valuation model and assumptions used in the calculation of VIU; – We evaluated the historical accuracy of the cash flow forecast by, for example, comparing the forecast used in the prior year to the actual performance of the business in the current year; – We evaluated the reasonableness of the key assumptions used in the cash flow forecast, such as revenue growth rate, terminal growth rate and gross margin taking into account industry forecasts and market developments, the Group's management approved budget, plan and historical performance; – We involved our internal valuation expert to evaluate the discount rate applied in the calculation by comparing with the industry or market data to assess whether the discount rate applied were within the range of those adopted by comparable companies in the same industry and check the calculation of the discount rate; and – We evaluated management's sensitivity analysis over the revenue growth rate, terminal growth rate and discount rate as adopted in the impairment test so as to assess the potential implication on the results of the impairment test for changes of assumptions within a reasonable range. Based on the above procedures, we found the key assumptions adopted in management's impairment assessments of goodwill to be supported by the evidence we obtained.

Key Audit Matter	How our audit addressed the Key Audit Matter
Revenue recognition from movie promotion service as a principal Refer to Note 4 (e) to the consolidated financial statements. The Group recognized revenue from movie promotion service of RMB476,914,000 for the year ended December 31, 2018. The Group determines its role as a principal and presents all such revenue on a gross basis, based on terms in the contractual agreements. In making this determination, management has taken into account all relevant attributes in the existing service arrangements including, among others, the following factors: • The terms of agreements with movie production companies specify that the Group is responsible for the overall promotion strategy, fulfilling the promise in the contract and carrying out the promotion task. The Group also designs and launches the movie promotion activities during the contract period at its own discretion. • The Group is responsible for the cost incurred for the promotion activities. The Group bears the preparation costs and advertising material costs, as well as the staff costs of wages in respect of the movie promotion service and has the ability to negotiate the terms and price of cost incurred by the Group separately with its selected subcontractors such as advertising suppliers. • The Group has discretion in establishing the price for the movie promotion service with movie production companies. Management prepared a budget for each movie to support the negotiation of and establish the contract price with the movie production companies.	Our procedures in relation to revenue recognition from movie promotion service included: – We understood, evaluated and tested, on a sample basis, management's key controls in respect of the Group's determination of principal or agent on the movie promotion service including approval of budgets, establishing pricing for movie promotion services with movie production companies and costing with its subcontractors for the cost incurred; – We examined, on a sample basis, the agreements the Group entered into with the movie production companies and checked the relevant terms to corroborate management's assessment that the Group is primarily responsible for fulfilling the promise to provide the promotion service and has full discretion for the provision of movie promotion service. We also checked, on a sample basis, the promotion strategy and plan in respect of the movies to corroborate management's assessment that the promotion strategy and plan were prepared by the Group. – We tested, on a sample basis, the cost incurred for the movie promotion service by tracing the nature and description of costs to the management approved budgets and examining the relevant supporting documents, such as invoices from advertising suppliers, internal report on user incentive cost, wages payment voucher and the relevant terms in the contracts to check that the Group is responsible for bearing the promotion cost.

Key Audit Matter	How our audit addressed the Key Audit Matter
Revenue recognition from movie promotion service as a principal *(continued)*	
The above assessment requires significant management judgements in determining the Group's role as a principal in the provision of movie promotion service and will impact the presentation of revenue and related costs in consolidated financial statements, and therefore this is our area of audit focus.	– We inquired management the process on the price negotiation of the movie promotion contract with the production companies and examined, on a sample basis, the management approved promotion budgets that established the contract price for each movie. We also tested, on a sample basis, the settlement from the movie production companies by tracing to contract price and the invoice issued by the Group to check that the movie production companies pay gross promotion fee as stated in the contract to the Group. Based on the procedures performed above, we considered the judgements made by management in respect of determination of the Group's role as a principal to be supported by available evidence.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Tong Yu Keung.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, 25 March 2019

Consolidated Statement of Comprehensive Income

	Note	Year ended December 31, 2018 RMB'000	2017 RMB'000
Revenue	*6*	**3,754,959**	2,547,982
Cost of revenue	*7*	**(1,398,713)**	(805,954)
Gross profit		**2,356,246**	1,742,028
Selling and marketing expenses	*7*	**(1,940,402)**	(1,419,510)
General and administrative expenses	*7*	**(523,035)**	(381,270)
Other losses, net	*8*	**(32,253)**	(7,276)
Operating loss		**(139,444)**	(66,028)
Finance costs, net	*10*	**(6,824)**	(11,245)
Share of (losses)/profits of investments accounted for using the equity method	*16*	**(1,776)**	1,439
Loss before income tax		**(148,044)**	(75,834)
Income tax credits/(expenses)	*11*	**9,648**	(179)
Loss for the year		**(138,396)**	(76,013)
Loss attributable to:			
– Equity holders of the Company		**(137,088)**	(75,469)
– Non-controlling interests		**(1,308)**	(544)
		(138,396)	(76,013)
Loss per share attributable to equity holders of the Company (expressed in RMB per share)			
– Basic and diluted	*12*	**(0.14)**	(0.08)

Consolidated Statement of Comprehensive Income

	Note	Year ended December 31, 2018 RMB'000	2017 RMB'000
Loss for the year		**(138,396)**	(76,013)
Other comprehensive income/(loss):			
Items that may be subsequently reclassified to profit or loss			
Currency translation differences		**572**	(275)
Total comprehensive loss for the year		**(137,824)**	(76,288)
Total comprehensive loss attributable to:			
– Equity holders of the Company		**(136,652)**	(75,609)
– Non-controlling interests		**(1,172)**	(679)
Total comprehensive loss for the year		**(137,824)**	(76,288)

The notes on pages 84 to 185 are integral parts of these consolidated financial statements.

The consolidated financial statements on pages 77 to 185 were approved for issue by the Board of Directors on March 25, 2019 and were signed on its behalf.

ZHENG Zhihao
Executive Director and Chief Executive Officer

SHI Kangping
Chief Financial Officer

Consolidated Statement of Financial Position

	Note	As at December 31, 2018 RMB'000	2017 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	*14*	**30,910**	31,795
Intangible assets	*15*	**5,390,766**	5,608,223
Investments accounted for using the equity method	*16*	**37,297**	39,073
Financial assets at fair value through profit or loss	*18*	**38,801**	32,801
Deferred income tax assets	*19*	**4,142**	3,497
		5,501,916	5,715,389
Current assets			
Inventories	*20*	**13,472**	3,646
Accounts receivables	*21*	**324,587**	311,000
Prepayments, deposits and other receivables	*22*	**1,315,251**	875,487
Financial assets at fair value through profit or loss	*18*	**384,716**	963,139
Cash and cash equivalents	*23*	**1,536,456**	1,170,130
		3,574,482	3,323,402
Total assets		**9,076,398**	9,038,791
EQUITY			
Share capital	*28*	**130**	–
Reserves	*29*	**6,156,971**	5,838,285
Accumulated losses		**(455,152)**	(318,064)
Equity attributable to equity holders of the Company		**5,701,949**	5,520,221
Non-controlling interests		**4,599**	11,062
Total equity		**5,706,548**	5,531,283

Consolidated Statement of Financial Position

	Note	As at December 31, 2018 RMB'000	2017 RMB'000
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities	*19*	**196,997**	221,776
Current liabilities			
Borrowings	*24*	**600,000**	–
Financial liabilities at fair value through profit or loss	*25*	**358,005**	–
Accounts payables	*26*	**295,195**	331,198
Other payables, accruals and other liabilities	*27*	**1,904,830**	2,932,551
Current income tax liabilities		**14,823**	21,983
		3,172,853	3,285,732
Total liabilities		**3,369,850**	3,507,508
Total equity and liabilities		**9,076,398**	9,038,791

The notes on pages 84 to 185 are integral parts of these consolidated financial statements.

Consolidated Statement of Changes in Equity

	Note	Attributable to equity holders of the Company					
		Share capital RMB'000	Reserves RMB'000	Accumulated losses RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
As at January 1, 2018		–	5,838,285	(318,064)	5,520,221	11,062	5,531,283
Comprehensive loss							
Loss for the year		–	–	(137,088)	(137,088)	(1,308)	(138,396)
Other comprehensive loss							
– Currency translation differences		–	436	–	436	136	572
Total comprehensive loss		–	436	(137,088)	(136,652)	(1,172)	(137,824)
Transactions with equity holders of the Company							
Share issued pursuant to the Reorganization	*28*	130	–	–	130	–	130
Settlement of the purchase consideration for the acquisition of Beijing Weige Shidai	*31*	–	156,400	–	156,400	–	156,400
Share-based compensation expenses		–	161,850	–	161,850	–	161,850
Liquidation/Disposal of subsidiaries		–	–	–	–	(5,291)	(5,291)
Total transactions with equity holders of the Company		130	318,250	–	318,380	(5,291)	313,089
As at December 31, 2018		130	6,156,971	(455,152)	5,701,949	4,599	5,706,548

Consolidated Statement of Changes in Equity

	Note	Attributable to equity holders of the Company					
		Share capital RMB'000	Reserves RMB'000	Accumulated losses RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
As at January 1, 2017		–	274,344	(259,942)	14,402	–	14,402
Comprehensive loss							
Loss for the year		–	–	(75,469)	(75,469)	(544)	(76,013)
Other comprehensive loss							
– Currency translation differences		–	(140)	–	(140)	(135)	(275)
Total comprehensive loss		–	(140)	(75,469)	(75,609)	(679)	(76,288)
Transactions with equity holders of the Company							
Capital injection from equity holders		–	500,000	–	500,000	–	500,000
Professional service fee related to equity financing		–	(16,000)	–	(16,000)	–	(16,000)
Business combinations	*31*	–	4,667,820	–	4,667,820	7,170	4,674,990
Share-based compensation expenses		–	184,542	–	184,542	–	184,542
Contribution from equity holders		–	257,142	–	257,142	–	257,142
Non-controlling interests arising from business combinations	*31*	–	–	–	–	6,171	6,171
Transaction with non-controlling interests	*31*	–	(8,400)	–	(8,400)	(1,600)	(10,000)
Termination of conversion right of convertible bonds		–	(21,023)	17,347	(3,676)	–	(3,676)
Total transactions with equity holders of the Company		–	5,564,081	17,347	5,581,428	11,741	5,593,169
As at December 31, 2017		–	5,838,285	(318,064)	5,520,221	11,062	5,531,283

The notes on pages 84 to 185 are integral parts of these consolidated financial statements.

Consolidated Statement of Cash Flows

	Note	Year ended December 31, 2018 RMB'000	2017 RMB'000
Cash flows from operating activities			
Cash (used in)/generated from operations	*32*	**(1,089,308)**	1,082,932
Interest paid		**(10,259)**	–
Income tax paid		**(25,299)**	(8,876)
Net cash (used in)/generated from operating activities		**(1,124,866)**	1,074,056
Cash flows from investing activities			
Purchases of property, plant and equipment	*14*	**(11,992)**	(25,748)
Purchases of intangible assets	*15*	**(2,462)**	–
Payments for business combinations, net of cash acquired	*31*	**–**	(103,516)
Payments for financial assets at fair value through profit or loss	*18*	**(3,240,747)**	(10,755,000)
Proceeds from disposals of financial assets at fair value through profit or loss	*18*	**3,805,113**	9,827,563
Interest received		**4,072**	1,991
Payment for investments accounted for using the equity method	*16*	**–**	(25,334)
Disposal of subsidiaries		**(11,745)**	–
Net cash generated from/(used in) investing activities		**542,239**	(1,080,044)
Cash flows from financing activities			
Repayment of convertible bonds		**–**	(400,000)
Proceeds from issuance of financial liabilities at fair value through profit or loss	*25*	**350,011**	–
Proceeds from capital injection		**131**	500,000
Payment for professional service fee related to equity financing		**–**	(16,000)
Proceeds from short-term borrowings	*24*	**600,000**	–
Acquisition of additional equity interests in non-wholly owned subsidiaries		**–**	(10,000)
Liquidation of a subsidiary		**(1,078)**	–
Net cash generated from financing activities		**949,064**	74,000
Net increase in cash and cash equivalents		**366,437**	68,012
Cash and cash equivalents at beginning of year		**1,170,130**	1,102,226
Exchange losses on cash and cash equivalents		**(111)**	(108)
Cash and cash equivalents at end of year		**1,536,456**	1,170,130

The notes on pages 84 to 185 are integral parts of these consolidated financial statements.

Notes to the Consolidated Financial Statements

1 GENERAL INFORMATION, REORGANIZATION AND BASIS OF PRESENTATION

1.1 General information

Maoyan Entertainment (formerly known as Entertainment Plus and then Maoyan Entertainment Plus) (the "Company") was incorporated in the Cayman Islands on December 8, 2017 as an exempted company with limited liability under the Companies Law (Cap. 22, Law 3 of 1961 as consolidated and revised) of the Cayman Islands. The address of the Company's registered office is Walkers Corporate Limited, Cayman Corporate Centre, 27 Hospital Road, George Town, Grand Cayman KY1-9008, Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries, including structured entities (collectively, the "Group"), are principally engaged in the provision of online entertainment ticketing, entertainment content services, e-commerce services, advertising services and others (the "Listing Business") to users in the People's Republic of China (the "PRC").

The financial statements for the year ended December 31, 2018 are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated. The financial statements for the year ended December 31, 2018 have been approved for issue by the Company's board of directors (the "Board") on March 25, 2019.

1.2 History and reorganization of the Group

History of the Group

Prior to the incorporation of the Company and the completion of the spin-off arrangement as described below, part of the Listing Business related to local deal, ticketing and seat reservation services for movie theatre (the "Online Movie Ticketing Business"), was operated through a business unit of Meituan Dianping.

On May 27, 2015, Tianjin Maoyan Weying Cultural Media Co., Ltd. ("Tianjin Maoyan Weying") was incorporated under the laws of the PRC by Mr. WANG Xing and Mr. MU Rongjun, who are also founders of Meituan Dianping. The initial funding for Tianjin Maoyan Weying's incorporation was contributed by Meituan Dianping from its accumulated general working capital.

On April 20, 2016, Mr. WANG Xing and Mr. MU Rongjun transferred their respective equity interests in Tianjin Maoyan Weying to Shanghai Sankuai Technology Co., Ltd. ("Shanghai Sankuai Technology") and Beijing Sankuai Technology Co., Ltd. ("Beijing Sankuai Technology"), both of which are directly owned by Mr. WANG Xing and Mr. MU Rongjun respectively. Shanghai Sankuai Technology and Beijing Sankuai Technology are operating entities controlled by Meituan Dianping under separate sets of contractual arrangements. Upon completion of the equity transfer, Shanghai Sankuai Technology and Beijing Sankuai Technology held 68% and 32% equity interests in Tianjin Maoyan Weying respectively. Their equity interest were further diluted upon increase in capital contributed by limited partnerships for employee incentive plan (the "ESOP Platforms").

In April 2016, Meituan Dianping entered into a spin-off agreement with Tianjin Maoyan Weying, pursuant to which the Online Movie Ticketing Business, including relevant management and employees as well as operating assets and liabilities previously owned by Meituan Dianping were transferred to Tianjin Maoyan Weying (the "Spin-off"). The Spin-off was completed on July 31, 2016.

1 GENERAL INFORMATION, REORGANIZATION AND BASIS OF PRESENTATION *(continued)*

1.2 History and reorganization of the Group *(continued)*

On May 27, 2016, Shanghai Enlight Investment Holding Co., Ltd. ("Enlight Investment") and Beijing Enlight Media Co., Ltd. ("Enlight Media", a company listed on Shenzhen Stock Exchange and controlled by Mr. WANG Changtian through Enlight Investment) entered into equity purchase agreement with Shanghai Sankuai Technology and Beijing Sankuai Technology, pursuant to which (i) Enlight Investment acquired a 28.8% equity interests in Tianjin Maoyan Weying from Beijing Sankuai for a consideration of 176,016,506 shares of Enlight Media owned by Enlight Investment, and acquired a 9.6% equity interests in Tianjin Maoyan Weying from Shanghai Sankuai Technology for a consideration of approximately RMB800 million; (ii) Enlight Media acquired a 19% equity interests in Tianjin Maoyan Weying from Shanghai Sankuai Technology at a consideration of RMB1,583 million. As a result, Enlight Media and Enlight Investment, collectively, held 57.40% equity interests in Tianjin Maoyan Weying. On August 25, 2017, Enlight Investment further acquired a 19.7% equity interests in Tianjin Maoyan Weying from Shanghai Sankuai Technology at a consideration of RMB1,776 million.

On September 20, 2017, Enlight Investment transferred 11.1% equity interests it held in Tianjin Maoyan Weying to Enlight Media at the consideration of RMB999,900,000, after which, Tianjin Maoyan Weying were held by Enlight Investment, Enlight Media, Shanghai Sankuai Technology and ESOP Platforms as to 47.0%, 30.1%,12.9% and 10.0%, respectively.

On September 21, 2017, Linzhi Lixin Technology Co., Ltd. ("Linzhi Lixin"), an entity designated by Tencent Holdings Ltd ("Tencent") to hold interest in the Company and Beijing Weying Shidai Technology Co., Ltd ("Beijing Weying Shidai") entered into a capital increase agreement with Tianjin Maoyan Weying, pursuant to which, Linzhi Lixin and Beijing Weying Shidai agreed to subscribe for 6.6% and 27.6% equity interests of Tianjin Maoyan Weying, respectively ("Tencent and Beijing Weying Transaction"). As such, Linzhi Lixin and Beijing Weying Shidai transferred the entire equity interest of their respective wholly-owned subsidiaries Shenzhen Ruihai Fangyuan Technology Co., Ltd. ("Ruihai Fangyuan"), and Beijing Weige Shidai Entertainment Technology Co., Ltd ("Beijing Weige Shidai") to Tianjin Maoyan Weying as the consideration of Tencent and Beijing Weying Transaction. The Tencent and Beijing Weying Transaction was completed at September 25, 2017.

On October 25, 2017, Linzhi Lixin entered into an equity purchase agreement with Enlight Investment to acquire a 2.5% equity interests in Tianjin Maoyan Weying at a consideration of RMB500 million. On the same date, Linzhi Lixin and Tianjin Maoyan Weying entered into a capital increase agreement, pursuant to which, Linzhi Lixin agreed to subscribe for an additional 2.4% equity interests of Tianjin Maoyan Weying at consideration of RMB500 million. Upon completion of the equity purchase agreement and capital increase agreement, Enlight Investment, Enlight Media, Shanghai Sankuai Technology, Linzhi Lixin, Beijing Weying Shidai and ESOP Platforms (the "Registered Shareholders") held 27.80%, 19.35%, 8.27%, 11.23%, 26.92% and 6.43% of the equity interest of Tianjin Maoyan Weying respectively.

1 GENERAL INFORMATION, REORGANIZATION AND BASIS OF PRESENTATION *(continued)*

1.2 History and reorganization of the Group *(continued)*

Reorganization

Immediately prior to the Reorganization (as defined below) and during the years ended December 31, 2018 and 2017, the Listing Business was primarily operated by Tianjin Maoyan Weying and its subsidiaries mainly comprising of Beijing Maoyan Cultural Media Co., Ltd. ("Beijing Maoyan"), Tianjin Maoyan Pictures Co., Ltd. ("Maoyan Pictures"), Beijing Weige Shidai, Tianjin Maoyan Enterprise Management & Consulting Co., Ltd. ("Maoyan Enterprise"), Ruihai Fangyuan, and Tianjin Maoyan Live Technology Co., Ltd. ("Maoyan Live JV") (collectively, the "Operating Entities'') and controlled by the Registered Shareholders.

In preparation for the initial public offering and listing of the Company's shares on the Main Board of the Stock Exchange of Hong Kong Limited, the Group underwent a reorganization (the "Reorganization") of the corporate structure of the companies now comprising the Group.

The steps of the Reorganization mainly involved the following:

On December 8, 2017, the Company was incorporated in the Cayman Islands as an exempted company with limited liability. Upon incorporation, the Company issued one ordinary share with a par value of U.S.$0.0001 to the initial subscriber and subsequently transferred such share to Vibrant Wide Limited ("Vibrant Wide"), a company incorporated in British Virgin Islands ("BVI") and wholly-owned by Mr. WANG Changtian.

On December 12, 2017, Maoyan Entertainment (BVI) Ltd. ("Maoyan Entertainment BVI") was incorporated in the British Virgin Islands as a limited liability company and a direct wholly-owned subsidiary of the Company.

On January 4, 2018, Maoyan Entertainment (HK) Limited ("Maoyan Entertainment HK") was incorporated in Hong Kong as a direct wholly-owned subsidiary of Maoyan Entertainment BVI.

On February 5, 2018, Maoyan Entertainment HK established Tianjin Maoyan Weying Technology Co., Ltd. (the "WFOE") under the laws of PRC as its wholly-owned foreign enterprise in the PRC.

On July 20, 2018, the Company, Tianjin Maoyan Weying and offshore investment vehicles of Tianjin Maoyan Weying's shareholders (namely Vibrant Wide, Hong Kong Pictures International Limited, a company wholly-owned by Enlight Media, Rhythm Brilliant Limited, a company wholly-owned by Mr. ZHENG Zhihao, Inspired Elite Investments Limited, a company wholly-owned by Meituan Dianping, Weying (BVI) Limited, a company wholly-owned by Beijing Weying Shidai, and Image Flag Investment (HK) Limited, a company wholly-owned by Tencent, (collectively, the "Offshore Shareholders") and the Registered Shareholders entered into a share purchase agreement, pursuant to which, the Offshore Shareholders agreed to subscribe certain number of shares of the Company to substantially reflect the rights, obligations and shareholdings in Tianjin Maoyan Weying held by the respective Registered Shareholders.

1 GENERAL INFORMATION, REORGANIZATION AND BASIS OF PRESENTATION *(continued)*

1.2 History and reorganization of the Group *(continued)*

Reorganization *(continued)*

Pursuant to a series of contractual agreements dated July 20, 2018 (collectively, the "Contractual Arrangements") between the WFOE, the Operating Entities and the Registered Shareholders, the WFOE is able to effectively control, recognize and receive substantially all the economic benefit of the business and operations of the Operating Entities to the extent permitted by the PRC laws and regulations. Accordingly, the Operating Entities are treated as controlled structured entities of the Company and consolidated by the Company. Further details of the Contractual Arrangements are set out in Note 2.2.1 below.

Upon completion for the Reorganization, the Company became the ultimate holding company of the companies now comprising the Group.

1.3 Basis of presentation

Immediately prior to the Reorganization, the Listing Business has been conducted through the Operating Entities and controlled by the Registered Shareholders. Pursuant to the Reorganization, both the Operating Entities and the Listing Business are under the effective control of the WFOE and ultimately the Company through the Contractual Arrangement. The Company and the newly incorporated companies have not been involved in any other business prior to the Reorganization and do not meet the definition of a business. The Reorganization is merely a reorganization of the Listing Business with no change in management of such business and the ultimate owners of the Listing Business remain substantially the same. Accordingly, the Group resulting from the Reorganization is regarded as a continuation of the Listing Business conducted through the Company and the consolidated financial statements of the companies now comprising the Group have been prepared on a consolidated basis and is presenting using the respective carrying value of the Listing Business for all periods presented.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by International Accounting Standards Board ("IASB") and requirements of the Hong Kong Companies Ordinance Cap. 622.

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities at fair value through profit or loss, which are carried at fair value.

The preparation of the consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4 below.

(a) Application of IFRS 9 and IFRS 15

IFRS 9 "Financial Instruments" addresses the classification, measurement and recognition of financial assets and financial liabilities, and introduces new rules of hedge accounting and a new impairment model for financial assets. The standard is effective for annual periods beginning on or after January 1, 2018 and earlier application is permitted.

IFRS 15, "Revenue from contracts with customers" replaces the previous revenue standards IAS 18 "Revenue" and IAS 11 "Construction Contracts" and related interpretations. The standard is effective for annual periods beginning on or after January 1, 2018 and earlier application is permitted.

The Group has elected to apply IFRS 9 and IFRS 15 consistently throughout the years ended December 31, 2018 and 2017.

(b) The new or revised standards, amendments and interpretations to existing standards, which are mandatory for the financial year beginning on 1 January 2018, are either currently not relevant to the Group or had no material impact on the Group's consolidated financial statements.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.1 Basis of preparation *(continued)*

(c) New standards and interpretations not yet adopted

Standards, amendments and interpretations that have been issued but not yet effective on January 1, 2018 and not been early adopted by the Group are as follows:

		Effective for annual periods beginning on or after
IFRS 16	Leases	January 1, 2019
IFRIC 23	Uncertainty over Income Tax Treatments	January 1, 2019
IFRS 10 and IAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
IAS 28 (Amendments)	Long-term Interests in Associates and Joint Ventures	January 1, 2019
Amendments to IFRS	Annual Improvements to IFRSs 2015-2017 Cycle	January 1, 2019
IAS 19 (Amendments)	Plan Amendment, Curtailment or Settlement	January 1, 2019
IFRS 9 (Amendments)	Prepayment Features with Negative Compensation	January 1, 2019
IFRS 17	Insurance Contracts	January 1, 2021
IFRS 3 (Amendments)	Definition of a Business	January 1, 2020
Amendments to IAS 1 and IAS 8 (Amendments)	Definition of Material	January 1, 2020

None of these amendments and interpretations is expected to have a significant effect on the consolidated financial statements of the Group, except for the following as set out below:

IFRS 16 Leases

Nature of change

IFRS 16 was issued in January 2016. It will result in almost all leases being recognized on the balance sheet by lessees, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognized. The only exceptions are short-term and low-value leases.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.1 Basis of preparation *(continued)*

(c) ***New standards and interpretations not yet adopted*** (continued)

IFRS 16 Leases *(continued)*

Impact

The Group has set up a project team which has reviewed all of the Group's leasing arrangements over the last year in light of the new lease accounting rules in IFRS 16. The standard will affect primarily the accounting for the Group's operating leases.

As at December 31, 2018, the Group has non-cancellable operating lease commitments of RMB43,369,000, see Note 33. Of these commitments, approximately RMB1,878,000 relate to short-term leases and RMB72,000 to low value leases which will both be recognized on a straight-line basis as expense in profit or loss.

For the remaining lease commitments, the Group expects to recognize right-of-use assets of approximately RMB37,846,000 on 1 January 2019, lease liabilities of RMB37,846,000 (after adjustments for prepayments and accrued lease payments recognized as at 31 December 2018). Overall, net current assets will be RMB10,909,000 lower due to the presentation of a portion of the liability as a current liability.

The Group expects that net profit after tax will decrease by approximately RMB861,000 for 2019 as a result of adopting the new rules. Adjusted EBITDA is expected to increase by approximately RMB12,281,000, as the operating lease payments were included in EBITDA, but the amortization of the right-of-use assets and interest on the lease liability are excluded from this measure.

Operating cash flows will increase and financing cash flows decrease by approximately RMB11,133,000 as repayment of the principal portion of the lease liabilities will be classified as cash flows from financing activities.

The Group does not have activities as a lessor and hence does not impact on the financial statements. However, some additional disclosures will be required from next year.

Date of adoption by the Group

The Group will apply the standard from its mandatory adoption date of 1 January 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. Right-of-use assets for property leases will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.2 Subsidiaries

2.2.1 Consolidation

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Intercompany transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. When necessary, amounts reported by subsidiaries have been adjusted to conform to the Group's accounting policies.

(a) Subsidiaries controlled through Contractual Arrangements

As described in Note 1.2, the WFOE, has entered into the Contractual Arrangements with Tianjin Maoyan Weying and its Registered Shareholders, which enable the WFOE and the Group to:

- Exercise effective control over the Operating Entities;

- Exercise equity holders' voting rights of the Operating Entities;

- Receive substantially all of the economic interests and returns generated by the Operating Entities in consideration for the technical support, consulting and other services provided exclusively by the WFOE, at the WFOE's discretion;

- Obtain an irrevocable and exclusive right to purchase all equity interests in Tianjin Maoyan Weying from its Registered Shareholders at a nominal consideration unless the relevant government authorities request that another amount be used as the purchase consideration and in which case the purchase consideration shall be such amount. Where the purchase consideration is required by the relevant government authorities to be an amount other than a nominal amount, the Registered Shareholders of Tianjin Maoyan Weying shall return the amount of purchase consideration they have received to the WFOE. At the WFOE's request, the Registered Shareholders of Tianjin Maoyan Weying will promptly and unconditionally transfer their respective equity interests of Tianjin Maoyan Weying to the WFOE (or its designee within the Group) after the WFOE exercises its purchase right;

- Obtain pledges over the entire equity interests in Tianjin Maoyan Weying from its Registered Shareholders to secure, among others, performance of their obligations under the Contractual Arrangement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.2 Subsidiaries *(continued)*

2.2.1 Consolidation (continued)

(a) Subsidiaries controlled through Contractual Arrangements *(continued)*

The Group does not have any equity interest in the Operating Entities. However, as a result of the Contractual Arrangement, the Group has rights to variable returns from its involvement with the Operating Entities and has the ability to affect those returns through its power over the Operating Entities and is considered to control the Operating Entities. Consequently, the Company regards the Operating Entities as controlled structure entities and consolidated the financial position and results of operations of these entities in the consolidated financial statements of the Group during the years ended December 31, 2018 and 2017.

Nevertheless, there are still uncertainties regarding the interpretation and application of current and future PRC laws and regulations. The Directors of the Group, based on the advice of its legal counsel, consider that the use of Contractual Arrangements does not constitute a breach of relevant laws and regulations.

(b) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognized in the consolidated statement of comprehensive income. The fair value is the initial carrying amount for purpose of subsequently accounting for the retained interest as an associate, a joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. It means that amounts previously recognized in other comprehensive income are reclassified to the consolidated statement of comprehensive income or transferred to another category of equity as specified/permitted by applicable IFRSs.

(c) Business Combinations

Except for the Reorganization, the acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the Group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.2 Subsidiaries *(continued)*

2.2.1 Consolidation *(continued)*

(c) Business Combinations *(continued)*

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognizes any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the

- consideration transferred,
- amount of any non-controlling interest in the acquired entity,
- acquisition-date fair value of any previous equity interest in the acquired entity, and

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognized directly in profit or loss as a bargain purchase.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognized in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognized in profit or loss.

(d) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.2 Subsidiaries *(continued)*

2.2.2 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.2.3 Joint arrangements

The Group has applied IFRS 11 to all joint arrangements. Under IFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its certain investments in movie production and determined them to be joint operations. The Group recognizes its direct right to the assets, liabilities, revenue and expenses of joint operations and its share of any jointly held or incurred assets, liabilities, revenue and expenses. These have been incorporated in the financial statements under the appropriate headings. Details of the revenue recognition related to investments in movie production classified as joint operation are set out in Note 2.22.1(b) (ii).

2.3 Associates

An associate is an entity over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights.

Investments in associates

Investments in associates are accounted for using the equity method of accounting in accordance with IAS 28. Under the equity method, the investment is initially recognized at cost, and the carrying amount is increased or decreased to recognize the investor's share of the profit or loss of the investee and the share of other comprehensive income of the investee after the date of acquisition. Dividends received or receivable from associates are recognized as a reduction in the carrying amount of the investment. The Group's investments in these associates include goodwill identified on acquisition, net of any accumulated impairment loss. Upon the acquisition of the ownership interest in an associate, any difference between the cost of the associate and the Group's share of the net fair value of the associate's identifiable assets and liabilities is accounted for as goodwill.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognized in other comprehensive income is reclassified to consolidated statement of comprehensive income where appropriate.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.3 Associates *(continued)*

Investments in associates *(continued)*

The Group's share of the associates' post-acquisition profit or loss is recognized in the consolidated statement of comprehensive income, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investments in the associate are impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount adjacent to "share of profits/(losses) of investments accounted for using the equity method" in the consolidated statement of comprehensive income.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognized in the Group's consolidated financial statements only to the extent of unrelated investor's interests in the associates. Unrealized losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Gain or losses on dilution of equity interest in associates are recognized in the consolidated statement of comprehensive income.

2.4 Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The functional currency of the Company is USD. The Company's primary subsidiary were incorporated in the PRC and these subsidiaries considered RMB as their functional currency. As the major operations of the Group are within the PRC, the Group determined to present its consolidated financial statements in RMB (unless otherwise stated).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.4 Foreign currency translation *(continued)*

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognized in profit or loss.

Foreign exchange gains and losses that relate to cash and cash equivalents are presented in the consolidated statement of comprehensive income, within finance costs.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognized in the consolidated statement of financial position as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as fair value through other comprehensive income ("FVOCI"), are included in other comprehensive income.

(iii) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency of RMB are translated into the presentation currency as follows:

- Assets and liabilities for each consolidated statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

- Income and expenses for each consolidated statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

- All resulting currency translation differences are recognized as a separate component of other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to other comprehensive income. When a foreign operation is sold, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Currency translation differences arising are recognized in other comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.5 Property, plant and equipment

All property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the profit or loss during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives as follows:

Computer equipment	3 years
Office equipment	3-5 years
Leasehold improvements	the shorter of their useful lives and the lease terms

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognized in "Other losses, net" in the consolidated statement of comprehensive income.

2.6 Intangible assets

(i) Goodwill

Goodwill arises on the acquisition of subsidiaries represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identified net assets acquired.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognized immediately as an expense and is not subsequently reversed.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.6 Intangible assets *(continued)*

(ii) Trademarks

Separately acquired trademarks are shown at historical cost. Trademarks acquired in a business combination are recognized at fair value at the acquisition date. Trademarks have a finite useful life and are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method to allocate the cost of trademarks over their estimated useful lives of 10 years. The Group determined the acquired trademark (Note 31) to have a useful life of 10 years based on the brand awareness of acquiree and the best estimate of the Group.

(iii) Software

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized on a straight-line method over their estimated useful lives of 3-10 years. Considering this acquired software licenses are well-developed off the shelf software, there is no contractual term of these software license, and the Group can use the software as long as it can meet the Group's business needs. Based on the current functionalities equipped by this software and the daily operation needs, the Group considers a useful life of 3-10 years is the best estimation under current business needs.

(iv) Business cooperation agreement

Business cooperation agreement represents platform agreement with Tencent. It has a finite life and is carried at cost less accumulated amortization. Amortization is calculated using the straight-line method over its estimated useful life of 5 years.

(v) Contractual customer relationship

Contractual customer relationships acquired in a business combination are recognized at fair value at the acquisition date. The contractual customer relations have a finite useful life and are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method over the expected life of 10-15 years. The Group determined the acquired contractual customer relationship (Note 31) to have a useful life of 10 to 15 years based on the rule-of-thumb approach, considering the increase rate of revenue from these customers and customer churn rate, to determine the estimated benefit period of the contractual customer relationship.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.7 Impairment of non-financial assets

Intangible assets that have an indefinite useful life or intangible assets not ready to use are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGU). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.8 Non-current assets (or disposal groups) held for sale

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

An impairment loss is recognized for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognized for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognized. A gain or loss not previously recognized by the date of the sale of the non-current asset (or disposal group) is recognized at the date of derecognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortized while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognized.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the balance sheet.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.9 Financial assets

2.9.1 Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and

- those to be measured at amortized cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI.

See Note 17 for details of each type of financial assets.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

2.9.2 Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss and presented in "other losses, net" together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidated statement of comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.9 Financial assets *(continued)*

2.9.2 Measurement *(continued)*

Debt instruments *(continued)*

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in "other losses, net". Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in "other losses, net" and impairment losses are presented as separate line item in the consolidated statement of comprehensive income.

- FVPL: Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognized in profit or loss and presented net within "other losses, net" in the period in which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognized in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognized in "other losses, net" in the consolidated statement of comprehensive income as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.9 Financial assets *(continued)*

2.9.3 Impairment

The Group has types of financial assets subject to IFRS 9's new expected credit loss model:

- Accounts receivables
- Other receivables
- Cash and cash equivalents

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For accounts receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables.

Impairment on other receivables is measured as either 12-month expected credit losses or lifetime expected credit loss, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses. To manage risk arising from cash and cash equivalents, the Group only transacts with state-owned or reputable financial institutions. There has been no recent history of default in relation to these financial institutions.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the reversal of the previously recognized impairment loss is recognized in profit or loss. Impairment testing of accounts receivables is described in Note 21.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.9 Financial assets *(continued)*

2.9.4 Derecognition

Financial assets

The Group derecognizes a financial asset, if the part being considered for derecognition meets one of the following conditions: (i) the contractual rights to receive the cash flows from the financial asset expire; or (ii) the contractual rights to receive the cash flows of the financial asset have been transferred, the Group transfers substantially all the risks and rewards of ownership of the financial asset; or (iii) the Group retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to the eventual recipient in an agreement that meets all the conditions of de-recognition of transfer of cash flows ("pass through" requirements) and transfers substantially all the risks and rewards of ownership of the financial asset.

Where a transfer of a financial asset in its entirety meets the criteria for derecognition, the difference between the two amounts below is recognized in profit or loss:

– the carrying amount of the financial asset transferred; and

– the sum of the consideration received from the transfer and any cumulative gain or loss that has been recognized directly in equity.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognize the asset to the extent of its continuing involvement and recognizes an associated liability.

Other financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged, canceled, 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 recognized in profit or loss.

2.9.5 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet where the Group currently has a legally enforceable right to offset the recognized amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The Group has also entered into arrangements that do not meet the criteria for offsetting but still allow for the related amounts to be set off in certain circumstances, such as bankruptcy or the termination of a contract.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.10 Inventories

Inventories consist primarily of side-line merchandise for sale, and are stated at the lower of cost, using the weighted average method, or net realisable value. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.11 Accounts receivables

Accounts receivables are amounts due from customers for services performed or inventories sold in the ordinary course of business. If collection of trade and notes receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. Otherwise, they are presented as non-current assets.

Accounts receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. See Note 2.9.3 for a description of the Group's impairment policy for accounts receivables.

2.12 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

2.13 Share capital

Ordinary shares are classified as equity. Preferred shares are classified as equity if, and only if they represent the residual interest in the assets of the Company after deducting all its liabilities (i.e., no contractual obligation to deliver cash, another financial asset or a variable number of the Company's own equity instruments).

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.14 Accounts payables

Accounts payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Accounts payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.15 Borrowings

Borrowings are initially recognized at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

2.16 Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. Other borrowing costs are expensed in the period in which they are incurred.

2.17 Convertible bonds

Compound financial instruments issued by the Group comprise convertible bonds that can be converted to ordinary shares of the Company at the option of the holders, and the number of shares to be issued does not vary with changes in their fair value.

The liability component of a compound financial instrument is recognized initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognized initially at the difference between the fair value of the compound financial instruments as a whole and the fair value of the liability component, which is included in shareholders' equity in reserves. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition except on conversion or expiry.

The liability component of a convertible instrument is classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.18 Financial liabilities at fair value through profit or loss

During the years ended December 31, 2018 and 2017, the Group issued a convertible bond to an investor. Upon the Company lists on the Main Board of the Stock Exchange ("Listing"), the principal amount and the accrued but unpaid interest of the convertible bond shall be mandatorily and automatically converted into the Company's shares at the initial public offering price per share in connection with the Listing.

Pursuant to IFRS 9, the convertible bond is accounted for in their entirety as financial liabilities through profit and loss, with fair value changes reflected in FVPL within the consolidated statement of comprehensive income, except for the portion attributable to credit risk change that should be charged to other comprehensive income. Accordingly, the embedded conversion features do not require future evaluation, bifurcation, and separate accounting as the change in fair value of embedded features is reflected in the change in fair value in the compound instrument under such "whole instrument" approach. Issue costs that are directly attributable to the issue of the instruments, designated as financial liabilities at fair value through profit or loss, are recognized immediately in the consolidated statement of comprehensive income.

The instrument are classified as non-current liabilities unless the Group has an obligation to settle the liability within 12 months after the end of the reporting period.

2.19 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognized in the consolidated statement of comprehensive income, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of each reporting period in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.19 Current and deferred income tax *(continued)*

(b) Deferred income tax

Inside basis differences

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of each reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associates. Only when there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference in the foreseeable future, deferred tax liability in relation to taxable temporary differences arising from the associate's undistributed profits is not recognized.

Deferred income tax assets are recognized on deductible temporary differences arising from investments in subsidiaries, associates only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.20 Employee benefits

(a) Employee leave entitlements

Employee entitlements to annual leave are recognized when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period. Employee entitlements to sick and maternity leave are not recognized until the time of leave.

(b) Pension obligations

The Group contributes on a monthly basis to various defined contribution plans organised by the relevant governmental authorities. The Group's liability in respect of these plans is limited to the contributions payable in each period. Contributions to these plans are expensed as incurred and not reduced by contributions forfeited by those employees who leave the plan prior to vesting fully in the contributions. Assets of the plans are held and managed by government authorities and are separated from those of the Group.

(c) Share-based benefits of the Group

The Group operates several equity-settled share-based compensation plans (including share option scheme and share award scheme), under which the Group receives service from its employees in exchange for the equity instruments of the Group. As disclosed in Note 30, during the years ended December 31, 2018 and 2017, Tianjin Maoyan Weying granted equity-settled share options to certain employees ("2016 ESOP"), which is subsequently terminated as a result of the adoption of the Pre-IPO Share Option Scheme, Post-IPO Share Option Scheme, RSU Scheme and Restricted Share Agreement (collectively, the "ESOP Plan") of the Company. The fair value of the employee service received in exchange for the grant of share options is recognized as an expense. The total amount to be expensed is determined by reference to the fair value of the equity instruments granted:

- Including any market performance conditions (e.g., the entity's share price);

- Excluding the impact of any service and non-market performance vesting conditions (e.g., profitability, sales growth targets and remaining an employee of the entity over a specified time period); and

- Including the impact of any non-vesting conditions (e.g., the requirement for employees to save or holdings shares for a specific period of time).

Non-market performance and service conditions are included in assumptions about the number of equity instruments that are expected to vest. The total expense is recognized over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognizing the expense during the period between service commencement period and grant date.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.20 Employee benefits *(continued)*

(c) Share-based benefits of the Group (continued)

The grant by the Company of its equity instruments to the employees of its subsidiaries is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognized over the vesting period as an increase to investments in subsidiaries, with a corresponding credit to equity in the parent entity accounts.

Where there is any modification of terms and conditions which increases the fair value of the equity instruments granted, the Group includes the incremental fair value granted in the measurement of the amount recognized for the services received over the remainder of the vesting period. The incremental fair value is the difference between the fair value of the modified equity instrument and that of the original equity instrument, both estimated as at the date of the modification. An expense based on the incremental fair value is recognized over the period from the modification date to the date when the modified equity instruments vest in addition to any amount in respect of the original instrument, which should continue to be recognized over the remainder of the original vesting period. Furthermore, if the entity modifies the terms or conditions of the equity instruments granted in a manner that reduces the total fair value of the share-based payment arrangement, or is not otherwise beneficial to the employee, the entity shall nevertheless continue to account for the services received as consideration for the equity instruments granted as if that modification had not occurred (other than a cancellation of some or all the equity instruments granted).

At the end of each period, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting and service conditions. It recognizes the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

2.21 Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognized for further operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.22 Revenue recognition

Revenue is measured when or as the control of the goods or services is transferred to a customer. Depending on the terms of the contract and the laws that apply to the contract, control of the goods and services may be transferred over time or at a point in time. Control of the goods and services is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer; or
- creates and enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the goods and services transfers over time, revenue is recognized over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. The Group use the output methods to measure the progress towards, recognizing revenue based on direct measurements of the value transferred to the customer. Otherwise, revenue is recognized at a point in time when the customer obtains control of the goods and services.

Contracts with customers may include multiple performance obligations. For such arrangements, the Group allocates revenue to each performance obligation based on its relative standalone selling price. The Group generally determines standalone selling prices based on the prices charged to customers. If the standalone selling price is not directly observable, it is estimated using expected cost plus a margin or adjusted market assessment approach, depending on the availability of observable information. Assumptions and estimations have been made in estimating the relative selling price of each distinct performance obligation, and changes in judgements on these assumptions and estimates may impact the revenue recognition.

When either party to a contract has performed, the Group presents the contract in the statement of financial position as a contract assets or a contract liability, depending on the relationship between the entity's performance and the customer's payment.

A contract asset is the Group's right to consideration in exchange for goods and services that the Group has transferred to a customer. A receivable is recorded when the Group has an unconditional right to consideration. A right to consideration is unconditional if only the passage of time is required before payment of the consideration is due.

If a customer pays consideration or the Group has a right to an amount of consideration that is unconditional, before the Group transfers a good or service to the customer, the Group presents the contract liability when the payment is made or a receivable is recorded (whichever is earlier). A contract liability is the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due from the customer).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.22 Revenue recognition *(continued)*

2.22.1 The accounting policy for the Group's revenue sources

The Group principally derives revenue from movie services, merchandising and membership business, advertising business and other entertainment services.

(a) Online entertainment ticketing service

Online entertainment ticketing service consist primarily of online movie ticketing as well as entertainment event ticketing service.

(i) Online movie ticketing

The Group provides an e-commerce platform that enables cinemas to sell their movie tickets to users through the platform. Users can select cinemas, movies, order the seats and pay for the tickets through the Group's platform. The Group identifies cinemas as the customers for the online movie ticking services.

Revenue from online movie ticking services is recognized on a net basis as the Group is not regarded as the primary obligor and not responsible for film shown and hasn't the ability to determine the pricing of the tickets. The Group only receives commission fee from the cinemas.

The payments from users are cancellable and refundable before the films are shown. The Group initially recorded the payments from the users as other payables and recognizes commission revenue when the films are shown.

The Group offers ticket refund and exchange services on the platform for some cinemas and receive extra service fee from cinemas. The payments arising from ticket refund and exchange are non-refundable. Revenue is recognized when the cinemas complete the ticket refund and exchange for users.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.22 Revenue recognition *(continued)*

2.22.1 The accounting policy for the Group's revenue sources (continued)

(a) Online entertainment ticketing service *(continued)*

(ii) Online entertainment event ticketing

The Group offers ticketing services for entertainment events, such as concerts, live performances, exhibitions and sports events on its platform. Subject to the capabilities of the theaters and other venues, the Group provides online seat area selection for certain entertainment events.

The Group works with event promoters including theaters and other venues. Tickets are sold on the Group's platform at the face value determined by the event promoters. The Group provides the event promoters with convenient and stable ticketing system and managerial assistance through the system.

The Group identifies theaters and other venues as the customers for online entertainment event ticketing services.

Ticket refund and exchange, as well as the extra service fee, are subject to the terms and conditions made by the event promoters. If events are cancelled or postponed, the event promoters will refund the value of the ticket prices to our users through the Group, and the event promoters are responsible for any expenses, liability claims, disputes and litigation resulting from such cancellation.

Revenue is recognized on a net basis as the Group is not regarded as the primary obligor and not responsible for the event and does not take inventory risk. The Group only receives commission fee from the theaters and other venues.

The Group initially recorded the payments from the users as other payables and recognizes commission revenue when the events are started.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.22 Revenue recognition *(continued)*

2.22.1 The accounting policy for the Group's revenue sources (continued)

(b) Entertainment content services

The Group operates an integrated platform to provide entertainment content services, including distribution, promotion to production, for various entertainment formats including movies, entertainment events, TV series, web series, web movies and variety shows.

(i) Movie distribution and promotion services

The Group offers movie distribution and promotion services for content producers which are identified as customers for the Group. Movie distribution and promotion carried out by the Group include tailored audience incentive programs, promotion campaign in cooperation with movie fans club, movie presale and test screenings.

Since the Group normally has the ability to determine the pricing of the services and has take responsibility for monitoring the quality of services provided and to negotiate the service terms, the Group is regarded as the primary obligor and recognizes revenue from movie distribution and promotion services on a gross basis.

Revenue from distribution and promotion is generated from the following sources: (i) a fixed-amount distribution cost as payment for the Group's distribution and promotion expenses, which is normally deducted from box office proceeds prior to payments to movie producers; and (ii) a distribution fee which can be either a fixed amount or a percentage of the movie, after deducting all necessary costs and expenses for production and distribution.

Revenue from distribution and promotion is recognized over the movie schedule according to the process of box office revenue. The Group uses the output methods to measure the progress towards, recognizing revenue based on direct measurements of the value transferred to the producers. Accounts receivable is recorded when revenue is recognized due to the Group has an unconditional right to consideration.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.22 Revenue recognition *(continued)*

2.22.1 The accounting policy for the Group's revenue sources (continued)

(b) Entertainment content services *(continued)*

(ii) Movies production/investment

As a co-producer, the Group provides market-oriented advice to the production crew on the shooting and edition processes, leveraging the Group's big data analytical capabilities and extensive experience of movie distribution and promotion, and makes capital investment in the production.

When the Group involves and participates in the determination of idea origination, production crew, cast selection, shooting, post-production with other co-producers and determine distribution and promotion plan as distributor for the movies, and when the key relevant activities of the movie production are discussed and jointly determined by the Company and other producers, the arrangement is considered in substance as a joint operation. As a result, the Company shall recognize the share of revenue and cost of the movies based on our own interest percentage on the relevant movies according to the accounting policy disclosed in Note 2.2.3 Joint arrangements. Therefore, revenue from this type of movie production/investment arising from the revenue share of the movie, based on the interest percentage owned by the Group, is recognized over the movie screening period according to the box office (on a gross basis), and the relevant investment cost of such movies (also representing the cost of the movies shared to the Group) is recognized and presented as cost of revenue in the same pattern of the aforesaid revenue recognition.

When the Group is not involved in the determination of idea origination, production crew and cast selection, shooting and post-production but only participates in the distribution and promotion. The Group is not considered to be involved in the movie production process and the main purpose of the investment in the movies is to obtain the distribution right of the movies from the movie production companies and to earn the distribution fee. Given that distribution services are provided by the Group to the producers/movie production companies, and the investment in the relevant movie made by the Group is also paid to the same producer/movie production company, such investment cost is considered as in substance a consideration payable to a customer of the Group, and as a result, such investment cost shall be accounted for as a reduction of revenue. Therefore, revenue from this type of investment in movie projects arising from the revenue share of the movie, based on the interest percentage owned by the Group, is recognized over the movie screening period according to the box office, after the reduction of the Group's investment cost (on a net basis).Accounts receivables are recorded when revenue recognized due to the Group has an unconditional right to consideration.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.22 Revenue recognition *(continued)*

2.22.1 The accounting policy for the Group's revenue sources (continued)

(c) E-commerce services

The Group's platform offers online ordering of in-cinema food and beverage, sale of IP-centric movie merchandise and movie ticket membership subscriptions for the cinemas. Users can order the food, beverage and others and pay for it through the Group's platform in advance.

The varieties and price of food, beverage and other items are determined by the individual cinemas. The Group also acts as agent in the transaction and only earns pre-agreed commission revenue from cinemas. Revenue from e-commerce services is recognized on a net basis as the Group is not regarded as the primary obligor.

The payments from users are cancellable and refundable before the users enjoy the goods or services. The Group initially records the payments from the users as other payables and recognizes commission revenue when the users enjoy the goods and services.

(d) Advertising services and others

The Group provides advertising services to advertisers in both the movie industry and other industries. During the years ended December 31, 2018 and 2017, the Group provides advertising services to advertisers as well as advertising agencies.

The Group also provides other advertising services, including advertisements incorporated into the entertainment content in the form of news feeds and articles published through the official accounts across several social media platform, as well as various offline marketing resources such as cinemas, movie roadshows, and cross-industry advertisement cooperation.

Advertising revenue mainly comprise revenue derived from displaying advertisements on its platform. The Group recognizes the revenue on a straight-line basis over the contracted period with customers in which the advertisements are displayed.

Since the Group has the ability to determine the pricing of the advertising services and to take responsibility for monitoring the quality of advertising services provided and to negotiate the service terms, the Group is regarded as the primary obligor and recognizes revenue from advertising on a gross basis.

Advertisers usually pay the advertisement after the display is completed. The Group records accounts receivables when the revenue recognized since the Group has unconditional rights to payments of advertising services which are due according to the contract terms.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.22 Revenue recognition *(continued)*

2.22.1 The accounting policy for the Group's revenue sources (continued)

(e) The transaction price allocated to the performance obligations that are unsatisfied, or partially unsatisfied, has not been disclosed, as substantially all of the Group's contracts have a duration of 1 year or less.

2.23 Interest income

Interest income is recognized on a time proportion basis, taking into account of the principal outstanding and the effective interest rate over the period to maturity, when it is determined that such income will accrue to the Group.

2.24 Government grants

Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognized in the statement of comprehensive income over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to the statement of comprehensive income on a straight-line basis over the expected lives of the related assets.

2.25 Leases

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

2.26 Research and development expenses

Research expenditure is recognized as an expense as incurred.

Costs incurred on development projects (relating to the design and testing of new or improved products) are capitalized as intangible assets when recognition criteria are fulfilled and tests for impairment are performed annually. Other development expenditures that do not meet those criteria are recognized as expenses as incurred. Development costs previously recognized as expenses are not recognized as assets in subsequent periods. Capitalized development costs are amortized from the point at which the assets are ready for use on a straight-line basis over their estimated useful lives.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.27 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the steering committee that makes strategic decisions.

2.28 Dividend distribution

Dividend distribution to the Company's shareholders is recognized as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, fair value interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Risk management is carried out by the senior management of the Group.

(a) Market risk

(i) Foreign exchange risk

The Group's businesses are principally conducted in RMB, which is exposed to foreign currency risk with respect to transactions denominated in currencies other than RMB. Foreign exchange risk arises from recognized assets and liabilities and net investments in foreign operations. The Group did not enter into any forward contract to hedge its exposure to foreign currency risk for the years ended December 31, 2018.

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

(a) ***Market risk*** *(continued)*

(i) **Foreign exchange risk** *(continued)*

The following table shows the Group's foreign currency denominated monetary assets and liabilities (in RMB equivalent):

	Currency denomination	As at December 31, 2018 RMB'000	2017 RMB'000
Cash and cash equivalents		44,463	1,377
	USD	42,625	–
	HKD	1,838	1,367
	MYR	–	10
Accounts receivables	HKD	161	220
Other receivables	HKD	233	–
		44,857	1,597
Accounts payables	HKD	4	1
Other payables		1,881	214
	USD	1,573	–
	HKD	308	214
Financial liabilities at fair value through profit or loss	USD	358,005	–
		359,890	215

The Group may experience a loss as a result of any foreign currency exchange rate fluctuations in connection with monetary assets shown above. The Group has not used any means to hedge the exposure.

As at December 31, 2018, if RMB had weakened/strengthened by 5% against the USD with all other variables held constant, loss for the December 31, 2018 would have been approximately RMB15,848,000 higher/lower, mainly as a result of foreign exchange losses/gains on translation of USD-denominated cash in banks and financial liabilities. The impact of exchange fluctuations of HKD is not significant as at December 31, 2018 and 2017.

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

(a) Market risk (continued)

(ii) Fair value interest rate risk

The Group's interest rate risk arises from interest-bearing bank deposits and bank borrowings. Bank borrowings issued at variable rates expose the Group to cash flow interest rate risk. Bank borrowings at fixed rates expose the Group to fair value interest rate risk.

Other than interest-bearing bank deposits, the Group has no other significant interest-bearing assets. The directors of the Company do not anticipate there is any significant impact to interest-bearing assets resulted from the changes in interest rates, because the interest rates of bank deposits are not expected to change significantly. As at December 31, 2018 the Group's interest-bearing borrowings at fixed rates were as follows:

	As at December 31,	
	2018	2017
	RMB'000	RMB'000
Borrowings at fixed rate	**600,000**	–

If the fixed interest rate on borrowings had been higher/lower by 50 basis points with all other variables held constant, the fair value of the borrowings would have changed mainly as a result of higher/lower interest expenses of RMB3,000,000 on fixed rate borrowings.

(iii) Price risk

The Group is exposed to price risk in respect of the long-term investments and short-term investments measured at fair value through profit or loss held by the Group. The Group is not exposed to commodity price risk. To manage its price risk arising from the investments, the Group diversifies its portfolio. Each investments managed by senior management on a case by case basis.

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

(b) Credit risk

The Group is exposed to credit risk primarily in relation to its cash and equivalents placed with banks and financial institutions, investment in wealth management products, as well as accounts receivables and other receivables. The carrying amount of each class of the above financial assets represents the Group's maximum exposure to credit risk in relation to the corresponding class of financial assets.

To manage risk arising from cash and cash equivalents and investment in wealth management products, the Group only transacts with state-owned or reputable financial institutions in mainland China. There has been no recent history of default in relation to these financial institutions.

The Group has large number of customers and there was no concentration of credit risk. The Group has monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverability of these receivables at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following indicators are incorporated:

- internal credit rating
- external credit rating
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the customer's ability to meet its obligations

The Group applies the simplified approach to provide for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all accounts receivables. As at December 31, 2018 and 2017, the loss allowance provision for accounts receivables is disclosed in Note 21.

For other receivables, management makes periodic collective assessments as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experience. The directors of the Company believe that there is no material credit risk inherent in the Group's outstanding balance of other receivables.

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

(c) Liquidity risk

The Group aims to maintain sufficient cash and cash equivalents and marketable securities. Due to the dynamic nature of the underlying businesses, the Group maintains flexibility in funding by maintaining adequate cash and cash equivalents.

The table below analyses the Group's financial liabilities into relevant maturity grouping based on the remaining period at the end of each reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Total RMB'000
As at December 31, 2018				
Accounts payables	295,195	–	–	295,195
Other payables, accruals and other liabilities (excluding advance, accrual for payroll and welfare allowances and other taxes payable)	1,806,341	–	–	1,806,341
Financial liabilities at fair value through profit or loss	368,020	–	–	368,020
Borrowings	621,174	–	–	621,174
	3,090,730	–	–	3,090,730
As at December 31, 2017				
Accounts payables	331,198	–	–	331,198
Other payables, accruals and other liabilities (excluding advance, accrual for payroll and welfare allowances and other taxes payable)	2,843,851	–	–	2,843,851
	3,175,049	–	–	3,175,049

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.2 Capital management

The Group's objectives on managing capital are to safeguard the Group's ability to continue as a going concern and support the sustainable growth of the Group in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to enhance equity holders' value in the long term.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt calculated as total borrowings less cash and cash equivalents, and liquid investment which are financial assets held at fair value through profit or loss. Total capital is calculated as "equity" as shown in the consolidated statement of financial position plus net debts. As at December 31, 2018, the Group has a net cash position.

3.3 Fair value estimation

The table below analyses the Group's financial instruments carried at fair value as at December 31, 2018 by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);

- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2); and

- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

Notes to the Consolidated Financial Statements

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.3 Fair value estimation *(continued)*

The following table presents the Group's assets and liabilities that are measured at fair value as at December 31, 2018.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets at fair value through profit or loss				
Investments in wealth management products	–	–	276,269	276,269
Investment in movies and TV series	–	–	108,447	108,447
Unlisted investments	–	–	38,801	38,801
	–	–	423,517	423,517
Financial liabilities at fair value through profit or loss	–	–	358,005	358,005

The following table presents the Group's assets that are measured at fair value as at December 31, 2017.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets at fair value through profit or loss				
Investments in wealth management products	–	–	963,139	963,139
Unlisted investments	–	–	32,801	32,801
	–	–	995,940	995,940

The fair value of financial instruments traded in active markets is determined based on quoted market prices at the end of the reporting period. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.3 Fair value estimation *(continued)*

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required for evaluating the fair value of a financial instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs are not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

- Dealer quotes for similar instruments;
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves; and
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for financial instruments.

During the years ended December 31, 2018 and 2017, there was no transfer between level 1 and 2 for recurring fair value measurements.

Valuation processes of the Group (Level 3)

The Group has a team of personnel who performs valuation on these level 3 instruments for financial reporting purposes. On an annual basis, the team adopts various valuation techniques to determine the fair value of the Group's level 3 instruments.

The components of the level 3 instruments mainly include investments in wealth management products, investment in movies and TV series, unlisted equity interest in companies and financial liabilities at fair value through profit or loss. As these instruments are not traded in an active market, their fair values have been determined using various applicable valuation techniques, including discounted cash flows approach and comparable transactions approach, etc. Major assumptions used in the valuation include historical financial results, assumptions about future growth rates, estimates of weighted average cost of capital (WACC), recent market transactions, discount for lack of marketability and other exposure etc. The fair value of these instruments determined by the Group requires significant judgement, including the likelihood of non-performing by the investee company, financial performance of the investee company, market value of comparable companies as well as discount rate, etc.

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.3 Fair value estimation *(continued)*

Valuation processes of the Group (Level 3) *(continued)*

The investment in wealth management products mainly represent the investments in wealth management products issued by banks in the PRC with non-guaranteed principal and floating return of investment. The Group used discounted cash flows approach to the fair value of the financial product as at period end. Due to the short period and low expected return rate ranging from 1.55% to 4.66% per annum, the Group considered the fair value of financial product approximately to the cost.

The investment in movies and TV series mainly represent the investments in certain movies and TV series that the Group is not considered to be involved in the movie production process or as the distributor. The Group used discounted cash flows approach to evaluate the fair value of the investment in movies and TV series as at period end. The fair value of most investments is approximate to the cost and relevant fair value gain/loss are minimal because these movies and TV series were in the early stage of production and it has not been a long time since the Group's investments in them, and a certain amount of the investments which will be broadcasted in the near future had recognized RMB8,400,000 as fair value gain in this period (Note 18(b)).

The investment in unlisted investments represent the investment in certain privately owned companies. Three of the investees were incorporated in 2017, the other two investees were acquired with the acquisition of Beijing Weige Shidai (Note 31) on September 25, 2017. The Group used discounted cash flows approach to evaluate the fair value of the unlisted investments as at December 31, 2018 with a fair value approximate to book value as all of them are in the early stage of operation with stable future cash flow estimation since last fair value compared with last assessment.

On July 24, 2018, the Company issued a convertible bond in the principal amount of USD50,955,200 (equivalent to approximately RMB350,011,000) with 5% interest rate per annum and maturity date on July 28, 2019. The convertible bonds would be classified as a financial liability and designated as financial liabilities at fair value through profit or loss (Note 25). The initial value of the financial liability of approximately RMB350,011,000 was calculated using a market interest rate and the expect Listing date. The financial liability is subsequently stated at fair value until conversion or maturity of the bond. The changes of the fair value was recognized to the consolidated statement of comprehensive income.

If the fair values of financial assets and liabilities at fair value through profit or loss held by the Group had been 10% higher/lower, the loss before income tax for the year ended December 31, 2018 would have been approximately RMB6,551,000 (2017: RMB99,594,000) lower/higher.

The carrying amounts of the Group's financial assets and liabilities including cash and cash equivalents, accounts receivables and other receivables, accounts payables, other payables and borrowings approximate to their fair values due to their short maturities.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

Management of the Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

(a) Recoverability of non-financial assets

The Group tests annually whether goodwill has suffered any impairment. The recoverable amount of a CGU is determined based on value-in-use calculations which require the use of assumptions. The calculations use cash flow projections based on financial budgets approved by management covering a five/seven-year period. Cash flows beyond the five/seven-year period are extrapolated using the estimated growth rates. These growth rates are consistent with forecasts included in industry reports specific to the industry in which each CGU operates. Details of impairment charge, key assumptions which are made by the management and third-party valuer and impact of possible changes in key assumptions are disclosed in Note 15. Based on assessment, the management and directors of the Company are of the view that there is no impairment of goodwill as at December 31, 2018.

Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts have been determined based on value-in-use calculations or fair value less costs to sell. These calculations require the use of judgments and estimates.

Judgement is required to determine key assumptions adopted in the valuation models for impairment review purpose. Changing the assumptions selected by management in assessing impairment could materially affect the result of the impairment test and as a result affect the Group's financial condition and results of operations. If there is a significant adverse change in the key assumptions applied, it may be necessary to take additional impairment charge to the consolidated statement of comprehensive income.

(b) Useful lives and amortization charges of intangible assets

The Group's management determines the estimated useful lives and related amortization charges for the Group's intangible assets with reference to the estimated periods that the Group intends to derive future economic benefits from the use of these assets. Management will revise the amortization charges where useful lives are different to that of previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives. Periodic review could result in a change in depreciable lives and therefore amortization expense in future periods.

The current estimated useful lives are stated in Note 2.6. If the estimated amortization lives of trademarks, software, business cooperation agreement and contractual customer relationship had been increased/decreased by 10%, the amortization expenses of intangible assets would have been decreased/increased by approximately RMB12,273,000 and RMB14,989,000 for the year ended December 31, 2018 (2017: RMB4,096,000 and RMB5,006,000).

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(continued)*

(c) Current and deferred income taxes

The Group is subject to income taxes in the PRC and other jurisdictions. Judgment is required in determining the provision for income taxes in each of these jurisdictions. There are transactions and calculations during the ordinary course of business for which the ultimate tax determination is uncertain. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made.

The Group considers whether it is probable that the relevant authority will accept each tax treatment, or group of tax treatments, that it used or plans to use in its income tax filing, by assuming taxation authority will examine those amounts and will have full knowledge of all relevant information. When the Group concludes that it is probable that a particular tax treatment is accepted, the Group determines taxable profit/(tax loss), tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatment included in its income tax filings. If the Group concludes that it is not probable that a particular tax treatment is accepted, the Group uses the most likely amount or the expected value of the tax treatment when determining taxable profit/(tax loss), tax bases, unused tax losses, unused tax credits and tax rates. The Group assesses its judgements and estimates if facts and circumstances change.

Deferred income tax assets relating to certain temporary differences and tax losses are recognized when management considers it is probable that future taxable profits will be available against which the temporary differences or tax losses can be utilized. When the expectation is different from the original estimate, such differences will impact the recognition of deferred income tax assets and taxation charges in the period in which such estimate is changed.

(d) Recognition of share-based compensation expenses

The fair value of options is determined by the Black-Scholes option-pricing model at the grant date, and is expected to be expensed over the respective vesting period. Significant estimate on assumptions, including underlying equity value, risk-free interest rate, expected volatility, dividend yield, and terms, are made by the directors and third-party valuer.

(e) Revenue recognition

(i) Revenue from movie promotion services

For the year ended December 31, 2018, the Group recognized revenue from movie promotion services of RMB476,914,000 (2017: RMB542,222,000).

The Group offers movie promotion services to movie production companies. Determining whether the Group is acting as a principal or as an agent in the provision of movie promotion services to its customers requires judgment and consideration of all relevant facts and circumstances. In evaluation of the Group's role as a principal or agent, the Group considers individually or in combination, whether (a) the Group is primarily responsible for fulfilling the promise to provide the promotion service and has full discretion to determine the promotion plan; (b) the Group bears certain inventory risk, and (c) the Group has discretion in establishing the price.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(continued)*

(e) Revenue recognition *(continued)*

(i) Revenue from movie promotion services (continued)

Primarily responsible for fulfilling the promise to provide the promotion service and full discretion to determine the promotion plan

The Group normally is responsible for the overall promotion strategy (including the determination to adopt a targeted audience incentive plan and how to plan and execute the plan), fulfilling the promise in the contract, carrying out the promotion task and monitoring the quality of services. Thus, the Group is primarily responsible for fulfilling the promise to provide the promotion service.

When the Group offers movie promotion services to movie production companies, the movie production companies are identified as its customers. The Group remains its full discretion to determine the promotion plan when the Group is engaged to be a distributor or not.

The movie promotion services provided for movies typically include running targeted audience incentive programs, diversified promotion campaigns, movie pre-sale and test-screenings. The Group enters into separate agreement with movie production companies for design and delivery of promotion services during a specific period for each movie. The Group has full discretion to plan how, where, when and to who to launch the promotion activities (including the plan and execution of the online targeted audience incentive programs and offline promotion campaigns and etc.) and it can modify its promotion plan based on market response from time to time. The customers can benefit from the box office revenue when the target consumers are being attracted by its promotion activities provided and then pay to watch the movie in the cinema. The more effective the promotion activities are, the better the box office performance is expected to be.

Retention of inventory risk

The Group is responsible for the promotion activities and it needs to pay for the preparation costs and the cost of making advertising materials, as well as the staff costs (including those staff prepare online targeted audience incentive plan). The Group does not have unconditional right to all the revenue until it has provided the services to the customers. From this perspective, the Group bears certain inventory risk.

Price establishment

The Group has discretion in establishing the price for the promotional services with production companies and have ability to negotiate the service terms and pricing separately with its selected subcontractors. Thus, it has discretion in establishing the price.

As a result the Group considers it is appropriate to recognize the payment from its customers (movie production companies), for the purpose of the reimbursement of its movie distribution and promotion cost, as its revenue on gross basis.

Notes to the Consolidated Financial Statements

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(continued)*

(e) Revenue recognition *(continued)*

(ii) Revenue from movie production/investment

As disclosed in Note 2.22.1(b)(ii), the Group sometimes participates in movie production as a co-producer to make investment in the movie and may earn return on the box office. Determining whether the investment is considered in substance a joint operation requires judgment and consideration of all relevant facts and circumstances. When the Group involves and participates in the determination of idea origination, production crew, cast selection, shooting, post-production with other co-producers and determine distribution and promotion plan as distributor for the movies, and when the key relevant activities of the movie production are discussed and jointly determined by the Company and other producers, the arrangement is considered in substance as a joint operation.

5 SEGMENT INFORMATION

The Group's business activities, for which discrete financial statements are available, are regularly reviewed and evaluated by the chief operating decision-makers.

As a result of this evaluation, the executive directors of the Group consider that the Group's operations are operated and managed as a single segment; accordingly no segment information is presented.

The Company is domiciled in the Cayman Islands while the Group mainly operates its businesses in the PRC and earns substantially all of the revenue from external customers in the PRC.

As at December 31, 2018, substantially all of the non-current assets were located in the PRC.

6 REVENUE

	Year ended December 31,	
	2018	2017
	RMB'000	RMB'000
Online entertainment ticketing	**2,280,238**	1,490,037
Entertainment content services	**1,068,615**	852,299
E-commerce services	**195,849**	127,229
Advertising services and others	**210,257**	78,417
Total revenue	**3,754,959**	2,547,982

6 REVENUE *(continued)*

	Year ended December 31,	
	2018	2017
	RMB'000	RMB'000
Revenue at a point in time	**2,476,087**	1,617,266
Revenue over time	**1,278,872**	930,716
Total revenue	**3,754,959**	2,547,982

	Year ended December 31,	
	2018	2017
	RMB'000	RMB'000
Revenue on a net basis	**2,477,840**	1,617,969
– *Online entertainment ticketing (Note(a))*	**2,280,238**	1,490,037
– *E-commerce services (Note(a))*	**195,849**	127,229
– *Entertainment content services (Note(b))*	**1,753**	703
Revenue on a gross basis	**1,277,119**	930,013
– *Entertainment content services (Note(b))*	**1,066,862**	851,596
– *Advertising services and others (Note(b))*	**210,257**	78,417
Total revenue	**3,754,959**	2,547,982

(a) As disclosed in Note 2.22.1 (a) and (c), revenue from online entertainment ticketing services and e-commerce services are recognized on a net basis.

(b) As disclosed in Note 2.22.1 (b) and (d), revenue from entertainment content services (which include user incentive funded by business partners and promotional payments when engaged by movie producer as a distributor) and advertising services are recognized on a gross basis, except that certain investments in movie production projects are recognized on a net basis (Note 2.22.1 (b)(ii)).

7 EXPENSES BY NATURE

	Year ended December 31,	
	2018	2017
	RMB'000	RMB'000
Marketing and promotion expenses	**1,738,629**	1,289,594
Ticketing system cost	**545,664**	393,531
Staff costs excluding share options granted to directors and employees *(Note 9)*	**390,771**	248,533
Content distribution and promotion cost	**269,812**	126,558
Internet infrastructure cost	**193,054**	136,761
Share options granted to directors and employees *(Note 9)*	**161,850**	184,542
Amortization of intangible assets *(Note15)*	**137,704**	45,058
Content production cost	**136,305**	59,798
Listing expenses	**58,233**	2,300
Tax and levies	**30,230**	20,957
Depreciation of property,plant and equipment *(Note 14)*	**10,869**	3,465
Auditors' remuneration	**3,562**	200
Provision for impairment of accounts receivables *(Note 21)*	**2,451**	7,412
Other expenses	**183,016**	88,025
Total cost of revenues, selling and marketing expenses, general and administrative expenses	**3,862,150**	2,606,734

(a) During the years ended December 31, 2018, the Group incurred expenses for the purpose of research and development of approximately RMB214,421,000 (2017: RMB143,970,000), which comprised employee benefits expenses of RMB211,443,000 (2017: RMB143,441,000).

No significant development expenses had been capitalised for the year ended December 31, 2018 (2017: Nil).

8 OTHER LOSSES, NET

	Year ended December 31,	
	2018	2017
	RMB'000	RMB'000
Impairment of goodwill arising from the acquisition of Beijing Jietong Wuxian Technology Co., Ltd. ("Jietong Wuxian") *(Note 15)*	**(62,763)**	(46,931)
Fair value gain on financial assets at fair value through profit or loss *(Note 18)*	**26,950**	25,702
Fair value loss on financial liabilities at fair value through profit or loss *(Note 25)*	**(7,994)**	–
Government subsidies	**9,872**	20,382
Losses on disposal of property, plant and equipment	**–**	(6,274)
Gains from disposal of subsidiaries	**3,832**	–
Others	**(2,150)**	(155)
	(32,253)	(7,276)

9 EMPLOYEE BENEFIT EXPENSES

	Year ended December 31,	
	2018	2017
	RMB'000	RMB'000
Wages, salaries and bonuses	**300,734**	197,482
Share-based compensation expenses	**161,850**	173,284
Welfare, medical and other expenses *(Note (a))*	**54,869**	31,626
Contributions to pension plans *(Note (a))*	**35,168**	19,425
Share-based compensation transaction with shareholders *(Note (b))*	**–**	11,258
	552,621	433,075

9 EMPLOYEE BENEFIT EXPENSES *(continued)*

(a) Majority of the Group's contributions to pension plans are related to the local employees in the PRC. All local employees of the subsidiaries in the PRC participate in employee social security plans established in the PRC, which cover pension, medical and other welfare benefits. The plans are organised and administered by the governmental authorities. Except for the contributions made to these social security plans, the Group has no other material commitments owing to the employees. According to the relevant regulations, the portion of premium and welfare benefit contributions that should be borne by the companies within the Group as required by the above social security plans are principally determined based on percentages of the basic salaries of employees, subject to certain ceilings imposed. These contributions are paid to the respective labour and social welfare authorities and are expensed as incurred. The applicable percentages used to provide for these social security plans for years ended December 31, 2018 and 2017 are listed below:

	Percentage
Pension insurance	12%-20%
Medical insurance	3%-10.5%
Unemployment insurance	0.5%-0.9%
Housing fund	5%-12%

(b) On July 31, 2016, Meituan Dianping completed the disposal of its Online Movie Ticketing Business. As a result of the disposal, Meituan Dianping modified previously awarded share options and restricted shares units under their incentive share plan not yet vested and held by the employee of the Group, by allowing them to vest for one additional year. For those awards that had a remaining original vesting period greater than one year, this incremental portion that will not vest were cancelled and recognized as expensed as compensation cost on July 31, 2016 accordingly. This transaction was treated as share-based payment transactions with shareholder and the related share-based payment expenses were recognized in profit or loss of the Group in accordance with "IFRS 2 – Share-based payment".

Notes to the Consolidated Financial Statements

9 EMPLOYEE BENEFIT EXPENSES *(continued)*

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group include 1 director for the year ended December 31, 2018 (2017: 1), whose emoluments are reflected in the analysis shown in Note 39. The emoluments payable to the remaining 4 individuals during year ended December 31, 2018 (2017: 4) are as follows:

	Year ended December 31,	
	2018 **RMB'000**	2017 RMB'000
Wages, salaries and bonuses	**7,809**	5,931
Contributions to pension plans	**193**	202
Share-based compensation expenses	**41,532**	38,745
Welfare, medical and other expenses	**257**	255
	49,791	45,133

The emoluments fell within the following bands:

	Number of individuals	
	Year ended December 31,	
	2018	2017
Emolument bands		
Nil – HKD5,000,000	**–**	–
HKD5,000,001 – HKD10,000,000	**3**	3
HKD10,000,001 – HKD20,000,000	**1**	–
HKD20,000,001 – HKD30,000,000	**–**	1
HKD30,000,001 – HKD70,000,000	**–**	–
HKD70,000,001 – HKD110,000,000	**–**	–
HKD110,000,001 – HKD130,000,000	**–**	–

During the year ended December 31, 2018, no director or the five highest paid individuals received any emolument from the Group as an inducement to join or upon joining the Group, leave the Group or as compensation for loss of office (2017: same).

10 FINANCE COSTS, NET

	Year ended December 31,	
	2018	2017
	RMB'000	RMB'000
Finance income:		
– Interest income from bank deposits	**4,072**	1,991
Finance costs:		
– Interest expense on convertible bonds	**–**	(13,236)
– Interest expense on bank borrowings	**(10,896)**	–
Finance costs, net	**(6,824)**	(11,245)

11 INCOME TAX (CREDITS)/EXPENSES

	Year ended December 31,	
	2018	2017
	RMB'000	RMB'000
Current income tax	**12,769**	13,900
Deferred income tax *(Note 19)*	**(22,417)**	(13,721)
Income tax (credits)/expenses	**(9,648)**	179

11 INCOME TAX (CREDITS)/EXPENSES *(continued)*

The tax on the Group's loss before income tax differs from the theoretical amount that would arise using the tax rate of 25% for the years ended December 31, 2018 and 2017,being the tax rate of the major subsidiaries of the Group. The differences are analysed as follows:

	Year ended December 31,	
	2018	2017
	RMB'000	RMB'000
Loss before income tax	**(148,044)**	(75,834)
Less: Share of losses/(profits) of investments accounted for using the equity method	**1,776**	(1,439)
	(146,268)	(77,273)
Tax calculated at a tax rate of 25%	**(36,567)**	(19,318)
Tax effects of:		
– Effects of different tax rates applicable to different subsidiaries of the Group	**(16,370)**	(125,098)
– Expenses not deductible for tax purposes	**33,017**	61,149
– Contribution from equity holder recognized directly in equity *(Note (v))*	**–**	64,286
– Temporary differences not recognized for deferred tax assets	**21,766**	20,275
– Utilisation of tax losses previously not recognized	**(11,494)**	(1,115)
Income tax (credits)/expenses	**(9,648)**	179

(i) Cayman Islands corporate income tax ("CIT")

Under the current laws of Cayman Islands, the Company is not subject to tax on income or capital gain. In addition, upon payments of dividends by the Company to its shareholders, no Cayman Islands withholding tax will be imposed.

(ii) Hong Kong profits tax

Hong Kong profits tax has been provided for at the rate of 16.5% on the estimated assessable profits for the year ended December 31, 2018 (2017: 16.5%).

(iii) PRC corporate income tax

CIT provision was made on the estimated assessable profits of entities within the Group incorporated in the PRC and was calculated in accordance with the relevant regulations of the PRC after considering the available tax benefits from refunds and allowances. The general PRC CIT rate is 25% for the year ended December 31, 2018 (2017: 25%). According to the relevant tax circulars issued by the PRC tax authorities, a subsidiary of the Group is entitled to tax concessions and is exempted from CIT during the period from its incorporation to December 31, 2020.

11 INCOME TAX (CREDITS)/EXPENSES *(continued)*

(iv) BVI income tax

No provision for income tax in BVI has been made as the Group has no income assessable to income tax in BVI for the year ended December 31, 2018 (2017: Nil).

(v) Contribution from equity holder recognized directly in equity

Contribution from equity holder recognized directly in equity came from the exemption of the Company's shareholder, Meituan Dianping on the payables of RMB257,142,000. Such exemption is subject to CIT according to the relevant tax regulation of the PRC.

12 LOSS PER SHARE

(a) Basic loss per share

	Year ended December 31,	
	2018	2017
Loss attributable to equity holders of the Company (RMB'000)	**(137,088)**	(75,469)
Weighted average number of ordinary shares in issue (thousand) *(Note 28)*	**184,551**	184,551
Weighted average number of preferred shares in issue (thousand) *(Note 28)*	**4,831**	4,831
Weighted average number of vested restricted shares in issue (thousand) *(Note 28)*	**2,614**	2,570
Total weighted average number of shares in issue (thousand)	**191,996**	191,952
Share Subdivision (thousand) *(Note (i))*	**959,980**	959,760
Basic loss per share (in RMB)	**(0.14)**	(0.08)

Basic losses per share are calculated by dividing the loss attributable to equity holders of the Company by the weighted average number of ordinary shares in issue, weighted average number of preferred shares in issue and weighted average number of vested restricted shares in issue during the respective years.

(i) On January 11, 2019, the shareholders of the Company resolved that all the issued and unissued ordinary shares and preferred shares were to be redesignated as ordinary shares on a one-for-one basis (the "Redesignation") immediately before Listing. Following the Redesignation, each issued and unissued ordinary share of then par value of USD0.0001 each will be subdivided into five shares of par value of USD0.00002 each (the "Subdivision"). As at February 4, 2019, the Group was listed and the Subdivision has been adjusted retrospectively in the calculation of loss per share as if the Subdivision was effective since the beginning of the year ended December 31, 2017.

12 LOSS PER SHARE *(continued)*

(b) Diluted loss per share

Diluted loss per share is calculated by adjusting the weighted average number of shares outstanding to assume conversion of all dilutive potential shares. For the years ended December 31, 2018 and 2017, the Company had share options granted to employees (Note 30). As the Group incurred losses for the years ended December 31, 2018 and 2017, the potential ordinary shares were not included in the calculation of the diluted loss per share as their inclusion would be anti-dilutive.

Accordingly, diluted losses per share for the years ended December 31, 2018 and 2017 are the same as basic loss per share of the respective years.

13 DIVIDENDS

No dividends have been paid or declared by the Company during the year ended December 31, 2018 (2017: Nil).

14 PROPERTY, PLANT AND EQUIPMENT

	Office equipment RMB'000	Computer equipment RMB'000	Leasehold improvements RMB'000	Total RMB'000
As at January 1, 2017				
Cost	103	3,845	–	3,948
Accumulated depreciation	(8)	(365)	–	(373)
Net book amount	95	3,480	–	3,575
Year ended December 31, 2017				
Opening net book amount	95	3,480	–	3,575
Business combinations *(Note 31)*	10,330	–	124	10,454
Additions	4,298	7,119	16,091	27,508
Disposals	(4,514)	(1,760)	–	(6,274)
Depreciation	(1,383)	(2,007)	(75)	(3,465)
Currency translation differences	(3)	–	–	(3)
Closing net book amount	8,823	6,832	16,140	31,795
As at December 31, 2017				
Cost	14,831	10,964	16,595	42,390
Accumulated depreciation	(6,008)	(4,132)	(455)	(10,595)
Net book amount	8,823	6,832	16,140	31,795
Year ended December 31, 2018				
Opening net book amount	8,823	6,832	16,140	31,795
Additions	3,317	8,675	–	11,992
Disposals of subsidiaries	(1,997)	–	(17)	(2,014)
Depreciation	(2,859)	(4,467)	(3,543)	(10,869)
Currency translation differences	6	–	–	6
Closing net book amount	7,290	11,040	12,580	30,910
As at December 31, 2018				
Cost	10,175	17,879	16,092	44,146
Accumulated depreciation	(2,885)	(6,839)	(3,512)	(13,236)
Net book amount	7,290	11,040	12,580	30,910

14 PROPERTY, PLANT AND EQUIPMENT *(continued)*

Depreciation expenses have been charged to the consolidated statement of comprehensive income as follows:

	Year ended December 31,	
	2018	2017
	RMB'000	RMB'000
Cost of revenue	**4,467**	2,007
Selling and marketing expenses	**71**	183
General and administrative expenses	**6,331**	1,275
	10,869	3,465

15 INTANGIBLE ASSETS

	Goodwill RMB'000	Trademarks RMB'000	Software RMB'000	Business cooperation agreement RMB'000	Customers' relationship RMB'000	Total RMB'000
As at January 1, 2017	–	–	–	–	–	–
Year ended December 31, 2017						
Opening net book amount	–	–	–	–	–	–
Business combinations *(Note 31)*	4,569,254	686,736	24,443	245,111	174,832	5,700,376
Amortization of intangible assets resulting from business combinations	–	(22,938)	(481)	(16,341)	(5,298)	(45,058)
Impairment of goodwill arising from the acquisition of the Jietong Wuxian	(46,931)	–	–	–	–	(46,931)
Currency translation differences	–	–	(164)	–	–	(164)
Closing net book amount	4,522,323	663,798	23,798	228,770	169,534	5,608,223
As at December 31, 2017						
Cost	4,569,254	686,736	24,236	245,111	174,832	5,700,169
Accumulated amortization	–	(22,938)	(438)	(16,341)	(5,298)	(45,015)
Impairment	(46,931)	–	–	–	–	(46,931)
Net book amount	4,522,323	663,798	23,798	228,770	169,534	5,608,223
Year ended December 31, 2018						
Opening net book amount	4,522,323	663,798	23,798	228,770	169,534	5,608,223
Additions	–	–	2,462	–	–	2,462
Disposals of subsidiaries	(7,586)	(2,502)	(9,863)	–	–	(19,951)
Amortization of intangible assets resulting from business combinations	–	(68,535)	(4,108)	(49,022)	(15,894)	(137,559)
Amortization of purchased intangible assets	–	–	(145)	–	–	(145)
Impairment of goodwill arising from the acquisition of the Jietong Wuxian	(62,763)	–	–	–	–	(62,763)
Currency translation differences	–	–	499	–	–	499
Closing net book amount	4,451,974	592,761	12,643	179,748	153,640	5,390,766
As at December 31, 2018						
Cost	4,451,974	683,955	16,005	245,111	174,832	5,571,877
Accumulated amortization	–	(91,194)	(3,362)	(65,363)	(21,192)	(181,111)
Net book amount	4,451,974	592,761	12,643	179,748	153,640	5,390,766

15 INTANGIBLE ASSETS *(continued)*

Amortization expenses have been charged to the consolidated statement of comprehensive income as follows:

	Year ended December 31,	
	2018	2017
	RMB'000	RMB'000
Cost of revenue	**133,451**	44,577
Selling and marketing expenses	**7**	17
General and administrative expenses	**4,246**	464
	137,704	45,058

(a) Goodwill impairment

The goodwill balance mainly arose from the acquisition of 68.55% equity interest in Jietong Wuxian in 2017 from Enlight Media, and the acquisition of 100% equity interests in Beijing Weige Shidai and Ruihai Fangyuan in 2017 (Note 31). Goodwill is attributable to the acquired market share and economies of scale expected to be derived from combining with the operations of the Group.

15 INTANGIBLE ASSETS *(continued)*

(a) Goodwill impairment *(continued)*

The Group carries out its annual impairment test on goodwill by comparing the recoverable amounts of CGU to the carrying amounts. Upon completion of acquisition of Beijing Weige Shidai and Ruihai Fangyuan, the Group integrated the business (including the management, assets, customers, users and systems) of Beijing Weige Shidai and Ruihai Fangyuan with the Group's movie ticketing business in order to improve the operation efficiency. The management considers that the business of Beijing Weige Shidai and Ruihai Fangyuan and the Group's remaining business (excluding Jietong Wuxian, collectively the "Combined business") represents the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets. As a result, the goodwill of RMB117,280,000 was allocated and monitored to the CGU of Jietong Wuxiang and the goodwill of RMB4,451,974,000 arising from the acquisition of Beijing Weige Shidai and Ruihai Fangyuan was allocated and monitored to the CGU of Combined business. The following is a summary of goodwill allocation for each CGU:

	Combined business RMB'000	Jietong Wuxian RMB'000
Year ended December 31, 2017		
Opening	–	–
Additions	4,451,974	117,280
Impairment	–	(46,931)
Closing	4,451,974	70,349
Year ended December 31, 2018		
Opening	**4,451,974**	**70,349**
Impairment	**–**	**(62,763)**
Disposal of Jietong Wuxian	**–**	**(7,586)**
Closing	**4,451,974**	**–**

Impairment review on the goodwill of the Group has been conducted by the management as at December 31, 2018 and 2017. For the purpose of impairment review, the recoverable amount of CGUs is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets prepared by management covering a five/seven-year period. Cash flows beyond the five/seven-year period are extrapolated using the estimated terminal growth rates stated below.

15 INTANGIBLE ASSETS *(continued)*

(a) Goodwill impairment *(continued)*

The key parameters used for value-in-use calculations are as follows:

As at December 31, 2018

	Combined business
Gross margin	58.3%~60.9%
Growth rate of the first five years	13.8%~26.9%
Terminal growth rate	2.4%
Discount rate	19.4%

As at December 31, 2017

	Combined business	Jietong Wuxian
Gross margin	56.9%~61.0%	21.0%~23.0%
Growth rate of the first five years	13.8%~22.3%	7.6%~70.2%
Terminal growth rate	2.5%	2.5%
Discount rate	19.2%	23.5%

The growth rates used do not exceed the industry growth forecast for the market in which the Group operates. The discount rate used is pre-tax and reflects market assessments of the time value and the specific risks relating to the industry. The budgeted gross margin was determined by the management based on past performance and its expectation for market development.

Combined business

Impairment review on the goodwill of the Combined business has been conducted by the management as at December 31, 2018 and 2017. For the purpose of impairment review, the recoverable amount of CGU is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets prepared by management covering a seven-year period.

15 INTANGIBLE ASSETS *(continued)*

(a) Goodwill impairment *(continued)*

Combined business *(continued)*

Under paragraph 33(b) of IAS 36, a period longer than five years can be used projections if it is justifiable, and the management of the Group used a seven-year period, which takes into account the length of the post projection period for the cash flow forecast will be perpetuity, and this shall be achieved by identifying a 'steady state' set of assumptions for the cash flows in the last year of the forecasts and applying a terminal value multiple to those cash flows. Therefore, given the Group expects to maintain an extended high growth rate over a period longer than 5 years, management of the Group considers that the Group's business is expected to reach a steady and stable terminal growth state, which is likely after a seven-year period of gradually declining revenue growth. As a result, management considered that before the projections move into a long term stable period, such momentum of revenue growth during 2019 to 2023 will continue for another two years after 2023, during which the annual revenue growth rate will gradually drop from 13.8% in year 2023 to 11.0% in year 2024 and will further drop to a normal level of 7.3% in year 2025.

Based on the result of the goodwill impairment testing, the estimated recoverable amount of the Combined business far exceeded its carrying amount as at December 31, 2018 and 2017. The management of the Group has not identified that a reasonable possible change in any of the key assumptions that could cause the carrying amount to exceed the recoverable amount.

Based on the result of the goodwill impairment testing, the headroom of the Combined business were RMB11,717,261,000 as at December 31, 2018 (2017: RMB10,378,295,000).

The key assumptions used in the value in use calculations are as follows:

- Revenue is directly related to the value of paid transactions on the Group' platform and box office of the Group's business partners. When predicting revenue, the Group referred to the forecast of China's movie market, as well as the service fee rate and the Group's market share in China.

- For items of cost of revenue that are related to GMV of the Group, the Group referred to current fee rate and GMV projection to project the ticket system cost and internet infrastructure cost.

- The gross margin is determined by the management based on past performance and current market conditions.

- Selling and marketing expenses and general and administrative expenses are based on the Group's structure, business plan and the management's estimates.

- A terminal growth rate of 2.4% has been used in estimating cash flows beyond a period of 7 years.

- The cash flow projections are discounted using a pre-tax discount rate of 19.4%. The discount rate reflects the current market assessments of the time value of money and is based on the estimated cost of capital.

15 INTANGIBLE ASSETS *(continued)*

(a) Goodwill impairment *(continued)*

Combined business *(continued)*

The Group performs the sensitivity analysis based on the assumptions that revenue growth rate or terminal growth rate or the discount rate have been changed. Had the estimated key assumptions during the forecast period been changed as below, the headroom would be decreased to as below:

	As at December 31,	
	2018	2017
	RMB'000	RMB'000
Revenue growth rate decreases by 10%	**6,316,000**	4,720,000
Terminal growth rate decreases by 10%	**11,063,000**	9,794,000
Discount rate increases by 5%	**10,788,000**	9,477,000

Jietong Wuxian

Since Jietong Wuxian's performance began to decline, the Group conducted the impairment review on the goodwill as at December 31, 2017. For the purpose of impairment review, the recoverable amount of CGUs is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets prepared by management covering a five-year period. As a result, an impairment loss of RMB46,931,000 related to the CGU of Jietong Wuxian has been recognized in the consolidated statement of comprehensive income for the year ended December 31, 2017.

On June 30, 2018, the Group entered into an equity interest transfer agreement with Jiang Chunyang, an individual minority shareholder of Jietong Wuxian, for the disposal of 76.6% equity interest in Jietong Wuxian for a consideration of RMB22,000,000. As a result, the recoverable amount of Jietong Wuxian was below the carrying amount of the net assets and an impairment loss of RMB62,763,000 was recognized in the consolidated statement of comprehensive income. The disposal was completed on August 10, 2018.

16 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	Year ended December 31,	
	2018	2017
	RMB'000	RMB'000
At the beginning of the year	**39,073**	–
Additions	**–**	25,334
Business combinations *(Note 31)*	**–**	12,300
Share of (losses)/profits	**(1,776)**	1,439
At the end of the year	**37,297**	39,073

Notes to the Consolidated Financial Statements

16 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD *(continued)*

Set out below are the associates of the Group as at December, 2018, which, in the opinion of the directors, none of the associate was individually significant to the Group. The associates as listed below have capital consisting solely of ordinary shares, which are held directly by the Group. The country of incorporation or registration is also the principal place of business, and the proportion of ownership interest is the same as the proportion of voting rights held.

Company name	Date of incorporation	Registered Capital (RMB'000)	Percentage of ownership interest attributable to the Group As at December 31, 2018	Principal activities and place of operation
Shanghai Chengxin Television Media Co., Ltd. ("Chengxin") (上海橙芯影視傳媒有限公司)	June 7, 2017	3,750	20%	The PRC; Film production and distribution
Shanghai Mila Television Culture Media Co., Ltd. ("Mila") (上海敉辣影視文化傳播有限公司)	August 14, 2017	6,250	20%	The PRC; Film and television culture communication
Beijing Yaoying Movie Distribution Co., Ltd. ("Yaoying") (北京耀影電影發行有限公司)	June 3, 2016	19,600	25%	The PRC; Film distribution
Ningbo Zhenhai Changxiangyuefu Culture Media Co., Ltd. ("Changxiangyuefu") (寧波鎮海唱享樂府文化傳播有限公司)	February 24, 2017	1,000	30%	The PRC; Cultural and artistic communication
Xinjiang Weying Network Technology Co., Ltd. ("Xinjiang Weying") (新疆微影網絡科技有限公司)	August 10, 2018	5,000	30%	The PRC;Movie ticketing services and performance ticketing services

The English names of the associates represent the best effort by the management of the Group in translating their Chinese names as they do not have official English names.

The Group determined that it does not have controlling financial interest in above investees, but rather possesses significant influence. The associates as listed above are private companies and there are no quoted market prices available for their shares. There is no contingent liabilities relating to the Group's interest in the associates.

Notes to the Consolidated Financial Statements

16 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD *(continued)*

Set out below are the summarized financial information for Chengxin, Mila, Yaoying, Changxiangyuefu and Xinjiang Weying which are accounted for using the equity method.

	As at December 31, 2018				
	Chengxin RMB'000	Mila RMB'000	Yaoying RMB'000	Changxiang yuefu RMB'000	Xinjiang Weying RMB'000
Reconciliation to carrying amounts:					
Opening net assets as at January 1, 2018	12,262	12,716	26,079	24,860	(172)
Capital injection	–	–	–	–	–
Business combinations	–	–	–	–	–
Losses for the year	(2,827)	(5,551)	(187)	(180)	(7)
Closing net assets as at December 31, 2018	9,435	7,165	25,892	24,680	(179)
Percentage of interest	20%	20%	25%	30%	30%
Interest in the associates	1,887	1,433	6,473	7,404	–
Goodwill	9,358	10,742	–	–	–
Carrying amount	11,245	12,175	6,473	7,404	–

Notes to the Consolidated Financial Statements

16 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD *(continued)*

Summarized statement of comprehensive income

	For the year ended December 31, 2018				
	Chengxin RMB'000	**Mila RMB'000**	**Yaoying RMB'000**	**Changxiang yuefu RMB'000**	**Xinjiang Weying RMB'000**
Revenue	**212**	**–**	**8,256**	**–**	**425**
Loss from continuing operations	**(2,827)**	**(5,551)**	**(187)**	**(180)**	**(7)**

	As at December 31, 2017			
	Chengxin RMB'000	Mila RMB'000	Yaoying RMB'000	Changxiang yuefu RMB'000
Reconciliation to carrying amounts:				
Opening net assets as at January 1, 2017	–	–	–	–
Capital injection	13,210	12,958	–	–
Business combinations	–	–	19,370	24,861
(Losses)/Profits for the year	(948)	(242)	6,709	(1)
Closing net assets as at 31 December, 2017	12,262	12,716	26,079	24,860
Percentage of interest	20%	20%	25%	30%
Interest in the associates	2,452	2,543	6,520	7,458
Goodwill	9,358	10,742	–	–
Carrying amount	11,810	13,285	6,520	7,458

Summarized statement of comprehensive income

	For the year ended December 31, 2017			
	Chengxin RMB'000	Mila RMB'000	Yaoying RMB'000	Changxiang yuefu RMB'000
Revenue	–	–	72,856	–
Loss from continuing operations	(948)	(242)	6,709	(1)

17 FINANCIAL INSTRUMENTS BY CATEGORY

	As at December 31,	
	2018	2017
	RMB'000	RMB'000
Financial assets-fair value		
– Financial assets at fair value through profit or loss	**423,517**	995,940
Financial assets-amortized cost		
– Accounts receivables	**324,587**	311,000
– Deposit and other assets (excluding prepayments, staff advances and taxes)	**803,017**	612,896
– Cash and cash equivalents	**1,536,456**	1,170,130
	3,087,577	3,089,966
Financial liabilities-fair value		
– Financial liabilities at fair value through profit or loss	**358,005**	–
Financial liabilities-amortized cost		
– Accounts payables	**295,195**	331,198
– Other payables, accruals and other liabilities (excluding accrual for payroll and welfare allowances and other taxes payable)	**1,806,341**	2,843,851
– Borrowings	**600,000**	–
	3,059,541	3,175,049

18 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at December 31,	
	2018	2017
	RMB'000	RMB'000
Investment in wealth management products *(Note (a))*	**276,269**	963,139
Investment in movies and TV series *(Note (b))*	**108,447**	–
Investment in unlisted investments *(Note (c))*	**38,801**	32,801
	423,517	995,940

(a) Investment in wealth management products

Movements in investment in wealth management products were as follows:

	Year ended December 31,	
	2018	2017
	RMB'000	RMB'000
At the beginning of the year	**963,139**	–
Business combinations *(Note 31)*	**–**	30,000
Additions	**3,134,700**	10,735,000
Disposals	**(3,805,113)**	(9,827,563)
Disposal of Jietong Wuxian	**(35,007)**	–
Changes in fair value	**18,550**	25,702
At the end of the year	**276,269**	963,139

The investment in wealth management products mainly represent the investment in wealth management products issued by banks in the PRC with expected investment income rates for the year ended December 31, 2018 ranging from 1.55%~4.66% (2017: 2.40%~4.66%). The returns on all of these wealth management products are not guaranteed, and therefore the Group designated them as financial assets at fair value through profit or loss. The fair values are based on cash flows discounted using the expected return based on management judgment and are within level 3 of the fair value hierarchy. Changes in fair value (realized and unrealized) of these financial assets are recognized in "Other losses, net" in the consolidated statement of comprehensive income.

The maximum exposure to credit risk at the reporting date is the carrying value of these investment in wealth management products. None of the investment is either past due or impaired.

18 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS *(continued)*

(b) Investment in movies and TV series

Movements in investment in movies and TV series were as follows:

	Year ended December 31,	
	2018	2017
	RMB'000	RMB'000
At the beginning of the year	**–**	–
Additions	**100,047**	–
Changes in fair value	**8,400**	–
At the end of the year	**108,447**	–

(c) Unlisted investments

The Group's unlisted investments assets include investment in certain privately companies. Movements of unlisted investments were as follows:

	Year ended December 31,	
	2018	2017
	RMB'000	RMB'000
At the beginning of the year	**32,801**	–
Additions	**6,000**	20,000
Business combinations *(Note 31)*	**–**	12,801
At the end of the year	**38,801**	32,801

19 DEFERRED INCOME TAX

The analysis of deferred income tax assets and liabilities is as follows:

	As at December 31,	
	2018 RMB'000	2017 RMB'000
Total gross deferred tax assets	4,372	3,852
Offsetting	(230)	(355)
Net deferred tax assets	4,142	3,497
– to be recovered within 12 months	1,521	1,614
– to be recovered after 12 months	2,621	1,883
	4,142	3,497
Total gross deferred tax liabilities	197,227	222,131
Offsetting	(230)	(355)
Net deferred tax liabilities	196,997	221,776
– to be recovered within 12 months	23,328	26,481
– to be recovered after 12 months	173,669	195,295
	196,997	221,776
Deferred tax liabilities, net	(192,855)	(218,279)

19 DEFERRED INCOME TAX *(continued)*

The movement in deferred income tax assets and liabilities during the years ended December 31, 2018 and 2017, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred income tax assets

	Tax losses RMB'000	Impairment of accounts receivables RMB'000	Others RMB'000	Total RMB'000
As at January 1, 2017	–	385	–	385
Business combinations *(Note 31)*	–	–	106	106
Charge to consolidated statement of comprehensive income	–	1,853	1,508	3,361
As at December 31, 2017	–	2,238	1,614	3,852
Charge to consolidated statement of comprehensive income	**–**	**613**	**(8)**	**605**
Disposal of Jietong Wuxian	**–**	**–**	**(85)**	**(85)**
As at December 31, 2018	**–**	**2,851**	**1,521**	**4,372**

19 DEFERRED INCOME TAX *(continued)*

Deferred tax liabilities

	Convertible bonds RMB'000	Change in fair value of financial assets at fair value through profit or loss RMB'000	Intangible assets acquired in business combination RMB'000	Total RMB'000
As at January 1, 2017	4,535	–	–	4,535
Business combinations	–	–	229,182	229,182
Charge to consolidated statement of comprehensive income	(3,309)	785	(7,836)	(10,360)
Charge to consolidated statement of changes in equity	(1,226)	–	–	(1,226)
As at December 31, 2017	–	785	221,346	222,131
Business combinations				
Charge to consolidated statement of comprehensive income	**–**	**1,577**	**(23,389)**	**(21,812)**
Disposal of Jietong Wuxian	**–**	**(5)**	**(3,087)**	**(3,092)**
As at December 31, 2018	**–**	**2,357**	**194,870**	**197,227**

Deferred income tax assets are recognized for tax losses carrying forward and deductible temporary differences to the extent that realisation of the related tax benefits through future taxable profits is probable. As at December 31, 2018, the Group did not recognize deferred income tax assets in respect of losses and deductible temporary differences of approximately RMB124,625,000 (2017: RMB82,621,000). These tax losses will expire from 2018 to 2022.

Notes to the Consolidated Financial Statements

20 INVENTORIES

	As at December 31,	
	2018	2017
	RMB'000	RMB'000
Movie service related merchandises	**5,362**	2,961
Low-value consumables	**1,529**	460
Marketing materials	**6,581**	225
	13,472	3,646

21 ACCOUNTS RECEIVABLES

	As at December 31,	
	2018	2017
	RMB'000	RMB'000
Related parties *(Note 34)*	**30,158**	6,145
Third parties	**305,833**	313,808
	335,991	319,953
Less: allowance for impairment	**(11,404)**	(8,953)
	324,587	311,000

(a) The carrying amounts of the accounts receivables balances approximated to their fair value as at December 31, 2018 and 2017. All the accounts receivables balances were denominated in RMB.

(b) Online advertising customers and agencies are usually granted with a credit period of 90 days after full execution of the contracted advertisement orders. Aging analysis of the gross accounts receivables based on recognition date is as follows:

	As at December 31,	
	2018	2017
	RMB'000	RMB'000
0-90 days	**82,063**	178,245
91-180 days	**80,486**	80,622
181-365 days	**83,257**	55,432
Over 365 days	**90,185**	5,654
	335,991	319,953

21 ACCOUNTS RECEIVABLES *(continued)*

(c) Movement on the Group's allowance for impairments of accounts receivables are as follows:

	Year ended December 31,	
	2018 RMB'000	2017 RMB'000
At the beginning of the year	**(8,953)**	(1,541)
Impairment provision	**(2,451)**	(7,412)
At the end of the year	**(11,404)**	(8,953)

(d) The Group applies the simplified approach to provide for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all accounts receivables. To measure the expected credit losses, accounts receivables have been grouped based on shared credit risk characteristics and the days past due. The expected credit losses below have also incorporated forward looking information. The loss allowance provisions as at December 31, 2018 and 2017 are determined as follows:

	Current RMB'000	**Up to 3 months past due RMB'000**	**3 to 6 months past due RMB'000**	**Over 6 months past due RMB'000**	**Total RMB'000**
As at December 31, 2018					
Expected loss rate	**0.05%**	**1.00%**	**2.00%**	**5.24%**	
Gross carrying amount	**10,592**	**71,800**	**80,652**	**172,947**	**335,991**
Loss allowance provision	**5**	**718**	**1,613**	**9,068**	**11,404**
As at December 31, 2017					
Expected loss rate	0.05%	1.00%	2.00%	9.35%	
Gross carrying amount	16,300	161,944	80,622	61,087	319,953
Loss allowance provision	8	1,619	1,612	5,714	8,953

Since the actual loss rates for each type of the trade receivables and the adjustments for forward looking macroeconomic data did not have significant changes during the years ended December 31, 2018 and 2017, the directors of the Company consider that the changes in the expected credit loss rate for provision matrix are insignificant throughout the years ended December 31, 2018 and 2017.

22 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at December 31,	
	2018 RMB'000	2017 RMB'000
Amounts due from related parties *(Note 34)*	434,221	389,144
Deposits for online entertainment ticketing and e-commerce services	363,489	320,089
Prepayment for investments in movies and TV series	395,808	32,796
Value-added tax allowance	56,167	45,684
Prepayment for ticketing system cost	14,151	60,034
Prepaid income tax	19,525	8,876
Staff advances	13,199	11,444
Others	18,691	7,420
Less: allowance for impairment of other receivables *(Note (a))*	–	–
	1,315,251	875,487

(a) The carrying amounts of the prepayments, deposits and other receivables (excluding prepayments) approximated to their fair value as at December 31, 2018 and 2017. Their recoverability was assessed with reference to the credit status of the recipients, and there is no expected credit loss for future 12 months.

23 CASH AND CASH EQUIVALENTS

	As at December 31,	
	2018 RMB'000	2017 RMB'000
Cash in hand	–	8
Bank balances	1,536,456	1,170,122
Cash and cash equivalents	1,536,456	1,170,130
Maximum exposure to credit risk	1,536,456	1,170,122

23 CASH AND CASH EQUIVALENTS *(continued)*

Bank balances are denominated in the following currencies:

	As at December 31,	
	2018 **RMB'000**	2017 RMB'000
RMB	**1,491,993**	1,168,745
USD	**42,625**	–
HKD	**1,838**	1,367
MYR	**–**	10
	1,536,456	1,170,122

24 BORROWINGS

	As at December 31,	
	2018 **RMB'000**	2017 RMB'000
Current		
Bank borrowings – due within one year		
– Secured *(Note (a))*	**200,000**	–
– Guaranteed *(Note (b))*	**300,000**	–
– Unsecured *(Note (c))*	**100,000**	–
	600,000	–

(a) The secured borrowing of RMB200,000,000 with a fixed rate of 4.35% per annum was secured by the wealth management products of RMB208,700,000.

(b) The guaranteed borrowing of RMB300,000,000 was guaranteed by a subsidiary of the Group, Beijing Maoyan, among which RMB200,000,000 is with fixed rate of 4.785% per annum, and RMB100,000,000 is with fixed rate of 5.4375% per annum.

(c) The unsecured borrowing of RMB100,000,000 was at fixed rate of 4.959% per annum.

(d) The borrowings as at December 31, 2018 were all denominated in RMB.

25 FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	Year ended December 31,	
	2018	2017
	RMB'000	RMB'000
Opening balance	**–**	–
Addition	**350,011**	–
Changes in fair value	**7,994**	–
Closing balance	**358,005**	–

On July 24, 2018, the Company and Cheshire Investments Fund entered into a convertible bond subscription agreement which was further amended on July 30, 2018 (the "Subscription Agreement"), pursuant to which, the Company agreed to issue, and Cheshire Investments Fund agreed to subscribe for a convertible bond in the principal amount of USD50,955,200 (equivalent to approximately RMB350,011,000) with 5% interest rate per annum and maturity date on July 28, 2019.

According to the Subscription Agreement, upon the Listing of the Company, the principal amount and the accrued but unpaid interest of the convertible bond shall be mandatorily and automatically converted to the Company's shares at the offer price. As the amount of the liabilities fluctuates in response to the Listing date and the number of shares to be issued by the Company to settle the liabilities is variable in response to the offer price rather than a fixed number, the convertible bonds were classified as a financial liability and designated as financial liabilities at fair value through profit or loss.

The initial value of the financial liability of approximately RMB350,011,000 was calculated using market interest rate and the expected Listing date. The financial liability is subsequently stated at fair value until conversion or maturity of the bond. The changes of the fair value was recognized to the consolidated statement of comprehensive income.

Upon the Listing of the Company on February 4, 2019, the convertible bond was mandatorily and automatically converted to 27,702,280 shares of the Company at the final offer price of HKD14.80 per share.

26 ACCOUNTS PAYABLES

Aging analysis of the accounts payables based on invoice date at the respective balance sheet dates is as follows:

	As at December 31,	
	2018	2017
	RMB'000	RMB'000
0-90 days	**192,186**	191,438
91-180 days	**27,310**	108,574
181-365 days	**43,678**	20,042
Over 365 days	**32,021**	11,144
	295,195	331,198

27 OTHER PAYABLES, ACCRUALS AND OTHER LIABILITIES

	As at December 31,	
	2018	2017
	RMB'000	RMB'000
Amounts due to related parties *(Note 34)*	**184,717**	293,281
Payables in respect of share in the box office receipts *(Note (a))*	**252,008**	625,321
Payables in respect of online entertainment ticketing and e-commerce services *(Note (b))*	**1,313,657**	1,917,365
Payroll and welfare payable	**65,814**	50,084
Other tax liabilities	**32,675**	38,616
Others	**55,959**	7,884
	1,904,830	2,932,551

(a) It represents the box office share received on behalf of the movie producers. This amount will be paid to the movie producers and others and therefore is not considered as trade payables to the Group's suppliers.

(b) It represents the cash paid by the users for the movie/event ticket, after deducting the commission fee entitled by the Group, it will be remitted back to cinemas/theaters. As such amount is paid to cinemas/theaters, which are the Group's customers instead of the suppliers. The Group recognizes it as "Other payables".

28 SHARE CAPITAL

	Number of shares	Nominal value of shares USD'000	Equivalent nominal value of shares RMB'000
Issued and fully paid:			
As at December 31, 2017	1	–	–
Issuance of ordinary shares to the Registered Shareholders of Tianjin Maoyan Weying under the Reorganization	184,550,428	18.4	125
Issuance of ordinary shares pursuant to restricted share agreement as part of the Reorganization *(Note (b))*	3,855,445	0.4	3
Issuance of preferred shares to the Registered Shareholders of Tianjin Maoyan Weying under the Reorganization *(Note (c))*	4,831,385	0.5	3
As at December 31, 2018	**193,237,259**	**19.3**	**131**
Treasury shares *(Note (b))*	**(963,861)**	**(0.1)**	**(1)**
As at 31 December 2018	**192,273,398**	**19.2**	**130**

(a) The Company was incorporated in the Cayman Islands on December 8, 2017 with authorized share capital of USD50,000 divided into 500,000,000 shares of USD0.0001 each.

(b) As part of the Reorganization (Note 1.2), 3,855,445 ordinary shares were issued to Rhythm Brilliant Limited, a wholly-owned subsidiary of Mr. ZHENG Zhihao, pursuant to the restricted share agreement and fully paid on July 23, 2018. As at December 31, 2018, 2,891,584 ordinary shares were vested and the remaining 963,861 unvested shares are accounted for as the treasury shares of the Company (Note 30).

28 SHARE CAPITAL *(continued)*

(c) On July 20, 2018, the Company issued 4,831,385 preferred shares to Image Flag Investment (HK) Limited, a wholly-owned subsidiary of Tencent as part of the Reorganization. The key terms of the preferred shares are summarized as follows:

Conversion

The preferred shares shall be converted into ordinary shares at the option of the holders any time, or automatically be converted into ordinary share at an initial conversion ratio of 1:1, without the payment of any additional consideration, upon (i) the closing of an initial public offering of the ordinary shares of the Company on a recognized national or international stock exchange acceptable to the board of the Company; or (ii) the written consent of holder of preferred shares.

The conversion ratio and conversion price shall be adjusted from time to time for (i) share split and combinations, (ii) ordinary share dividends and distributions, (iii) reorganizations, mergers, consolidations, reclassifications, exchanges and substitutions, and etc.

Liquidation Preference

In the event of any liquidation, dissolution or winding up of the Company, whether voluntary or involuntary, all assets and funds of the Company legally available for distribution to the shareholders of the Company (after satisfaction of all creditors' claims and claims that may be preferred by law) shall be distributed to shareholders of the Company as follows:

(i) The holder of the preferred shares should be entitled to receive, prior to and in preference to any distribution of any of the assets or funds of the Company to the holders of the ordinary shares, preference amount equal to the sum of the original issue price of plus annual interest calculated at a simple interest rate of eight percent (8%) per annum and the declared but unpaid dividends.

(ii) After distribution or paying in full the liquidation preference amount to all of the holder of preferred shares, the remaining assets and funds of the Company available for distribution to the shareholders shall be distributed ratably among all shareholders according to the relative number of shares held by such shareholders on an as-converted basis.

Dividends Rights

In the event of any distribution of dividends declared by a resolution passed unanimously by all the shareholders of the Company, all the then shareholders (includes the preferred shareholder) of the Company shall be entitled to receive such distributable profits after taxation on a pro rata basis.

Voting Rights

Each shareholder of the Company shall exercise their voting rights on a pro rata basis in proportion to their respective numbers of ordinary share (on an as-converted and fully diluted basis).

Number of shares

On January 11, 2019, the shareholders of the Company resolved that all the issued and unissued ordinary shares and preferred shares were to be redesignated as ordinary shares on a one-for-one basis immediately before Listing. Following the Redesignation, each issued and unissued ordinary share of then par value of USD0.0001 each will be subdivided into five shares of par value of USD0.00002 each. Upon Listing and the completion of the Redesignation and Subdivision, the authorized share capital of the Company would increase to 2,500,000,000 ordinary shares of par value USD0.00002 each (the "Subdivision Shares"). The Group was listed on February 4, 2019.

29 RESERVES

	Capital reserves RMB'000	Currency translation differences RMB'000	Convertible bonds RMB'000	Share-based compensation reserve RMB'000	Other reserves RMB'000	Total RMB'000
As at January 1, 2017	26,937	–	17,347	230,060	–	274,344
Capital injection	500,000	–	–	–	–	500,000
Professional service fee related to equity financing	(16,000)	–	–	–	–	(16,000)
Business combinations *(Note 31)*	4,667,820	–	–	–	–	4,667,820
Currency translation difference	–	(140)	–	–	–	(140)
Share-based compensation expenses	–	–	–	184,542	–	184,542
Contribution from equity holders	257,142	–	–	–	–	257,142
Transaction with non-controlling interests	–	–	–	–	(8,400)	(8,400)
Termination of convertible bonds	–	–	(21,023)	–	–	(21,023)
As at December 31, 2017	5,435,899	(140)	(3,676)	414,602	(8,400)	5,838,285
As at January 1, 2018	5,435,899	(140)	(3,676)	414,602	(8,400)	5,838,285
Settlement to the purchase consideration for the acquisition for Beijing Weige Shidai	156,400	–	–	–	–	156,400
Currency translation difference	–	436	–	–	–	436
Share-based compensation expenses	–	–	–	161,850	–	161,850
As at December 31, 2018	5,592,299	296	(3,676)	576,452	(8,400)	6,156,971

30 SHARE INCENTIVE PLAN

(a) 2016 ESOP of Tianjin Maoyan Weying

Before the Reorganization and since 2016, Tianjin Maoyan Weying adopted 2016 ESOP, under which Tianjin Maoyan Weying granted share options to its qualified employees and directors on annual basis. Under the 2016 ESOP, Tianjin Maoyan Weying's total equity will be divided to 8.3 billion virtual shares, among which 830 million virtual shares held by the ESOP Platforms for the purpose of share-based payments. The vesting period of the share options under the 2016 ESOP is 4 years.

The share-based compensation expenses recognized during years ended December 31, 2018 and 2017 are summarized in the following table:

	Year ended December 31,	
	2018	2017
	RMB'000	RMB'000
Share-based compensation expenses	**161,850**	173,284

Movements of virtual share options outstanding and their related weighted average exercise prices are as follows:

	Average exercise price	**Number of virtual share options**	**Equivalent number of share options of the Company**
Outstanding balance as at January 1, 2017	RMB0.0067	442,738,931	6,827,822
Granted	RMB0.0067	15,350,000	236,724
Forfeited	RMB0.0067	(19,394,126)	(299,092)
Outstanding balance as at December 31, 2017	RMB0.0067	438,694,805	6,765,454
Granted	RMB1.4800	350,938,992	5,412,104
Forfeited	RMB0.4382	(15,359,723)	(236,874)
Transfer to the share options of the company under Pre-IPO Share option scheme	RMB0.5541	(524,274,074)	(8,085,239)
Transfer to restricted shares	RMB0.0067	(250,000,000)	(3,855,445)
Outstanding balance as at December 31, 2018	–	–	–

30 SHARE INCENTIVE PLAN *(continued)*

(a) 2016 ESOP of Tianjin Maoyan Weying *(continued)*

As at December 31, 2017, out of the 438,694,805 virtual outstanding options, 110,473,600 options were exercisable.

Fair value of options

The Group has used the Binomial Model to determine the fair value of the options as at the respective grant dates, which is to be expensed over the relevant vesting period. The virtual share weighted average fair value of the virtual share options granted by Tianjin Maoyan Weying during the year ended December 31, 2018 was RMB0.57 per share (2017: RMB1.31).

Other than the exercise price mentioned above, significant judgement on parameters, such as risk free rate, dividend yield and expected volatility, are required to be made by the directors in applying the Binomial Model, which are summarized as below.

	2018	2017
Risk free rate	1.9%~2.2%	2.8%~3.8%
Dividend yield	0.0%	0.0%
Expected volatility	35%	30%

The expected volatility, measured as the standard deviation of expected share price returns, is determined based on the average daily trading price volatility of the shares of the comparable companies.

Expected retention rate

The Group has to estimate the expected yearly percentage of grantees that will stay within the Group at the end of the vesting periods of the virtual share options (the "Expected Retention Rate") in order to determine the amount of share-based compensation expenses charged to the consolidated statements of comprehensive income. As at December 31, 2018 and 2017, the Expected Retention Rate was assessed to be 95% and 96%, respectively.

As part of the Reorganization, pursuant to a resolution of the board on July 23, 2018, the 2016 ESOP of Tianjin Maoyan Weying was replaced by the newly adopted the ESOP Plan of the Company, and the relevant granted virtual share options under 2016 ESOP of Tianjin Maoyan Weying have been replaced by the share options of the Pre-IPO Share Option Scheme of the Company and the restricted shares of the Company, respectively.

30 SHARE INCENTIVE PLAN *(continued)*

(b) ESOP Plan of the Company

In order to provide incentives and rewards to directors, senior management and employees of the Group and other eligible individuals and entities, the Company adopted the ESOP Plan on July 23, 2018. The total number of shares issued or issuable pursuant to the ESOP Plan shall not be more than 23,406,741 shares of the Company, representing approximately 12% of the total issued share capital of the Company as at December 31, 2018, out of which, the maximum number of shares that may be issued upon exercise of all options granted and to be granted under the Pre-IPO Share Option Scheme shall be no more than 8,508,920 shares, and the total number of shares which may be issued upon exercise of options that may be granted under the Post-IPO Share Option Scheme and the RSU Scheme shall not exceed 11,042,376 shares in aggregate.

Movements of share options outstanding and their related weighted average exercise prices are as follows:

	Average exercise price	**Number of share options of the Company**
Outstanding balance as at January 1, 2018	–	–
Transfer from the share options of 2016 ESOP of Tianjin Maoyan Weying (i)	RMB35.9278	8,085,239
Transfer from the share options of 2016 ESOP of Tianjin Maoyan Weying as restricted shares (ii)	RMB0.4345	3,855,445
Outstanding balance as at December 31, 2018		11,940,684

After the subdivision of shares of the Company (Note 28) upon Listing, the average exercise price and number of share options of the Company were changed to RMB7.1856 and 40,426,197 accordingly and the average exercise price and number of restricted shares were changed to RMB0.0869 and 19,277,225 accordingly.

30 SHARE INCENTIVE PLAN *(continued)*

(b) ESOP Plan of the Company *(continued)*

(i) Pre-IPO Share Option Scheme

The Pre-IPO Share Option Scheme was adopted by the Company as a continuation and restructuring of the 2016 ESOP following the Reorganization, which was established to recognize and reward the contribution of the participants to the growth and development of Tianjin Maoyan Weying. The 2016 ESOP was terminated as a result of the adoption of the Pre-IPO Share Option Scheme.

During the year ended December 31, 2018, 8,085,239 share options under the Pre-IPO Share Option Scheme have been granted as part of the Reorganization and as a replacement of the granted virtual share options to the employees under 2016 ESOP plan of Tianjin Maoyan Weying, and there were no incremental benefit with same vesting period, condition and exercise price granted to the employee under the Pre-IPO Share Option Scheme. As at December 31, 2018, out of 8,085,239 share options, 1,407,666 share options were exercisable.

(ii) Restricted share agreement

As part of the Reorganization, and the continuation/replacement of the virtual share options granted to Mr. ZHENG Zhihao under 2016 ESOP of Tianjin Maoyan Weying, the Company, Mr. ZHENG Zhihao and Rhythm Brilliant Limited, a wholly-owned subsidiary of Mr. ZHENG Zhihao, entered into a restricted share agreement on July 20, 2018 by payment of exercise price of virtual shares of USD386 and approved by the shareholders on the Adoption Date. Subject to the restricted share agreement, a total of 3,855,445 shares of the Company as at Adoption Date, owned by Mr. ZHENG Zhihao through Rhythm Brilliant Limited, were designated as restricted shares. The restricted share agreement was a continuation of the 2016 ESOP to provide incentives and rewards to Mr. ZHENG Zhihao, as the CEO of the Company, with same vesting period, condition and no incremental benefit was given to Mr. ZHENG Zhihao under the restricted share agreement.

As at December 31, 2018, out of 3,855,445 restricted shares, 2,891,584 shares were vested. The remaining 963,861 shares represented the treasury shares of the Group as at December 31, 2018 (Note 28).

(iii) Post-IPO Share Option Scheme and RSU Scheme

During the year ended December 31, 2018, no share option and RSU under the Post-IPO Share Option Scheme and RSU Scheme has been granted.

31 BUSINESS COMBINATIONS

(a) Acquisition of Beijing Weige Shidai and Ruihai Fangyuan

On September 25, 2017, Tianjin Maoyan Weying acquired 100% equity interests of Beijing Weige Shidai from Beijing Weying Shidai and acquired 100% equity interests of Ruihai Fangyuan from Linzhi Lixin.

According to the acquisition agreements, the valuation of Tianjin Maoyan Weying was approximately RMB9 billion (with a total registered capital of RMB55,555,555 and the total valuation of Beijing Weige Shidai and Ruihai Fangyuan was around RMB4.8 billion, and the consideration for the acquisition of Beijing Weige Shidai and Ruihai Fangyuan shall be paid in two instalments in the form of the Tianjin Maoyan Weying's newly registered capital of RMB29,779,000. The first installment was paid on September 25, 2017, in which Tianjin Maoyan Weying issued registered capital of RMB28,814,000 with fair value of RMB4,667,820,000. The second installment payment of consideration of Tianjin Maoyan Weying's registered capital of RMB965,000 with fair value of RMB156,400,000 is to be paid after 9 months of the acquisition date. Upon the completion of the acquisition, the original equity holders of Beijing Weige Shidai and Ruihai Fangyuan will hold approximately 35% equity interests of Tianjin Maoyan Weying.

The determination of the fair value of Tianjin Maoyan Weying and the fair value of the consideration of the acquisition was made with reference to the latest shareholders' transaction that Enlight Investment acquired 19.7% equity interests in Tianjin Maoyan Weying from Shanghai Sankuai Technology, a subsidiary of Meituan Dianping with a cash consideration of RMB1,776,000,000 on August 25, 2017, which was also based on the same valuation of Tianjin Maoyan Weying of RMB9 billion.

31 BUSINESS COMBINATIONS *(continued)*

(a) Acquisition of Beijing Weige Shidai and Ruihai Fangyuan *(continued)*

The following table summarizes the consideration paid/payable for the acquisitions, the fair value of assets acquired and liabilities assumed at the acquisition date.

	RMB'000
Purchase consideration settled by Tianjin Maoyan Weying's registered capital	4,667,820
Purchase consideration to be settled by Tianjin Maoyan Weying's registered capital	156,400
	4,824,220
Recognized amounts of identifiable assets acquired and liabilities assumed	
Property, plant and equipment	7,587
Intangible assets	1,118,214
Trademark	683,959
Software	14,312
Business cooperation agreement	245,111
Customer relationship	174,832
Investments accounted for using the equity method	12,300
Financial assets at fair value through profit or loss	12,801
Inventories	233
Accounts receivables	46,091
Prepayments, deposits and other receivables	334,430
Cash and cash equivalents	8,780
Accounts payables	(99,562)
Other payables, accruals and other liabilities	(835,483)
Deferred income tax liabilities	(225,975)
Total identifiable net assets	379,416
Non-controlling interests	(7,170)
Goodwill	4,451,974
	4,824,220

The goodwill of approximately RMB4,451,974,000 recognized represents the excess of the purchase consideration over the fair value of the net identifiable assets acquired and is attributable to the acquired market shares and economies of scale expected to be derived from combining with the operations of the Group. None of the goodwill recognized is expected to be deductible for income tax purposes.

If the acquisitions had occurred on January 1, 2017, consolidated pro-forma revenue and loss for the year ended December 31, 2017 would have been increased by RMB496,204,000 and RMB349,939,000 respectively.

31 BUSINESS COMBINATIONS *(continued)*

(b) Acquisition of Jietong Wuxian

On June 26, 2017, Tianjin Maoyan Weying acquired 68.55% equity interests of Jietong Wuxian from Enlight Media, a shareholder of the Company.

The goodwill of approximately RMB117,280,000 recognized represents the excess of the purchase consideration over the fair value of the net identifiable assets acquired and is attributable to the acquired market shares and economies of scale expected to be derived from combining with the operations of the Group. None of the goodwill recognized is expected to be deductible for income tax purposes.

The following table summarizes the consideration paid for the acquisition, the fair value of assets acquired and liabilities assumed at the acquisition date.

	RMB'000
Purchase consideration in cash	130,733
Recognized amounts of identifiable assets acquired and liabilities assumed	
Property, plant and equipment	2,867
Intangible assets	12,908
Trademark	2,780
Software	10,128
Financial assets at fair value through profit or loss	30,000
Deferred income tax assets	106
Inventories	52
Accounts receivables	13,062
Prepayments,deposits and other receivables	34,375
Cash and cash equivalents	18,437
Accounts payables	(580)
Other payables, accruals and other liabilities	(88,396)
Deferred income tax liabilities	(3,207)
Total identifiable net assets	19,624
Non-controlling interests	(6,171)
Goodwill	117,280
	130,733

The acquired business contributed revenue of RMB13,583,000 and net loss of RMB241,000 to the Group for the period from the acquisition date to December 31, 2017. The acquisition-related costs were not significant and had been charged to general and administrative expenses in the consolidated statement of comprehensive income for the year ended December 31, 2017.

31 BUSINESS COMBINATIONS *(continued)*

(b) Acquisition of Jietong Wuxian *(continued)*

If the acquisition had occurred on January 1, 2017, pro-forma revenue and loss for the year ended December 31, 2017 would have been increased by RMB46,327,000 and RMB1,603,000 respectively.

On November 22, 2017, the Group acquired an additional 8.05% equity interest in Jietong Wuxian from another minority shareholder, for a cash consideration of RMB10,000,000. The carrying amount of such non-controlling interests in Jietong Wuxian on the date of acquisition was RMB1,600,000. The Group recognized the difference between the consideration with non-controlling interests of RMB8,400,000 within reserve. Upon completion of above acquisitions, Jietong Wuxian became a 76.6%-owned subsidiary of the Company.

32 NOTE TO CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Cash (used in)/generated from operations

	Year ended December 31,	
	2018 RMB'000	2017 RMB'000
Loss before income tax	(148,044)	(75,834)
Adjustments for:		
– Share-based compensation expenses *(Note 9)*	161,850	184,542
– Impairment of goodwill arising from the acquisition of the Jietong Wuxian *(Note 15)*	62,763	46,931
– Depreciation of property, plant and equipment *(Note 14)*	10,869	3,465
– Amortization of intangible assets *(Note 15)*	137,704	45,058
– Loss on disposals of property, plant and equipment *(Note 8)*	–	6,274
– Share of profits/(losses) of investments accounted for using the equity method *(Note 16)*	1,776	(1,439)
– Interest income on bank deposits *(Note 10)*	(4,072)	(1,991)
– Interest expenses on bank borrowings *(Note 10)*	10,896	–
– Impairment provision for trade receivables *(Note 21)*	2,451	7,412
– Fair value gain on financial assets at fair value through profit or loss *(Note 18)*	(26,950)	(25,702)
– Gains on disposal of subsidiaries *(Note 8)*	(3,832)	–
– Finance cost for convertible bond	–	13,236
– Fair value loss on financial liabilities at fair value through profit or loss *(Note 24)*	7,994	–
Cash generated from operations before changes in working capital	213,405	201,952
Changes in working capital:		
– Inventories	(9,924)	(3,073)
– Accounts receivables	(38,224)	(118,432)
– Prepayments, deposits and other receivables	(456,045)	(176,797)
– Accounts payables	(28,994)	(612,226)
– Other payables, accruals and other liabilities	(769,526)	1,791,508
	(1,089,308)	1,082,932

32 NOTE TO CONSOLIDATED STATEMENT OF CASH FLOWS *(continued)*

(b) Reconciliation of liabilities arising from financing activities

This section sets out an analysis of net cash and the movements in net cash for each of the year presented.

Net cash

	As at December 31,	
	2018 **RMB'000**	2017 RMB'000
Cash and cash equivalents	**1,536,456**	1,170,130
Liquid investments	**384,716**	963,139
Liquid liabilities	**(358,005)**	–
Borrowings – due within one year	**(600,000)**	–
Net cash	**963,167**	2,133,269
Cash and liquid investment	**1,921,172**	2,133,269
Gross debt – fixed interest rates	**(958,005)**	–
Net cash	**963,167**	2,133,269

32 NOTE TO CONSOLIDATED STATEMENT OF CASH FLOWS *(continued)*

(b) Reconciliation of liabilities arising from financing activities *(continued)*

	Cash and cash equivalents RMB'000	Liquid investments RMB'000	Convertible bonds RMB'000	Liquid liabilities RMB'000	Borrowing due within 1 year RMB'000	Total RMB'000
Net debt as at January 1, 2017	1,102,226	–	(381,862)	–	–	720,364
Cash flows	68,012	907,437	400,000	–	–	1,375,449
Foreign exchange adjustments	(108)	–	–	–	–	(108)
Business combinations	–	30,000	–	–	–	30,000
Interest and termination of conversion right	–	–	(18,138)	–	–	(18,138)
Changes in fair value	–	25,702	–	–	–	25,702
Net debt as at December 31, 2017	1,170,130	963,139	–	–	–	2,133,269
Net debt as at January 1, 2018	**1,170,130**	**963,139**	**–**	**–**	**–**	**2,133,269**
Cash flows	**366,437**	**(570,366)**	**–**	**(350,011)**	**(600,000)**	**(1,153,940)**
Foreign exchange adjustments	**(111)**	**–**	**–**	**–**	**–**	**(111)**
Disposal of Jietong Wuxian	**–**	**(35,007)**	**–**	**–**	**–**	**(35,007)**
Changes in fair value	**–**	**26,950**	**–**	**(7,994)**	**–**	**18,956**
Net debt as at December 31, 2018	**1,536,456**	**384,716**	**–**	**(358,005)**	**(600,000)**	**963,167**

33 OPERATING LEASE COMMITMENTS

The Group leases various offices under non-cancellable operating lease agreements. The lease terms are between 1 and 5 years, and the majority of lease agreements are signed with third parties and renewable at the end of the lease period at market rate.

The Group's future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	As at December 31,	
	2018	2017
	RMB'000	RMB'000
No later than 1 year	**13,083**	11,689
Later than 1 year and no later than 5 years	**30,286**	42,613
	43,369	54,302

34 SIGNIFICANT RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, control the other party or exercise significant influence over the other party in making financial and operation decisions. Parties are also considered to be related if they are subject to common control. Members of key management and their close family members of the Group are also considered as related parties.

Name of the related parties	Nature of relationship
Meituan Dianping and its subsidiaries (collectively "Meituan Dianping Group")	One of the Company's shareholders
Enlight Investment and Enlight Media and their subsidiaries (collectively "Enlight Group")	One of the Company's shareholders
Beijing Weying Shidai and its subsidiaries (collectively "Beijing Weying Shidai Group")	One of the Company's shareholders
Tencent and its subsidiaries (collectively "Tencent Group")	One of the Company's shareholders

Save as the acquisition and disposal of Jietong Wuxian disclosed in Note 31 (b) and Note 15 (a), the following significant transactions were carried out between the Group and its related parties during years ended December 31, 2018 and 2017. In the opinion of the Company's directors, the following related party transactions were carried out in the normal course of business and at terms negotiated between the Group and the respective related parties.

(a) In May 2016, the Group entered into a strategic cooperation agreement and formed a strategic partnership with the shareholder, Meituan Dianping. As part of the strategic partnership, Meituan Dianping and the Group agreed to cooperate in a number of areas with no charge. The strategic cooperation agreement has a term of five years and applies within the PRC.

34 SIGNIFICANT RELATED PARTY TRANSACTIONS *(continued)*

(b) Revenue from transactions with related parties

	Year ended December 31,	
	2018	2017
	RMB'000	RMB'000
Meituan Dianping Group	**906**	1,038
Enlight Group	**105,912**	106,837
Beijing Weying Shidai Group	**251**	6,283
Tencent Group	**301**	36
	107,370	114,194

(c) Purchase of management services

	Year ended December 31,	
	2018	2017
	RMB'000	RMB'000
Meituan Dianping Group	**165,522**	148,582
Enlight Group	**945**	58,410
Beijing Weying Shidai Group	**–**	349
Tencent Group	**46,455**	10,072
	212,922	217,413

(d) Movie cards consideration received on behalf of the Group

	Year ended December 31,	
	2018	2017
	RMB'000	RMB'000
Meituan Dianping Group	**30,863**	16,314
Enlight Group	**2,553**	698
Beijing Weying Shidai Group	**47,186**	30,529
Tencent Group	**309**	52
	80,911	47,593

34 SIGNIFICANT RELATED PARTY TRANSACTIONS *(continued)*

(e) Balances with related parties

	As at December 31,	
	2018 RMB'000	2017 RMB'000
Receivables from related parties		
– Accounts receivables (trade)		
Enlight Group	29,408	3,762
Beijing Weying Shidai Group	360	1,811
Tencent Group	390	572
	30,158	6,145
– Prepayments, deposits and other receivables (trade)		
Meituan Dianping Group	336,945	338,252
Beijing Weying Shidai Group	46,801	45,754
Tencent Group	2,554	2,138
Enlight Group	3,020	3,000
Other	44,901	–
	434,221	389,144
Payables to related parties		
– Other payables, accruals and other liabilities (trade)		
Meituan Dianping Group	140,263	113,996
Enlight Group	1,200	135
Beijing Weying Shidai Group	34,648	22,750
Tencent Group	8,606	–
	184,717	136,881
– Other payables, accruals and other liabilities (non-trade)		
Beijing Weying Shidai Group	–	156,400
	184,717	293,281

The receivables and payables due from/to related parties are unsecured, interest-free and are repayable on demand.

Notes to the Consolidated Financial Statements

35 CONTINGENCIES

The Group had no material contingent liabilities outstanding as at December 31, 2018 and 2017.

36 SUBSEQUENT EVENTS

On March 12, 2019, Tianjin Maoyan Weying and Huanxi Media Group Limited ("Huanxi Media") entered into a Subscription Agreement, pursuant to which, Tianjin Maoyan Weying has conditionally agreed to subscribe for, and Huanxi Media has conditionally agreed to allot and issue to Tianjin Maoyan Weying, 236,600,000 shares of Huanxi Media at a total consideration of HKD390,555,620. As at March 19, the subscription was completed and the Group paid the consideration of HKD390,555,620.

On January 17, 2019, the board of directors of the Company resolved to modify the exercise price of certain share options, which have been granted to a designated group of employees under the Pre-IPO Share Option Scheme, from HKD24.0367 of each Subdivision Shares to the lower of HKD24.0367 and the final offering price per share in connection with the Listing (the "Offer Price"). The incremental fair value of such granted share options at date of modification, if computed based on Offer Price, would be recognized as expense and charged to the consolidated statement of comprehensive income and amortized over the remaining vesting period.

On February, 4 2019, the Company was listed on the Main Board of Stock Exchange and received net proceeds from the global offering in the amount of approximately HKD1,839.3 million after deducting underwriting commissions and all related expenses. Upon the Listing of the Company on February 4, 2019, the convertible bond disclosed in Note 25 was mandatorily and automatically converted to 27,702,280 shares of the Company at the final offer price of HKD14.80 per share.

Save as disclosed above or elsewhere in this report, there is no other subsequent event.

37 STATEMENT OF FINANCIAL POSITION AND EQUITY MOVEMENT OF THE COMPANY

		As at December 31,	
	Note	2018 RMB'000	2017 RMB'000
ASSETS			
Non-current asset			
Investment in a subsidiary	*(a)*	18,082,850	–
Current assets			
Prepayments,deposits and other receivables		308,321	–
Cash and cash equivalents		38,194	–
		346,515	–
Total assets		18,429,365	–
EQUITY			
Share capital		130	–
Reserves	*(b)*	22,372,150	–
Accumulated losses		(4,302,494)	–
Total equity		18,069,786	–
LIABILITIES			
Current liabilities			
Financial liabilities at fair value through profit or loss	*25*	358,005	–
Other payables, accruals and other liabilities		1,574	–
Total liabilities		359,579	–
Total equity and liabilities		18,429,365	–

The financial position of the Company was approved for issue by the Board of Directors on March 25, 2019 and were signed on its behalf.

ZHENG Zhihao
Executive Director and Chief Executive Officer

SHI Kangping
Chief Financial Officer

37 STATEMENT OF FINANCIAL POSITION AND EQUITY MOVEMENT OF THE COMPANY *(continued)*

(a) Investments in subsidiaries

	As at December 31, 2018 RMB'000	As at December 31, 2017 RMB'000
Investment in subsidiaries *(Note (i))*	22,200,000	–
Deemed investments arising from share-based compensation expenses *(Note (ii))*	161,850	–
Less: allowance for impairment of investment in subsidiaries *(Note (i))*	(4,279,000)	–
	18,082,850	–

(i) As at December 31, 2018, the Company recognized impairment of RMB4,279 million on investment in subsidiaries according to the valuation on the recoverable amount of the investment in subsidiaries. The recoverable amount was determined based on value-in-use calculations which use cash flow projections based on financial budgets.

(ii) The amount represents share-based compensation expenses arising from the grant of share options of the Company to employees of the subsidiaries (Note 30) in exchange for their services provided to these subsidiaries, which were deemed to be investments made by the Company into these subsidiaries.

(b) Reserve movement of the Company

	Share-based compensation reserve RMB'000	Currency translation differences RMB'000	Others RMB'000	Total RMB'000
As at January 1, 2018	–	–	–	–
Shares issued pursuant to the reorganization	–	–	22,200,000	22,200,000
Share-based compensation expenses	161,850	–	–	161,850
Currency translation differences	–	10,300	–	10,300
As at December 31, 2018	**161,850**	**10,300**	**22,200,000**	**22,372,150**

38 SUBSIDIARIES

The Company's major subsidiaries (including controlled and structured entities) as at December 31, 2018 and 2017 are set out below. Unless otherwise stated, they have capital consisting solely of ordinary shares that are held directly by the Group. The place of establishment/incorporation is also their principal place of business.

Company name	Place of incorporation and kind of legal entity	Principal activities	Date of establishment/ incorporation	Particulars of registered capital/issued capital	Ownership interest held by the Group As at December 31,		Ownership interest held by non-controlling interests As at December 31,	
					2018	2017	2018	2017
Maoyan Entertainment BVI	BVI, limited liability company	Investment holding	December 12, 2017	United States Dollar ("USD") 50,000	100.00%	100.00%	–	–
Maoyan Entertainment HK	Hong Kong, limited liability company	Investment holding	January 4, 2018	Hong Kong Dollar ("HKD") 10,000	100.00%	N/A	–	N/A
Tianjin Maoyan Weying (天津貓眼微影文化傳媒有限公司)	PRC, limited liability company	Movie ticketing services, Film investment and distribution	May 27, 2015	RMB86,457,811	100.00%	100.00%	–	–
Beijing Maoyan (北京貓眼文化傳媒有限公司)	PRC, limited liability company	Online ticketing platform services, Film investment and distribution	November 12, 2015	RMB10,000,000	100.00%	100.00%	–	–
Xinjiang Maoyan Network Technology Co. Ltd. (新疆貓眼網絡科技有限公司)	PRC, limited liability company	Movie ticketing services	November 10, 2016	RMB10,000,000	100.00%	100.00%	–	–
Maoyan Pictures (天津貓眼影業有限公司)	PRC, limited liability company	Film investment and distribution	June 8, 2015	RMB50,000,000	100.00%	100.00%	–	–
Maoyan Enterprise (天津貓眼企業管理諮詢有限公司)	PRC, limited liability company	Economic and trade consultation, Strategic investment	March 1, 2017	RMB1,000,000	100.00%	100.00%	–	–
Jietong Wuxian (北京捷通無限科技有限公司) *(Note 3)*	PRC, limited liability company	Movie ticketing services, Film investment and distribution	November 18, 2005	RMB30,000,000	N/A	76.60%	N/A	23.40%
Beijing Weige Shidai (北京微格時代娛樂科技有限公司)	PRC, limited liability company	Movie ticketing services, Performance ticketing services	March 9, 2016	RMB5,000,000	100.00%	100.00%	–	–
Ruihai Fangyuan (深圳市瑞海方圓科技有限公司)	PRC, limited liability company	Online movie ticketing services	July 13, 2017	RMB200,000,000	100.00%	100.00%	–	–
Xinjiang Weying (新疆微影網絡科技有限公司) *(Note 4)*	PRC, limited liability company	Movie ticketing services	December 11, 2015	RMB5,000,000	30.00%	51.00%	70.00%	49.00%

38 SUBSIDIARIES *(continued)*

Company name	Place of incorporation and kind of legal entity	Principal activities	Date of establishment/ incorporation	Particulars of registered capital/issued capital	Ownership interest held by the Group As at December 31, 2018	2017	Ownership interest held by non-controlling interests As at December 31, 2018	2017
Beijing Zetian Yinghe Technology Co., Ltd. (北京澤天影合科技有限公司) *(Note 5)*	PRC, limited liability company	Film investment and distribution	July 26, 2017	RMB1,000,000	N/A	100.00%	N/A	–
Weying MTel Limited (香港微影八達有限公司) *(Note 6)*	PRC, limited liability company	Movie ticketing services, Performance ticketing services	March 15, 2016	HKD1,000,000	67.00%	67.00%	33.00%	33.00%
Xinjiang Maoyan Live Technology Co., Ltd. (新疆貓眼現場網絡科技有限公司)	PRC, limited liability company	Performance ticketing services	December 21, 2017	RMB10,000,000	100.00%	100.00%	–	–
Tianjin Maoyan Weying Technology Co., Ltd. (天津貓眼微影科技有限公司)	PRC, limited liability company	Computer technology research, development, advisory; Ticket agency; Film project technology advisory etc.	February 5, 2018	USD2,100,000	100.00%	N/A	–	N/A
Maoyan Live JV (天津貓眼現場科技有限公司)	PRC, limited liability company	Computer technology research, development, advisory etc.	June 19, 2018	RMB1,000,000	100.00%	N/A	–	N/A
Shanghai Gexin Network Technology Co., Ltd. (上海格新網絡科技有限公司) *(Note 1)*	PRC, limited liability company	Network technology service, development, advisory; Ticket agency; e-Business etc.	October 23, 2014	RMB1,000,000	N/A	100.00%	N/A	–
Malaysia Weying SDN.BHD. (馬來西亞微影有限公司) *(Note 2)*	Malaysia, limited liability company	Entertainment, online ticketing for movies, films, entertainment and sports events, broadcasting etc.	July 11, 2016	Malaysian Ringgit ("MYR") 400,000	N/A	100.00%	N/A	–
Tianjin Meimao Cultural Media Co., Ltd. (天津美貓文化傳媒有限公司)	PRC, limited liability company	Film investment and distribution	November 22, 2018	RMB5,000,000	100.00%	N/A	–	N/A

38 SUBSIDIARIES *(continued)*

Note 1: Shanghai Gexin Network Technology Co., Ltd. did not carry out any business and was liquidated in July 2018.

Note 2: Malaysia Weying SDN.BHD. did not carry out any business and was transferred to individual shareholder LIU Mengmeng in August 2018.

Note 3: On August 10, 2018, the Group disposed 76.60% equity interest in Jietong Wuxian to JIANG Chunyang, an individual minority shareholder of Jietong Wuxian, at a consideration of RMB22,000,000 (Note 15).

Note 4: The Group disposed 21% equity interest of Xinjiang Weying to Xinjiang Weying Muwei Kongjian Movie & TV Cultural Media Co., Ltd. in August 2018 (Note 16).

Note 5: Beijing Zetian Yinghe Technology Co., Ltd. did not carry out any business and was liquidated in December 2018.

Note 6: Weying MTel Limited did not carry out any business and was liquidated in January 2019.

Note 7: As at December 31, 2018 and 2017, the non-wholly owned subsidiaries is not significant to the Group. Therefore, financial information of the non-wholly owned subsidiaries are not disclosed.

39 DIRECTORS' REMUNERATION

The remuneration of each director for the year ended December 31, 2018 are set out as follows:

	Director's fee RMB'000	Salaries, wages and bonuses RMB'000	Pension costs-defined contribution plan RMB'000	Other employee benefits RMB'000	Share-based compensation expenses RMB'000	Total RMB'000
Executive director						
– Mr. ZHENG Zhihao	–	2,442	–	–	68,351	70,793
Non-executive directors						
– Mr. WANG Changtian	–	–	–	–	–	–
– Ms. LI Xiaoping	–	–	–	–	–	–
– Ms. WANG Jian	–	–	–	–	–	–
– Mr. CHEN Shaohui	–	–	–	–	–	–
– Mr. LIN Ning	–	–	–	–	–	–
– Mr. ZHAN Weibiao	–	–	–	–	–	–
– Mr. WANG Hua	–	–	–	–	–	–
– Mr. CHAN Charles Sheung Wai	–	–	–	–	–	–
– Mr. MA Dong	–	–	–	–	–	–
– Mr. LUO Zhenyu	–	–	–	–	–	–
	–	2,442	–	–	68,351	70,793

39 DIRECTORS' REMUNERATION *(continued)*

The remuneration of each director for the year ended December 31, 2017 are set out as follows:

	Director's fee RMB'000	Salaries, wages and bonuses RMB'000	Pension costs-defined contribution plan RMB'000	Other employee benefits RMB'000	Share-based compensation expenses RMB'000	Total RMB'000
Executive director						
– Mr. ZHENG Zhihao	–	2,310	–	–	102,505	104,815
Non-executive directors						
– Mr. WANG Changtian	–	–	–	–	–	–
– Ms. LI Xiaoping	–	–	–	–	–	–
– Ms. WANG Jian	–	–	–	–	–	–
– Mr. CHEN Shaohui	–	–	–	–	–	–
– Mr. LIN Ning	–	–	–	–	–	–
– Mr. ZHAN Weibiao	–	–	–	–	–	–
– Mr. WANG Hua	–	–	–	–	–	–
– Mr. CHAN Charles Sheung Wai	–	–	–	–	–	–
– Mr. MA Dong	–	–	–	–	–	–
– Mr. LUO Zhenyu	–	–	–	–	–	–
	–	2,310	–	–	102,505	104,815

(a) Directors' remuneration

During the year ended December 31, 2018, no director received any emolument from the Group as an inducement to join or leave the Group or compensation for loss of office; no directors and senior management waived or has agreed to waive any emoluments (2017: Nil).

(b) Directors' retirement benefit

During the year ended December 31, 2018, no retirement benefits paid to the directors of the Company by a defined benefit pension plan operated by the Group in respect of the director's services as a director of the Company and its subsidiaries or other services in connection with the management of the affairs of the Company or its subsidiary undertaking (2017: Nil).

(c) Directors' termination benefit

During the year ended December 31, 2018, no payments to the directors of the Company as compensation for the early termination of the appointment (2017: Nil).

39 DIRECTORS' REMUNERATION *(continued)*

(d) Consideration provided to third parties for making available directors' services

During the year ended December 31, 2018, the Company did not provide to any third party for making available director's services (2017: Nil).

(e) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

During the year ended December 31, 2018, no loans, quasiloans or other dealings in favour of directors of the Company, controlled bodies corporate by and connected entities with such directors (2017: Nil).

(f) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year (2017: Nil).

Financial Summary

RESULTS

	For the year ended December 31,			
	2015 RMB'000	2016 RMB'000	2017 RMB'000	2018 RMB'000
Revenue	596,738	1,377,512	2,547,982	3,754,959
Gross profit	298,554	887,626	1,742,028	2,356,246
Loss before income tax	(1,300,810)	(498,334)	(75,834)	(148,044)
Income tax credits/(expenses)	3,378	(9,828)	(179)	9,648
Loss for the year	(1,297,432)	(508,162)	(76,013)	(138,396)
Loss attributable to:				
Equity holders of the Company	(1,297,432)	(508,162)	(75,469)	(137,088)
Non-controlling interests	–	–	(544)	(1,308)

ASSETS AND LIABILITIES

	As at December 31,			
	2015 RMB'000	2016 RMB'000	2017 RMB'000	2018 RMB'000
Total assets	628,160	1,567,925	9,038,791	9,076,398
Total liabilities	(1,848,244)	(1,553,523)	(3,507,508)	(3,369,850)
Total equity	(1,220,084)	14,402	5,531,283	5,706,548
Non-controlling interests	–	–	11,062	4,599
Equity attributable to equity holders of the Company	(1,220,084)	14,402	5,520,221	5,701,949

Definitions and Glossary

"AGM"	the annual general meeting of the Company to be held on June 18, 2019
"Annual Report"	this annual report dated March 25, 2019 of the Company
"Articles of Association"	the articles of association of our Company, conditionally adopted on January 11, 2019 with effect from the Listing Date, and as amended from time to time
"Audit Committee"	the audit committee of the Company
"Beijing Maoyan"	Beijing Maoyan Cultural Media Co., Ltd. (北京貓眼文化傳媒有限公司), a company incorporated under the laws of the PRC on November 12, 2015 with limited liability and a Consolidated Affiliated Entity
"Beijing Sankuai Technology"	Beijing Sankuai Technology Co., Ltd. (北京三快科技有限公司), a company incorporated under the laws of the PRC on April 10, 2007 with limited liability, an operating entity of Meituan Dianping
"Beijing Shiji Weying"	Beijing Shiji Weying Culture Development Co., Ltd. (北京世紀微影文化發展有限公司), a company incorporated under the laws of the PRC on July 22, 2016, with the limited liability and one of our Registered Shareholders
"Beijing Weige Shidai"	Beijing Weige Shidai Entertainment Technology Co., Ltd. (北京微格時代娛樂科技有限公司), a company incorporated under the laws of the PRC on March 9, 2016 with limited liability and a Consolidated Affiliated Entity
"Beijing Weying Shidai" or Weying"	Beijing Weying Shidai Technology Co., Ltd. (北京微影時代科技有限公司), a company established under the laws of the PRC with limited liability, and/or its subsidiaries, as the case may be
"Board"	the board of directors of the Company
"BVI"	the British Virgin Islands
"Cayman Companies Law" or "Companies Law"	the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, as amended, supplemented or otherwise modified from time to time
"Company" or "our Company"	Maoyan Entertainment, an exempted company incorporated in the Cayman Islands with limited liability and whose Shares are listed on the Main Board of the Stock Exchange (Stock Code: 1896)
"connected person(s)"	has the meaning ascribed thereto under the Listing Rules
"Consolidated Affiliated Entities"	entities whose financial have been consolidated and accounted for as subsidiaries of the Company by virtue of the Contractual Arrangements
"Contractual Arrangements"	the series of contractual arrangements entered into by, among others, the WFOE, Tianjin Maoyan Weying and the Registered Shareholders

Definitions and Glossary

"Corporate Governance Code" or "CG Code"	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules
"Director(s)"	the director(s) of the Company
"Draft Foreign Investment Law" or "2015 Draft Foreign Investment Law"	the Draft Foreign Investment Law (《中華人民共和國外國投資法(草案徵求意見稿)》) published by MOFCOM in January 2015
"Enlight"	for illustration purpose, means Mr. Wang Changtian, himself and his controlled entities, including Enlight Investment and Enlight Media, for the purpose of investment in our Company
"Enlight Investment"	Shanghai Enlight Investment Holding Co., Ltd. (上海光線投資控股有限公司)
"Enlight Media"	Beijing Enlight Media Co., Ltd. (北京光線傳媒股份有限公司), a company listed on the Shenzhen Stock Exchange (SSE Stock Code: 300251), our substantial shareholder
"Equity Pledge Agreement"	the amended and restated equity pledge agreement dated August 9, 2018 entered into among the WFOE, Tianjin Maoyan Weying and each of the Registered Shareholders
"Exclusive Consultation and Service Agreement"	the amended and restated exclusive consultation and service agreement dated August 9, 2018 between Tianjin Maoyan Weying and the WFOE
"Exclusive Option Agreement"	the amended and restated exclusive equity transfer option agreement dated August 9, 2018 among Tianjin Maoyan Weying, the WFOE and the Registered Shareholders
"Global Offering" or "Initial Public Offering"	the offering by the Company of its Shares for subscription by the public in Hong Kong and the offering of Shares by the international underwriters outside the United States in offshore transactions in accordance with Regulation S under the U.S. Securities Act and in the United States to QIBs only in accordance with Rule 144A or any other available exemption from the registration requirement under the U.S. Securities Act in January to February 2019
"GMV"	the value of paid transactions on our platform, including the service fees and without regard to any refunds
"gross box office"	box office and the service fees paid for online movie ticketing services
"Group", "our Group", "we" or "us"	the Company, its subsidiaries and the Consolidated Affiliated Entities
"Historical ESOP Platforms"	Tianjin Caiyi, Tianjin Caixuan, Tianjin Caiying, Tianjin Caichuang and Tianjin Guanghong

Definitions and Glossary

"Hong Kong"	Hong Kong Special Administrative Region of the PRC
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"IFRS"	International Financial Reporting Standards, which include standards, amendments and interpretations promulgated by the International Accounting Standards Board and the International Accounting Standards and interpretation issued by the International Accounting Standards Committee
"Linzhi Lixin"	Linzhi Lixin Information Technology Co., Ltd. (林芝利新信息技術有限公司), a company incorporated under the laws of the PRC on October 26, 2015 with limited liability and a company designated by Tencent to hold interests in Tianjin Maoyan Weying
"Listing"	listing of the Shares on the Main Board of the Stock Exchange
"Listing Date"	February 4, 2019, the date on which the Shares became listed on the Main Board of the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Maoyan Enterprise"	Tianjin Maoyan Enterprise Management and Consulting Co., Ltd. (天津貓眼企業管理諮詢有限公司), a company incorporated under the laws of the PRC on March 1, 2017 with limited liability and a Consolidated Affiliated Entity
"Maoyan Live JV"	Tianjin Maoyan Live Technology Co., Ltd. (天津貓眼現場科技有限公司), a company incorporated under the laws of the PRC on June 19, 2018 with limited liability and a joint venture held by the WFOE and Tianjin Maoyan Weying as to 49% and 51% of its equity interests, respectively, and a Consolidated Affiliated Entity
"Maoyan Pictures"	Tianjin Maoyan Pictures Co., Ltd. (天津貓眼影業有限公司), a company incorporated under the laws of the PRC on June 8, 2015 with limited liability and a Consolidated Affiliated Entity
"Maoyan Technology/WFOE"	Tianjin Maoyan Weying Technology Co., Ltd. (天津貓眼微影科技有限公司), a company incorporated under the laws of the PRC on February 5, 2018 with limited liability and a wholly owned subsidiary of our Company
"Meituan Dianping"	Meituan Dianping (美團點評) (SEHK Stock Code: 3690), an exempted company with limited liability incorporated under the laws of the Cayman Islands on September 15, 2015, or Meituan Dianping and its subsidiaries and consolidated affiliated entities, as the case may be
"Model Code"	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules

Definitions and Glossary

"MOFCOM"	the Ministry of Commerce of the PRC (中華人民共和國商務部)
"NASDAQ"	National Association of Securities Dealers Automated Quotations
"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)
"Nomination Committee"	the nomination committee of the Company
"Offer Price"	the final offer price of HK$14.80 per share in connection with the Global Offering and Listing
"Post-IPO Share Options"	options granted under the Post-IPO Share Option Scheme
"Post-IPO Share Option Scheme"	the post-IPO share option scheme of our Company as approved on July 23, 2018, which was adopted by the Company to provide incentives and rewards to individuals and/or entities for their contribution
"PRC" or "China"	the People's Republic of China, which, for the purpose of this Annual Report only, excludes Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
"Pre-IPO Share Options"	options granted under the Pre-IPO Share Option Scheme
"Pre-IPO Share Option Scheme"	the pre-IPO share option scheme of our Company as approved on July 23, 2018, which was adopted by the Company as a continuation and restructuring of the employee share incentive scheme originally adopted by Tianjin Maoyan Weying on November 8, 2016
"Prospectus"	the prospectus of the Company dated January 23, 2019
"Registered Shareholders"	Enlight Investment, Enlight Media, Shanghai Sankuai Technology, Beijing Shiji Weying (or its affiliates, as the case may be), Linzhi Lixin and the Historical ESOP Platforms
"Relevant Businesses"	the businesses of value-added telecommunication services business, performance brokerage services, movie distribution and radio and television program production
"Remuneration Committee"	the remuneration committee of the Company
"Reorganization"	the offshore and onshore reorganization as set out in section headed "History and Reorganization – Reorganization" of the Prospectus
"Restricted Share Agreement"	the restricted share agreement entered into among the Company, Mr. Zheng Zhihao and Rhythm Brilliant Limited on July 23, 2018 to recognize and reward the contribution of Mr. Zheng Zhihao to the Group

"Proxy Agreement"	the amended and restated proxy agreement dated August 9, 2018 entered into among the WFOE, Tianjin Maoyan Weying and the Registered Shareholders
"RMB"	Renminbi, the lawful currency of the PRC
"RSU Scheme"	The RSU Scheme of our Company as approved on July 23, 2018, which was adopted by the Company to reward participants for their contribution to the Group and attract best available personnel
"Ruihai Fangyuan"	Shenzhen Ruihai Fangyuan Technology Co., Ltd (深圳市瑞海方圓科技有限公司), a company incorporated under the laws of the PRC on July 13, 2017 with limited liability and a Consolidated Affiliated Entity
"Securities and Futures Ordinance" or "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 Maoyan Network"	Shanghai Maoyan Network Technology Co., Ltd. (上海貓演網絡科技有限公司), a company incorporated under the laws of the PRC on February 13, 2019 with limited liability, a wholly-owned subsidiary of Maoyan Live JV
"Shanghai Sankuai Technology"	Shanghai Sankuai Technology Co., Ltd. (上海三快科技有限公司), a company incorporated under the laws of the PRC on December 19, 2012 with limited liability
"Share(s)"	ordinary share(s) in the share capital of the Company with a par value of US$0.00002
"Shareholder(s)"	holder(s) of the Share(s)
"Shenzhen Stock Exchange" or "SSE"	Shenzhen Stock Exchange (深圳證券交易所)
"Stock Exchange" or "SEHK"	the Stock Exchange of Hong Kong Limited
"subsidiary(ies)"	has the meaning ascribed to it under the Listing Rules
"Tencent"	Tencent Holdings Limited (SEHK Stock Code: 700), or Tencent Holdings Limited and/or its subsidiaries, as the case may be
"Tencent Computer"	Shenzhen Tencent Computer Systems Company Limited (深圳市騰訊計算機系統有限公司), a company established in the PRC on November 11, 1998 and a wholly-owned subsidiary of Tencent

Definitions and Glossary

"Tianjin Maoyan Weying"	Tianjin Maoyan Weying Cultural Media Co., Ltd. (天津貓眼微影文化傳媒有限公司), formerly known as Tianjin Maoyan Cultural Media Co., Ltd. (天津貓眼文化傳媒有限公司), a company incorporated under the laws of the PRC on May 27, 2015 with limited liability and a Consolidated Affiliated Entity, which is a holding company of all the other Consolidated Affiliated Entities of our Group
"Tianjin Meimao"	Tianjin Meimao Cultural Media Co., Ltd. (天津美貓文化傳媒有限公司), a company incorporated under the laws of the PRC on November 22, 2018, with the limited liability and a Consolidated Affiliated Entity
"Tianjin Caichuang"	Tianjin Caichuang Enterprise Management and Consultation Partnership (Limited Partnership) (天津彩創企業管理諮詢合夥企業(有限合夥)), a limited partnership incorporated under the laws of the PRC on May 6, 2016 and one of our Historical ESOP Platforms
"Tianjin Caixuan"	Tianjin Caixuan Enterprise Management and Consultation Partnership (Limited Partnership) (天津彩絢企業管理諮詢合夥企業(有限合夥)), a limited partnership incorporated under the laws of the PRC on May 6, 2016 and one of our Historical ESOP Platforms
"Tianjin Caiyi"	Tianjin Caiyi Enterprise Management and Consultation Partnership (Limited Partnership) (天津彩溢企業管理諮詢合夥企業(有限合夥)), a limited partnership incorporated under the laws of the PRC on May 5, 2016 and one of our Historical ESOP Platforms
"Tianjin Caiying"	Tianjin Caiying Enterprise Management and Consultation Partnership (Limited Partnership) (天津彩盈企業管理諮詢合夥企業(有限合夥)), a limited partnership incorporated under the laws of the PRC on May 6, 2016 and one of our Historical ESOP Platforms
"Tianjin Guanghong"	Tianjin Guanghong Enterprise Management and Consultation Partnership (Limited Partnership) (天津光鴻企業管理諮詢合夥企業(有限合夥)), a limited partnership incorporated under the laws of the PRC on May 6, 2016 and one of our Historical ESOP Platforms
"U.S.$" or "US dollars"	U.S. dollars, the lawful currency of the United States of America
"Xinjiang Maoyan Live"	Xinjiang Maoyan Live Technology Co., Ltd. (新疆貓眼現場科技有限公司), a company incorporated under the laws of the PRC on December 21, 2017 with limited liability and currently a wholly owned subsidiary of Beijing Maoyan, and is in the progress of deregistration
"Xinjiang Maoyan Network"	Xinjiang Maoyan Network Technology Co., Ltd. (新疆貓眼網絡科技有限公司), a company incorporated under the laws of the PRC on November 10, 2016 with limited liability and a wholly owned subsidiary of Beijing Maoyan, and a Consolidated Affiliated Entity
"Year"	the year ended December 31, 2018
"%"	per cent

Maoyan Entertainment