Maoyan Entertainment
貓眼娛樂

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1896)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED DECEMBER 31, 2019

The board of directors (the "**Board**") of Maoyan Entertainment (the "**Company**") is pleased to announce the audited consolidated results of the Company, its subsidiaries and the Consolidated Affiliated Entities (the "**Group**") for the year ended December 31, 2019. The results have been audited by the auditor of the Company in accordance with International Standards on Auditing, and have also been reviewed by the Audit Committee.

PERFORMANCE HIGHLIGHTS

	Year ended December 31,		Year-on-year
	2019	2018	change
	RMB million	*RMB million*	*%*
Revenue	**4,267.5**	3,755.0	13.6
Gross profit	**2,657.1**	2,356.2	12.8
Operating profit/(loss)	**675.9**	(139.4)	N/A
Profit/(loss) for the year	**458.9**	(138.4)	N/A
Adjusted EBITDA	**946.4**	229.2	312.9
Adjusted net profit*	**703.2**	290.1	142.4

* We defined adjusted net profit as net profit/(loss) for the year adjusted by adding back share-based compensation, fair value loss on convertible bonds classified as financial liabilities at fair value through profit or loss, listing expenses, amortization of intangible assets resulting from business combinations and the impairment provision of goodwill resulting from business combinations.

BUSINESS REVIEW AND OUTLOOK

Financial Highlights

Our revenue grew to RMB4,267.5 million in the full year of 2019 from RMB3,755.0 million in the full year of 2018, representing a year-on-year increase of 13.6%. Our gross profit grew to RMB2,657.1 million in the full year of 2019 from RMB2,356.2 million in the full year of 2018, representing a year-on-year increase of 12.8%. Our profit for the full year of 2019 was RMB458.9 million, whereas our loss for the full year of 2018 was RMB138.4 million. Our adjusted EBITDA for the full year of 2019 grew to RMB946.4 million from RMB229.2 million in the full year of 2018, representing a year-on-year increase of 312.9%, whereas our adjusted net profit* grew to RMB703.2 million in the full year of 2019 from RMB290.1 million in the full year of 2018, representing a year-on-year increase of 142.4%.

Business Review

Online Entertainment Ticketing Services

In 2019, the total gross box office for China's movie industry was RMB64.266 billion, representing a year-on-year increase of 5.4%, of which total gross box office for domestic movies was RMB41.175 billion, representing a year-on-year increase of 8.65% and accounting for 64.07% of China's total gross box office. In addition, total movie theater attendance was 1.727 billion in 2019, representing a year-on-year increase of 0.5%. Given the Chinese movie market's continuous growth and stable online penetration, the number of transacting users for our online entertainment ticketing services continued to increase, representing a year-on-year increase of 6.7% in online movie ticketing GMV and a year-on-year increase of 0.9% in number of movie tickets sold, both of which exceeded the growth of China's movie market in 2019. Our market share of the total GMV of the ticketing business throughout 2019 exceeded 60%. As the largest online movie ticketing service provider in China, we strived to further develop our own capabilities and advantages in 2019. Leveraging our cutting-edge big data analytical capabilities, we further explored the market's growth potential. We also increased movie theater attendance by improving user experience, which was due to our focus on user behavior and user preferences as well as our ongoing efforts to further diversify event types on our platform. As a result, we improved the operating efficiency of our movie ticketing business in the period.

In terms of total market share, online entertainment event ticketing services in China during 2019 remained flat in comparison to 2018. Maoyan's total live event ticketing GMV increased by 15.1% on a year-on-year basis in 2019. We further strengthened our online entertainment event ticketing service capabilities to provide audiences with the complete suite of ticketing services, such as ticket sales, ticket issuing, and smart admissions. As the scale of our online entertainment event ticketing services business grew in 2019, we were also engaged as the general agent for ticketing services in various ticketing projects, with the number of ticketing projects in which we acted as the general agent increasing by more than eight times on a year-on-year basis. Meanwhile, the number of tickets sold through our platform increased by 9 times on a year-on-year basis. Notably, we provided general agent services for major events including Lim JunJie Wayne's concert tour (林俊傑巡演), Jay Chou's concert tour (周杰倫巡演), The Untamed Concert (陳情令演唱會)), ninepercent Concert (ninepercent演唱會), R.1.S.E concert tour (R.1.S.E巡演), and more.

* We defined adjusted net profit as net profit/(loss) for the year adjusted by adding back share-based compensation, fair value loss on convertible bonds classified as financial liabilities at fair value through profit or loss, listing expenses, the amortization of intangible assets resulting from business combinations and the impairment provision of goodwill resulting from business combinations.

Besides our active business expansion into the upstream segment of the online entertainment event industry, we also provided online and offline integrated marketing services for artists and organizers by fully utilizing Maoyan's formidable media matrix and media platform as well as by cooperating with high-quality platforms such as TikTok, Weibo, and Tencent Music. As a result, we became the exclusive platform for Chou Chuan-huing's concert tour and the cooperating platform of Lim JunJie Wayne's concert tour for promotion and distribution services. Furthermore, we also provided innovative promotion, marketing, and sponsorship services to artists and organizers in such famous stage plays as Duan Jin (斷金), starring Zhang Guoli, Wang Gang, and Zhang Tielin, Balcony (陽台), starring Chen Peisi, Sleep No More (不眠之夜), and the famous teamLab series of exhibitions.

We continued to facilitate the upgrade of smart stadiums across the country by implementing smart features into dozens of large-sized stadiums and theaters as well as by providing smart solutions, including facial recognition admission solutions, paperless admission solutions, ticketing system solutions, membership subscription and marketing solutions, official WeChat mini program solutions, and other full-link solutions throughout the entertainment industry value chain.

Entertainment Content Services

We achieved major breakthroughs in our content production, distribution, and promotion capabilities. In 2019, we had acted as the lead distributor in 14 movies and achieved a total gross box office of RMB7.4 billion. In terms of ticket office, there were a total of 18 domestic movies among the top 30 movies in China during 2019, among which, owing to our extensive engagement in and assistance with the development of the movie industry in China, we were the lead distributor, a co-producer, and/or a co-distributor for 12 of the total movies. The movies that we were involved in were outstanding performers in various movie distribution schedules. Such movies included Kill Mobile (來電狂響), which ranked first during the New Year's Day; P Storm (反貪風暴4), which ranked first during the Qingming Festival; My Best Summer (最好的我們), which ranked first during Dragon Boat Festival; and My People, My Country (我和我的祖國), which ranked first during Chinese National Day.

We expanded further up the value chain to capture other sources of value creation. By investing in Huanxi Media Group Limited (a renowned film company) and Erdong Pictures Group Limited (a renowned film company), as well as by strengthening our cooperation with the FIRST International Film Festival (a platform for young filmmakers), we enhanced our connection with entertainment content producers to better empower the production of more high-quality content.

Furthermore, we undertook the production of various high-quality TV and web series. For example, we co-produced The Longest Day in Chang'an (長安十二時辰), which became one of the most popular web series in 2019, and other various TV products, including The Legendary Tavern (老酒館), Father's Grassland and Mother's River (父親的草原母親的河), Homeland (河山), The Galloped Era (奔騰年代), and The Fiery Years of Gao DaXia (高大霞的火紅年代), all of which were selected by the National Radio and Television Administration for the "100-day Exhibition of Outstanding TV Series" in celebration of the 70th Anniversary of the founding of the People's Republic of China. Our Traditional Chinese Medicine (老中醫), Voyage (啟航), Homeland (河山), The Galloped Era (奔騰年代), The Legendary Tavern (老酒館), and many other products were also included by the National Radio and Television Administration to the list of "Themed Repertoire of 100 Key TV Series for 2018 to 2022."

We are dedicated to providing valuable industry insights and services to industry partners along the entertainment industry value chain. We continue to expand our service platform capabilities and improve our technological infrastructure to empower the industry with our diversified services.

Maoyan Pro (貓眼專業版) has been able to expand into the comprehensive entertainment industry by providing professional industry data and information to various players along the entertainment industry value chain, including such areas as movies, TV series, web content, and short-form videos. In 2019, the market paid an increasing amount of attention to Maoyan.

Maoyan Research Institute (貓眼研究院) has become a leading analysis platform in the entertainment industry, helping to grow our service business for movie and television projects by 120% in 2019. Maoyan Research Institute provides in-depth, data-based analytics on market conditions, script analysis, casting, test screening, as well as promotion and distribution to facilitate the decision-making processes of industry professionals. In addition to entering into strategic partnerships with IMAX, Sony, Tencent Pictures, and other companies, we also expanded our industry research to forge partnerships with such companies as China Literature, IMAX, and Dolby. In the meantime, we promoted the commercialization of data services, greatly improving our service efficiency. By periodically releasing market research reports, such as the publication of "The Birth of a Movie: a Guide to Entering the Movie Industry" (一部電影的誕生 – 電影行業 "入圈" 指南), we built a knowledge-based community and promoted industry standardization. We also introduced the first season of masterclasses for the promotion and distribution of movies and television series under our "Maoyan Research Institute Study" (貓眼研究院研習社) program to allow professional practitioners to make progress via learning together.

Our big data and AI technology platform, Maoyantong (貓眼通), provides industry partners with comprehensive intelligent project management tools that cover the project initiation phase, production phase, promotion and distribution phase, and screening phase, thus enabling industry partners to manage their projects with a one-stop solution. As of December 31, 2019, the platform had provided professional services to nearly 200 movies and TV series.

In addition, in 2019, we also launched a full entertainment data analysis platform, Maoyan Zhiduoxing (貓眼智多星). Maoyan Zhiduoxing provides users with data to cover the full breadth of entertainment categories, including movies, dramas, variety shows, novels, artist events, and online entertainment events. The platform's multi-dimensional data analysis capabilities encompass thousands of dimensions of data indicators, collecting data in real time from social media channels, long-form video platforms, and short-form video platforms. There is an abundance of potential use cases for such data analysis capabilities, including industry market analysis, market policy analysis, AI script evaluation, consumer behavior research, and more.

Advertising Services and Others

During 2019, our revenue from advertising and other businesses experienced a significant year-on-year increase of 39.7%, primarily driven by continuous investments into our marketing and financing platforms:

- We deepened the integration of our extensive online and offline marketing resources to better reach our target audience. These online resources include our online access portals, such as Weixin, QQ, Meituan, Dianping, Maoyan, and Gewara, which cover social media, e-commerce and daily consumer services.

- We took the helm in the domestic entertainment ticketing business by establishing a mini-program platform catering to more than 350 million users. In the meantime, we constructed a grassroots media matrix comprised of hundreds of accounts, including Maoyan Movie and Ms. Xiaoxiao Sha, which has attracted over 300 million fans and subsequently grown into a leading entertainment media platform.

- We established a controllable and stable data system for traffic. This system is driven by two synchronous factors, namely, "self-owned traffic data" and "platform traffic data." Our Maoyan app has already reported more than 10 million monthly active users for its "self-owned traffic data" and has also ranked first within the entertainment ticketing category among domestic mobile internet apps on a consecutive basis.

- Maoyan Video MCN won the Award of "Annual Most Commercially Valued MCN Institutions" by virtue of its footprint on various platforms, including TikTok, Weibo, and Kuaishou.

- Furthermore, owing to self-incubation and execlusive strategic collaboration with institutions, we built an entertainment ecosystem by introducing high-quality short-form videos, encompassing content, brands, and user demands, to empower the entertainment industry.

- We provided Mars Group with one-stop integrated marketing services, comprised of online and offline advertising resources, such as grassroots media videos, celebrities, artists, and movie tickets. On the other hand, we also provided premier advertising placements to over one hundred brand customers, including nearly one hundred customized marketing solutions for JD, TikTok, Buick, Tiffany, Chanel, and KFC.

- Recently, we launched a comprehensive entertainment financing platform to provide industry participants along the value chain with customized funding solutions to secure financial support. This helped industry players to resolve such problems as financing challenges, slowing cash flow, and other industrial weaknesses. Our service targets include cinemas, movie distributors and investors, TV series producers, and performance sponsors.

OUTLOOK

Looking into the future, we will continue to develop the comprehensive entertainment industry. In accordance with our "Cat Claw Strategic Model," we will further develop the capabilities of our five platforms, namely, our comprehensive entertainment ticketing platform, product platform, data platform, marketing platform, and financing platform, so as to shore up our business synergies and accumulation of value, which in return will generate more value for the entertainment industry. In the meantime, we will also continue to expand and increase our business scenarios and capabilities, based on the core requirements of our industry, development of the company, challenges, and commercial possibilities.

So far as our ticketing business platform is concerned, we will continue to strengthen the depth and width of collaborations with players in upstream and downstream segments of the value chain, while constantly exploring and advancing additional project investments and collaborations in various areas, including pre-distribution advertising, ticketing systems, and upstream sources. Advances in these areas will help to increase our industry market share and commercial value. As for product platforms, we will continue to strengthen our in-house research and development, optimize our business synergies, and increase our accumulation of value to enrich our product mix and further enhance our internet-based strengths. In addition, we will continue to expand our online business products and develop our product matrix, which includes Maoyantong (貓眼通) and Changguantong (場館通). In terms of data platforms, we plan to further improve our data analysis capabilities and analytical tools to facilitate the development of industrial digitization. For our marketing platforms, we will continue to build a marketing and promotion platform that is driven by convergence, integrating online and offline capabilities to consolidate industrial resources, enriching entertainment marketing scenes, expanding cinema and entertainment event advertisements, as well as developing other new business formats. This will further improve and diversify our integrated entertainment marketing services. In regards to financing platforms, we will provide more optimal and suitable arrangements, joining hands with our industrial partners to move forward and achieve mutual benefits.

Ever since Maoyan became a publicly-listed company, we have been committed to strengthening our strategic collaborations with shareholders. For instance, we have been working with Tencent, an important strategic shareholder, to develop the "Tencent and Maoyan Alliance" by entering into a series of cooperative framework agreements to further strengthen the depth of our online and offline collaborations. In December 2019, FountainVest became our new shareholder. By leveraging FountainVest's investment experience and existing business presence in the entertainment sector, we will drive the further expansion of this business segment to achieve long-term development and introduce more premier entertainment content and experiences to the industry.

In early 2020, the COVID-19 outbreak is causing significant impacts to both the Chinese economy and world economy, putting the entire entertainment industry to the stern test. As an important player in this industry, we always place the highest priority on the interests of users while also caring and paying attention to our employees and industry partners, in spite of the great impacts on us. Just after Spring Festival, it was announced that a number of movies were to be withdrawn. We immediately acted on our own initiative, announcing that all of Maoyan's users could claim full refunds without exception and, to protect the user's rights and interests to the greatest extent, that Maoyan would make payments in advance for all refunds. In just 3 days, all of the refunds for the Spring Festival holiday period movies were completed, with a total of more than 5 million tickets returned for a total amount of more than RMB200 million. Besides working shoulder-to-shoulder with upstream and downstream partners in the industry to overcome these challenges, we will provide assistance and support in the form of business collaboration and funding. We helped cinemas to reduce their inventories of Spring Festival articles for sale by working with Meituan and utilizing their platform's take-out services. We place a high value on the safety of our employees and thus adopted various measures in a prompt manner to ensure their health and safety, including flexible work-from-home practices and the procurement of supplies for epidemic prevention and control.

We are confident that the epidemic will eventually come to an end with the entertainment industry and China's economy embracing a better development landscape. As a result, both Maoyan and its industrial partners will be in a stronger position and create greater opportunities to drive industry sustainability for the foreseeable future. At last, we salute the warriors on the firing line for fighting against this epidemic. We also express our heartfelt appreciation to all of our colleagues, shareholders, and partners for their tremendous support.

MANAGEMENT DISCUSSION AND ANALYSIS

2019 Review

	Year ended December 31,			
	2019		2018	
	RMB million	*%*	*RMB million*	*%*
Revenue	**4,267.5**	**100.0**	3,755.0	100.0
Cost of revenue	**(1,610.4)**	**(37.7)**	(1,398.8)	(37.3)
Gross profit	**2,657.1**	**62.3**	2,356.2	62.7
Selling and marketing expenses	**(1,547.8)**	**(36.3)**	(1,940.4)	(51.7)
General and administrative expenses	**(447.8)**	**(10.5)**	(520.5)	(13.9)
Net impairment losses on financial assets	**(41.9)**	**(1.0)**	(2.5)	(0.0)
Other income	**52.5**	**1.2**	–	–
Other gains/(losses), net	**3.8**	**0.1**	(32.2)	(0.8)
Operating profit/(loss)	**675.9**	**15.8**	(139.4)	(3.7)
Finance income	**29.0**	**0.7**	4.1	0.1
Finance costs	**(42.8)**	**(1.0)**	(10.9)	(0.3)
Finance costs, net	**(13.8)**	**(0.3)**	(6.8)	(0.2)
Share of losses of investments accounted for using equity method	**(0.6)**	**(0.0)**	(1.8)	(0.0)
Profit/(loss) before income tax	**661.5**	**15.5**	(148.0)	(3.9)
Income tax (expenses)/credits	**(202.6)**	**(4.7)**	9.6	0.2
Profit/(loss) for the year	**458.9**	**10.8**	(138.4)	(3.7)
Non-IFRS Measures:				
EBITDA	**839.9**	**19.7**	9.1	0.2
Adjusted EBITDA	**946.4**	**22.2**	229.2	6.1
Adjusted net profit *(note)*	**703.2**	**16.5**	290.1	7.7

Note: We defined adjusted net profit as net profit/(loss) for the year adjusted by adding back share-based compensation, fair value loss on convertible bonds classified as financial liabilities at fair value through profit or loss, listing expenses, amortization of intangible assets resulting from business combinations and the impairment provision of goodwill resulting from business combinations.

Revenue

Our revenue increased by 13.6% to RMB4,267.5 million in 2019 from RMB3,755.0 million in 2018. This increase was primarily a result of increases in the revenue from the entertainment content services, advertising services and others. The following table sets forth our revenues by service for the years ended December 31, 2018 and 2019.

	Year ended December 31,			
	2019		2018	
	RMB million	***%***	*RMB million*	*%*
Revenue				
Online entertainment ticketing services	**2,303.2**	**54.0**	2,280.2	60.7
Entertainment content services *(note)*	**1,396.8**	**32.7**	1,068.6	28.5
Advertising services and others	**567.5**	**13.3**	406.2	10.8
Total	**4,267.5**	**100.0**	3,755.0	100.0

Note: This amount included fair value gain on the Group's investment in movie and TV series amounting to RMB15.6 million for the year ended December 31, 2019.

Online Entertainment Ticketing Services

Revenue from our online entertainment ticketing business increased by 1.0% to RMB2,303.2 million in 2019 from RMB2,280.2 million in 2018, mainly due to the revenue increase in the online performance ticketing business compared with last year.

Entertainment Content Services

Revenue from our entertainment content services increased by 30.7% to RMB1,396.8 million in 2019 from RMB1,068.6 million in 2018. 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 movie projects with commercial success and undertake key roles. In 2019, we participated as lead distributors and a co-producer in blockbusters such as Kill Mobile (來電狂響), Pegasus (飛馳人生), P Storm (反貪風暴4), Looking up (銀河補習班), IP Man 4:The Finale (2019)（葉問4：完結篇）and My People, My Country (我和我的祖國).

Advertising Services and Others

Revenue from our advertising services and others increased by 39.7% to RMB567.5 million in 2019 from RMB406.2 million in 2018, which was primarily due to an increase in the number of advertisers for brand who recognized the efficiency of our marketing solutions.

Cost of revenue

Our cost of revenue increased by 15.1% to RMB1,610.4 million in 2019 from RMB1,398.8 million in 2018. The increase in our cost of revenue was mainly due to an increase in the content production cost and content distribution and promotion cost, reflecting the continued growth of our entertainment content services.

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,					
	2019			2018		
	RMB million	***%***	***% of revenue***	*RMB million*	*%*	*% of revenue*
Ticketing system cost	**537.2**	**33.4**	**12.6**	545.7	39.1	14.5
Internet infrastructure cost	**243.4**	**15.1**	**5.7**	193.1	13.8	5.1
Content distribution and promotion cost	**349.9**	**21.7**	**8.2**	269.8	19.3	7.2
Content production cost	**242.6**	**15.1**	**5.7**	136.3	9.7	3.6
Amortization of intangible assets	**135.9**	**8.4**	**3.2**	133.5	9.5	3.6
Depreciation of property, plant and equipment	**6.9**	**0.4**	**0.1**	4.5	0.3	0.1
Other expenses	**94.5**	**5.9**	**2.2**	115.9	8.3	3.2
Total	**1,610.4**	**100.0**	**37.7**	1,398.8	100.0	37.3

Gross Profit and Gross Margin

Our gross profit increased by RMB300.9 million, or 12.8%, to RMB2,657.1 million in 2019 from RMB2,356.2 million in 2018, and our gross margin was 62.7% and 62.3% in 2018 and 2019, respectively.

Selling and Marketing Expenses

Our selling and marketing expenses decreased by 20.2% to RMB1,547.8 million in 2019 from RMB1,940.4 million in 2018, primarily due to a significant boost in the marketing efficiency. The percentage of selling and marketing expenses to our revenue decreased from 51.7% to 36.3%.

General and Administrative Expenses

Our general and administrative expenses decreased by 14.0% to RMB447.8 million in 2019 from RMB520.5 million in 2018, primarily as the decrease in amortization expenses of equity incentives and the decrease in listing expenses were offset by the increase in professional services expenses.

Other Income and Other Gains/(Losses)

We had other income and other gains of RMB56.3 million in 2019, compared to total of other income and net other losses of RMB32.2 million in 2018, primarily as (1) RMB62.8 million impairment of goodwill arising from the acquisition of Beijing Jietong Wuxian Technology Co., Ltd. was recognized in 2018 and no such provision was made in 2019; and (2) there was an increase in tax credits allowed under certain new tax reduction measures issued by the Ministry of Finance in 2019 compared with 2018.

Operating Profit/(Loss)

As a result of the foregoing, our operating profit was RMB675.9 million in 2019, compared to an operating loss of RMB139.4 million in 2018.

Finance Costs, Net

Our net finance costs increased by 102.9% to RMB13.8 million in 2019 from RMB6.8 million in 2018, primarily due to interest and financial expenses resulted from the increase in bank borrowings.

Income Tax (Expenses)/Credits

We had income tax expenses of RMB202.6 million in 2019, compared to the income tax credits of RMB9.6 million in 2018. This was primarily due to our improved overall profitability.

Profit/(loss) for the Year

As a result of the foregoing, our profit for the year was RMB458.9 million in 2019, compared to loss for the year of RMB138.4 million in 2018.

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, 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,	
	2019	2018
	RMB million	*RMB million*
Reconciliation of net profit/(loss) to adjusted net profit		
Net profit/(loss) for the year	**458.9**	(138.4)
Add:		
Share-based compensation	**103.2**	161.9
Fair value loss on convertible bonds classified as financial liabilities at fair value through profit or loss	**1.6**	8.0
Listing expenses	**3.3**	58.2
Amortization of intangible assets resulting from business combinations	**136.2**	137.6
Impairment provision of goodwill resulting from business combinations	**–**	62.8
Adjusted net profit	**703.2**	290.1

Note: We defined adjusted net profit as net profit/(loss) for the year adjusted by adding back share-based compensation, fair value loss on convertible bonds classified as financial liabilities at fair value through profit or loss, listing expenses, amortization of intangible assets resulting from business combinations and the impairment provision of goodwill resulting from business combinations.

	Year ended December 31,	
	2019	2018
	RMB million	*RMB million*
Reconciliation of operating profit/(loss) to EBITDA and adjusted EBITDA		
Operating profit/(loss) for the year	**675.9**	(139.4)
Add:		
Depreciation of property, plant and equipment	**14.4**	10.8
Amortization of intangible assets	**137.7**	137.7
Depreciation of right-of-use assets	**11.9**	–
EBITDA	**839.9**	9.1
Add:		
Share-based compensation	**103.2**	161.9
Listing expenses	**3.3**	58.2
Adjusted EBITDA	**946.4**	229.2

Notes: We defined EBITDA as operating profit/(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.

Other Financial Data

Capital Structure

The Company continued to maintain a healthy and sound financial position. Our total assets grew from RMB9,076.4 million as of December 31, 2018 to RMB11,351.2 million as of December 31, 2019, whilst our total liabilities decreased from RMB3,369.9 million as of December 31, 2018 to RMB3,063.2 million as of December 31, 2019. Our liabilities-to-assets ratio decreased from 37.1% in 2018 to 27.0% in 2019.

As of December 31, 2019, we pledged bank deposits of USD47.5 million (equivalent to approximately RMB331.4 million) and certain wealth management products with value of RMB259.6 million as securities for bank borrowings.

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 US 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, 2019, we had cash and cash equivalents and other forms of bank deposits of RMB1,971.8 million, meanwhile, we also had wealth management products valued at RMB267.7 million, which were predominantly denominated in RMB and US dollars. 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, 2019, our total borrowings were approximately RMB1,161.6 million, which were all bank borrowings denominated in Renminbi. The following table sets forth further details of our banking borrowings as of December 31, 2019:

	RMB million	**Interest rate**
Secured	511.6	4.3100%
Guaranteed	650.0	3.9200%~5.4375%
Total	**1,161.6**	**N/A**

As of December 31, 2019, we had unutilized banking facilities of RMB598.0 million.

As of December 31, 2019, we did not have any significant contingent liabilities.

We monitor capital on basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings and financial liabilities at fair value through profit or loss, net of cash and cash equivalent, restricted bank deposits and term deposit with original maturity over three months. Total capital is calculated as “equity” as shown in the consolidated statement of financial position. As at December 31, 2019 and 2018, the Group has a net cash position.

Capital Expenditure

Our capital expenditures primarily included purchase of equipment and intangible assets. Our capital expenditures increased by 54.5% to RMB22.4 million in 2019 from RMB14.5 million in 2018. 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

On March 12, 2019, we entered into a subscription agreement and a strategic cooperation agreement with Huanxi Media Group Limited ("**Huanxi Media**"). Pursuant to the subscription agreement, 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. Under such agreements, we planned to establish strategic cooperation with Huanxi Media in entertainment content services. On March 19, 2019, the subscription was completed and the consideration was duly paid. For further details, please see our announcement dated March 13, 2019 and our annual report dated April 25, 2019.

Save as disclosed above, the Group did not have any others plans for major investments and capital assets for the year ended December 31, 2019. During the year ended December 31, 2019, we did not have any material acquisitions and disposals of subsidiaries and affiliated companies.

Significant Investments Held

Except for our strategic cooperation with Huanxi Media as mentioned above, the Company did not hold any significant investments for the year ended December 31, 2019.

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 2019.

Employees and Remuneration Policy

As of December 31, 2019, we had 1,194 full-time employees, 1,191 of whom were based in mainland 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

Since early 2020, the pandemic of Coronavirus Disease 2019 (the "**COVID-19 outbreak**") has spread across China and other countries. The movie theaters in China have been temporarily shut down as a result of the prevention and control measures adopted by government and therefore, the Group has experienced a decline in revenue during this period. The Group has been adopting countermeasures to mitigate the impact of the COVID-19 outbreak to the Group's operation, including but not limited to flexible work-from-home practices and procurement of supplies for pandemic prevention and control for our employees.

As of the date of this announcement, the movie theaters in some cities of China has re-opened or are preparing for resume work. The Group will keep continuous attention on the situation of the pandemic and react actively to its impacts on the operation and financial position of the Group.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended December 31, 2019 *RMB'000*	2018 *RMB'000*
Revenue	*4*	**4,267,514**	3,754,959
Cost of revenue	*5*	**(1,610,367)**	(1,398,713)
Gross profit		**2,657,147**	2,356,246
Selling and marketing expenses	*5*	**(1,547,792)**	(1,940,402)
General and administrative expenses	*5*	**(447,810)**	(520,584)
Net impairment losses on financial assets	*12, 13*	**(41,850)**	(2,451)
Other income	*6*	**52,408**	–
Other gains/(losses),net	*6*	**3,836**	(32,253)
Operating profit/(loss)		**675,939**	(139,444)
Finance income		**29,006**	4,072
Finance cost		**(42,765)**	(10,896)
Finance costs, net		**(13,759)**	(6,824)
Share of losses of investments accounted for using the equity method		**(639)**	(1,776)
Profit/(loss) before income tax		**661,541**	(148,044)
Income tax (expenses)/credits	*7*	**(202,684)**	9,648
Profit/(loss) for the year		**458,857**	(138,396)
Profit/(loss) attributable to:			
– Equity holders of the Company		**463,456**	(137,088)
– Non-controlling interests		**(4,599)**	(1,308)
		458,857	(138,396)
Earnings/(losses) per share attributable to equity holders of the Company (expressed in RMB per share)			
– Basic earnings/(losses) per share	*8*	**0.42**	(0.14)
– Diluted earnings/(losses) per share	*8*	**0.41**	(0.14)

		Year ended December 31,	
		2019	2018
	Note	***RMB'000***	*RMB'000*
Profit/(loss) for the year		**458,857**	(138,396)
Other comprehensive loss/(income):			
Items that may be reclassified to profit or loss			
Currency translation differences		**(10,814)**	572
Items that will not be reclassified to profit or loss			
Currency translation differences		**77,529**	–
Changes in the fair value of equity investments at fair value through other comprehensive income	*11*	**(30,496)**	–
Other comprehensive income for the year, net of tax		**36,219**	572
Total comprehensive income/(loss) for the year		**495,076**	(137,824)
Total comprehensive income/(loss) attributable to:			
– Equity holders of the Company		**499,675**	(136,652)
– Non-controlling interests		**(4,599)**	(1,172)
Total comprehensive income/(loss) for the year		**495,076**	(137,824)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at December 31, 2019 RMB'000	2018 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment		**34,421**	30,910
Right-of-use assets		**35,305**	–
Intangible assets		**5,341,073**	5,390,766
Investments accounted for using the equity method		**37,558**	37,297
Financial assets at fair value through profit or loss	*10*	**53,322**	38,801
Financial assets at fair value through other comprehensive income	*11*	**356,371**	–
Deferred income tax assets		**10,430**	4,142
Prepayments, deposits and other receivables	*13*	**113,787**	–
		5,982,267	5,501,916
Current assets			
Inventories		**28,232**	13,472
Accounts receivables	*12*	**551,647**	324,587
Prepayments, deposits and other receivables	*13*	**2,335,593**	1,315,251
Financial assets at fair value through profit or loss	*10*	**481,723**	384,716
Restricted bank deposits		**331,369**	–
Term deposit with original maturity over three months		**100,000**	–
Cash and cash equivalents		**1,540,414**	1,536,456
		5,368,978	3,574,482
Total assets		**11,351,245**	9,076,398
EQUITY			
Share capital	*18*	**152**	130
Reserves	*19*	**8,283,031**	6,156,971
Retained earnings/(accumulated losses)		**4,860**	(455,152)
Equity attributable to equity holders of the Company		**8,288,043**	5,701,949
Non-controlling interests		**–**	4,599
Total equity		**8,288,043**	5,706,548
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		**185,673**	196,997
Lease liabilities		**22,282**	–
		207,955	196,997
Current liabilities			
Borrowings	*14*	**1,161,600**	600,000
Financial liabilities at fair value through profit or loss	*15*	**–**	358,005
Accounts payables	*16*	**367,657**	295,195
Other payables, accruals and other liabilities	*17*	**1,238,638**	1,904,830
Lease liabilities		**14,027**	–
Current income tax liabilities		**73,325**	14,823
		2,855,247	3,172,853
Total liabilities		**3,063,202**	3,369,850
Total equity and liabilities		**11,351,245**	9,076,398

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

Maoyan Entertainment (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's shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited on February 4, 2019.

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 services, entertainment content services, movies and TV series investments, advertising services and others to users in the People's Republic of China (the "**PRC**").

The financial statements for the year ended December 31, 2019 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, 2019 have been approved for issue by the Company's board of directors (the "**Board**") on March 24, 2020.

2 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 the disclosure 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 liabilities at fair value through profit or loss and financial assets at fair value through other comprehensive income, 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.

(a) New and amended standards and interpretation adopted by the Group

The Group has applied the following standards, amendments and interpretation for the first time for their annual reporting period commencing January 1, 2019:

- IFRS 16 "Leases";
- Prepayment features with negative compensation – amendments to IFRS 9;
- Long-term interests in associates and joint ventures – amendments to IAS 28;
- Annual improvements to IFRS standards 2015-2017 cycle;
- Plan amendment, curtailment or settlement – amendments to IAS 19; and
- Uncertainty over income tax treatment – IFRIC 23;

The Group had to change its accounting policies as a result of adopting IFRS 16. The Group elected to adopt the new rules retrospectively but recognized the cumulative effect of initially applying the new standard on January 1, 2019. This is disclosed in the section header Adoption IFRS 16 below. Most of the other amendments and interpretation listed above did not have any impact on the amounts recognized in prior periods and are not expected to significantly affect the current or future periods.

Adoption IFRS 16

IFRS 16, "Lease" will result in almost all leases being recognized on the statement of financial position 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.

The Group has adopted IFRS 16 retrospectively from January 1, 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognized in the opening statement of financial position on January 1, 2019.

On adoption of IFRS 16, the Group recognized lease liabilities in relation to leases which had previously been classified as "operating leases" under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as at January 1, 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on January 1, 2019 was 5.4375%.

	2019 ***RMB'000***
Operating lease commitments disclosed as at December 31, 2018	43,369
Discounted using the lessee's incremental borrowing rate at the date of initial application	39,796
(Less) : short-term leases recognized on a straight-line basis as expense	(1,878)
(Less) : low-value leases recognized on a straight-line basis as expense	(72)
Lease liability recognized as at January 1, 2019	37,846
Of which are:	
Current lease liabilities	10,909
Non-current lease liabilities	26,937
	37,846

The right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the statement of financial position as at December 31, 2018. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application. All the recognized right-of-use assets relate to leased properties.

The recognized right-of-use assets relate to the following types of assets:

	December 31, 2019 ***RMB'000***	January 1, 2019 *RMB'000*
Leased properties	**35,305**	37,846

After the adoption of IFRS 16, the adjusted EBITDA increased by approximately RMB11,945,000 for the year ended December 31, 2019, 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. As at December 31, 2019, the total assets and liabilities also increased by approximately RMB35,305,000 and RMB36,309,000, respectively.

(b) New standards, amendments and revised conceptual framework not yet adopted

Standards, amendments and revised conceptual framework that have been issued but not yet effective on January 1, 2019 and not been early adopted by the Group are as follows:

		Effective for the financial year beginning on or after
Amendments to IFRS 3	Definition of a business	January 1, 2020
Amendments to IAS 1 and IAS 8	Definition of material	January 1, 2020
Conceptual framework for financial reporting 2018	Revised conceptual framework for financial reporting	January 1, 2020
IAS 39, IFRS 7 and IFRS 9	Hedge accounting (Amendment)	January 1, 2020
IFRS 17	Insurance contracts	January 1, 2022
IFRS 10 and IAS 28 (Amendment)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	***To be determined***
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform	January 1, 2020
Amendments to IAS 1	Classification of Liabilities as Current or Non-current	January 1, 2022

The above new standards, amendments and revised conceptual framework to existing standards are effective for annual periods beginning after January 1, 2020 and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group.

3 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 being the executive directors of the Group.

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, 2019, substantially all of the non-current assets were located in the PRC.

4 REVENUE

	Year ended December 31,	
	2019	2018
	RMB'000	*RMB'000*
Online entertainment ticketing services	**2,303,249**	2,280,238
Entertainment content services	**1,381,238**	1,068,615
Advertising services and others	**567,477**	406,106
	4,251,964	3,754,959
Income from movies and TV series investment *(a)*	**15,550**	–
Total revenue	**4,267,514**	3,754,959

	Year ended December 31,	
	2019	2018
	RMB'000	*RMB'000*
Revenue at a point in time	**2,454,502**	2,476,087
Revenue over time	**1,797,462**	1,278,872
Total revenue (excluding income from movies and TV series investment at fair value)	**4,251,964**	3,754,959

(a) The Group strategically planned to significantly increase its investment in movies and TV series and this will become one of the principal activities of the Group. Therefore, the Group has changed its presentation of the fair value gain on the investment in movies and TV series for the year ended December 31, 2019 as revenue of the Group in the consolidated statement of comprehensive income. Management believes that the change in the aforesaid presentation provides a more clear and appropriate information in respect of the revenue or returns from the Group's principal activities.

	Year ended December 31,	
	2019	2018
	RMB'000	*RMB'000*
Revenue recognized as an agent		
– Online entertainment ticketing services	**2,303,249**	2,280,238
– Advertising services and others	**191,630**	196,362
Revenue recognized as a principal		
– Entertainment content services	**1,381,238**	1,068,615
– Advertising services and others	**375,847**	209,744
Total revenue (excluding income from movies and TV series investment at fair value)	**4,251,964**	3,754,959

5 EXPENSES BY NATURE

	Year ended December 31,	
	2019	2018
	RMB'000	*RMB'000*
Marketing and promotion expenses	**1,283,292**	1,738,629
Ticketing system cost	**537,205**	545,664
Staff costs excluding share options granted to directors and employees	**457,198**	390,771
Content distribution and promotion cost	**349,901**	269,812
Internet infrastructure cost	**243,381**	193,054
Content production cost	**242,558**	136,305
Amortization of intangible assets	**137,638**	137,704
Share options granted to directors and employees	**103,228**	161,850
Tax and levies	**32,528**	30,230
Depreciation of property,plant and equipment	**14,444**	10,869
Depreciation of right-of-use assets	**11,855**	–
Rental expense for short-term and low-value leases	**5,162**	–
Operating lease rental	**–**	14,221
Impairment provision for inventory	**4,978**	–
Auditors' remuneration	**4,831**	3,562
Listing expenses	**3,243**	58,233
Other expenses	**174,527**	168,795
Total cost of revenue, selling and marketing expenses and general and administrative expenses	**3,605,969**	3,859,699

(a) During the year ended December 31, 2019, the Group recognized a provision of RMB4,978,000 for inventory impairment and was included in "cost of revenue".

(b) No significant development expenses had been capitalised for the year ended December 31, 2019 and 2018.

6 OTHER INCOME AND OTHER GAINS/(LOSSES), NET

	Year ended December 31,	
	2019	2018
	RMB'000	*RMB'000*
Government subsidies	**40,446**	9,872
Tax credit of input tax additional deduction	**11,962**	–
Impairment of goodwill	**–**	(62,763)
Fair value gain on wealth management products, listed and unlisted investments classified as financial assets at fair value through profit or loss	**18,761**	26,950
Fair value loss on convertible bonds classified as financial liabilities at fair value through profit or loss *(Note 15)*	**(1,607)**	(7,994)
Loss on disposal of property, plant and equipment	**(1,075)**	–
(Loss)/gains from liquidation/disposal of subsidiaries	**(9,803)**	3,832
Others	**(2,440)**	(2,150)
	56,244	(32,253)

7 INCOME TAX EXPENSES/(CREDITS)

	Year ended December 31,	
	2019	2018
	RMB'000	*RMB'000*
Current income tax	**230,296**	12,769
Deferred income tax	**(27,612)**	(22,417)
Income tax expenses/(credits)	**202,684**	(9,648)

(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, 2019 (2018: 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, 2019 (2018: 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.

(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, 2019 (2018: Nil).

8 EARNINGS/(LOSSES) PER SHARE

(a) Basic earnings/(losses) per share

	Year ended December 31,	
	2019	2018
Profit/(loss) attributable to equity holders of the Company (RMB'000)	**463,456**	(137,088)
Weighted average number of ordinary shares in issue (thousand)	**1,094,477**	922,755
Weighted average number of preferred shares in issue (thousand)	**–**	24,155
Weighted average number of vested restricted shares in issue (thousand)	**16,559**	13,070
Total weighted average number of shares in issue (thousand)	**1,111,036**	959,980
Basic earnings/(losses) per share (in RMB)	**0.42**	(0.14)

(b) Diluted earnings/(losses) per share

	Year ended December 31, **2019**	2018
Profit/(loss) attributable to equity holders of the Company (RMB' 000)	**463,456**	(137,088)
Total weighted average number of shares in issue (thousand)	**1,111,036**	959,980
Adjustments for share-based compensation – share options (thousand)	**9,312**	–
Adjustments for share-based compensation – RSUs (thousand)	**1,069**	–
Weighted average number of shares for diluted earnings per share (thousand)	**1,121,417**	959,980
Diluted earnings/(losses) per share (in RMB)	**0.41**	(0.14)

Diluted earnings/(losses) per share are calculated by adjusting the weighted average number of shares outstanding to assume conversion of all dilutive potential shares.

For the year ended December 31, 2019, the Company had dilutive potential ordinary shares of share options and restricted stock units ("**RSUs**") granted to employee. The number of shares that would have been issued assuming the exercise of the share options less the number of shares that would have been issued at fair value (determined as the average market share price of the Company's shares) for the same amount of proceed are share issues for no consideration which causes dilution to earnings/(losses) per share, and the RSU could have been acquired at fair value (determined as the closing price of the share on the date of the grant) based on the monetary value of the subscription rights attached to the outstanding RSUs assuming to have been fully vested and released from restrictions with no impact on earnings.

For the year ended December 31, 2018, the Company had dilutive potential ordinary shares of share options granted to employees. As the Group incurred losses for the year ended December 31, 2018, 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 year ended December 31, 2018 are the same as basic loss per share.

9 DIVIDENDS

No dividends have been paid or declared by the Company during the year ended December 31, 2019 (2018: Nil).

10 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at December 31,	
	2019	2018
	RMB'000	*RMB'000*
Current assets		
Investment in wealth management products	**267,717**	276,269
Investment in movies and TV series	**214,006**	108,447
	481,723	384,716
Non-current assets		
Investment in unlisted investments	**48,568**	38,801
Investment in listed investments	**4,754**	–
	53,322	38,801

11 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	Year ended December 31,	
	2019	2018
	RMB'000	*RMB'000*
At the beginning of the year	**–**	–
Additions	**372,113**	–
Convertible bonds converted to ordinary shares	**20,000**	–
Disposals	**(18,178)**	–
Changes in fair value	**(30,496)**	–
Currency translation differences	**12,932**	–
At the end of the year	**356,371**	–

On March 12, 2019, the Company and Huanxi Media entered into a subscription agreement, pursuant to which, the Company has conditionally agreed to subscribe for, and Huanxi Media has conditionally agreed to allot and issue to the Company 236,600,000 shares of Huanxi Media at a total consideration of HKD390,555,620 (equivalent to approximately RMB334,111,000). On March 19, 2019, the subscription was completed and the Company paid all of the consideration. Since the Group has no board seat in the listed company and the investment is intended to hold as strategic investments without trading purpose, management designated this investment as financial assets at fair value through other comprehensive income. The fair value of investment in Huanxi Media is based on quoted market price as at reporting date. During the year ended December 31, 2019, the Group disposed portion of the investment in Huanxi Media in the stock market and realised a loss of RMB3,444,000 which was transferred to retained earnings (Note 19).

During the year ended 31 December 2019, the Group also made certain new investments with an aggregate amount of approximately RMB38,002,000 in another four unlisted companies, which are principally engaged in media technology and digital business. These investments are not intended for trading purpose and therefore are designated by management as financial assets at fair value through other comprehensive income.

12 ACCOUNTS RECEIVABLES

	As at December 31, **2019** *RMB'000*	2018 *RMB'000*
Related parties	**11,427**	30,158
Third parties	**592,020**	305,833
	603,447	335,991
Less: allowance for impairment	**(51,800)**	(11,404)
	551,647	324,587

(a) The carrying amounts of the accounts receivables balances approximated to their fair value as at December 31, 2019 and 2018. All the accounts receivables balances were denominated in RMB.

(b) Aging analysis of the gross accounts receivables based on recognition date is as follows:

	As at December 31, **2019** *RMB'000*	2018 *RMB'000*
0-90 days	**362,516**	82,063
91-180 days	**44,811**	80,486
181-365 days	**30,401**	83,257
Over 365 days	**165,719**	90,185
	603,447	335,991

(c) Movement on the Group's allowance for impairments of accounts receivables are as follows:

	Year ended December 31, **2019** *RMB'000*	2018 *RMB'000*
At the beginning of the year	**(11,404)**	(8,953)
Impairment provision	**(40,396)**	(2,451)
At the end of the year	**(51,800)**	(11,404)

13 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at December 31,	
	2019	2018
	RMB'000	*RMB'000*
Deposits and prepayments for online entertainment ticketing and e-commerce services	**998,089**	363,489
Prepayment for investments in movies and TV series *(a)*	**766,662**	342,284
Amounts due from related parties	**164,501**	434,221
Receivables from investments in movies and TV series	**118,862**	53,524
Loans to third parties *(b)*	**224,758**	–
Others	**177,962**	121,733
	2,450,834	1,315,251
Less: non-current portion	**(113,787)**	–
	2,337,047	1,315,251
Less: allowance for impairment of other receivables *(c)*	**(1,454)**	–
	2,335,593	1,315,251

(a) The Group offers distribution and promotion services, which is considered one of the principal activities of the Group. The investments in movie and TV series with distribution services are designated as prepayments.

(b) The loans to third parties are repayable within 1 year. Except for an interest-free and unsecured loan amounting to approximately RMB44,652,000, the remaining loans are interest-bearing at fixed rates ranging from 11% to 13% per annum and secured by the debtors' certain receivables.

(c) The carrying amounts of the prepayments, deposits and other receivables (excluding prepayments) approximated to their fair value as at December 31, 2019 and 2018. Their recoverability was assessed with reference to the credit status of the recipients, and there is expected credit loss of RMB1,454,000 for the future 12 months.

14 BORROWINGS

	As at December 31,	
	2019	2018
	RMB'000	*RMB'000*
Current		
Bank borrowings – due within one year		
– Secured	**511,600**	200,000
– Guaranteed	**650,000**	300,000
– Unsecured	**–**	100,000
	1,161,600	600,000

15 FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at December 31,	
	2019	2018
	RMB'000	*RMB'000*
Convertible bonds	**–**	358,005
	–	358,005

	Year ended December 31,	
	2019	2018
	RMB'000	*RMB'000*
Opening balance	**358,005**	–
Addition	**–**	350,011
Changes in fair value	**1,607**	7,994
Currency translation differences	**(8,949)**	–
Converted to ordinary shares *(Note 18)* and *(Note 19)*	**(350,663)**	–
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.

16 ACCOUNTS PAYABLES

Aging analysis of the accounts payables based on invoice date at the respective statement of financial position date is as follows:

	As at December 31,	
	2019	2018
	RMB'000	*RMB'000*
0-90 days	**222,405**	192,186
91-180 days	**45,012**	27,310
181-365 days	**32,641**	43,678
Over 365 days	**67,599**	32,021
	367,657	295,195

17 OTHER PAYABLES, ACCRUALS AND OTHER LIABILITIES

	As at December 31,	
	2019	2018
	RMB'000	*RMB'000*
Payables in respect of online entertainment ticketing and e-commerce services	**831,386**	1,313,657
Payables in respect of share in the box office receipts	**147,690**	252,008
Amounts due to related parties	**107,865**	184,717
Payroll and welfare payable	**88,772**	65,814
Other tax liabilities	**21,736**	32,675
Others	**41,189**	55,959
	1,238,638	1,904,830

18 SHARE CAPITAL

	Number of ordinary shares	Number of preferred shares	Number of ordinary shares pursuant to restricted share agreement	Share held for restricted share agreement	Total number of shares	Nominal value of shares *USD'000*	Equivalent nominal value of shares *RMB'000*
Issued and fully paid:							
As at January 1, 2018	1	–	–	–	1	–	–
Issuance of ordinary shares to the registered shareholders of Tianjin Maoyan Weying under the reorganization	184,550,428	–	–	–	184,550,428	18.4	125
Issuance of ordinary shares pursuant to restricted share agreement as part of the reorganization *(c)*	–	–	3,855,445	(1,285,148)	2,570,297	0.3	2
Issuance of preferred shares to the registered shareholders of Tianjin Maoyan Weying under the Reorganization	–	4,831,385	–	–	4,831,385	0.5	3
Restricted shares vested	–	–	–	321,287	321,287	–	–
As at December 31, 2018	184,550,429	4,831,385	3,855,445	(963,861)	192,273,398	19.2	130
Issued and fully paid:							
As at January 1, 2019	**184,550,429**	**4,831,385**	**3,855,445**	**(963,861)**	**192,273,398**	**19.2**	**130**
Share subdivision *(b)*	**922,752,145**	**24,156,925**	**19,277,225**	**(4,819,305)**	**961,366,990**	**19.2**	**130**
Share redesignation *(b)*	**24,156,925**	**(24,156,925)**	**–**	**–**	**–**	**–**	**–**
Issuance of new shares upon listing *(d)*	**132,377,000**	**–**	**–**	**–**	**132,377,000**	**2.6**	**18**
Issuance of new shares for conversion of convertible bond *(Note 15)*	**27,702,280**	**–**	**–**	**–**	**27,702,280**	**0.6**	**3**
Restricted shares vested	**–**	**–**	**–**	**4,819,305**	**4,819,305**	**0.1**	**1**
Issuance of new shares under share option scheme	**3,500,725**	**–**	**–**	**–**	**3,500,725**	**–**	**–**
As at December 31, 2019	**1,110,489,075**	**–**	**19,277,225**	**–**	**1,129,766,300**	**22.5**	**152**

(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) 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 (the "**Redesignation**"). 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**"). 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**").

(c) As part of the Reorganization, 3,855,445 (equivalent to 19,277,225 after the Subdivision) ordinary shares were issued to Rhythm Brilliant Limited, a company wholly-owned by Mr. ZHENG Zhihao, pursuant to the restricted share agreement and fully paid on July 23, 2018. As at December 31, 2019, all the ordinary shares pursuant to restricted share agreement were vested.

(d) On February 4, 2019, upon the listing on the Main Board of the Stock Exchange of Hong Kong Limited, the Company issued 132,377,000 new ordinary shares at par value of USD0.00002 per share for cash consideration of HKD14.8 each, and raised gross proceeds of approximately HKD1,959,180,000 (equivalent to approximately RMB1,675,285,000). Meanwhile, the convertible bond was mandatorily and automatically converted to 27,702,280 new ordinary shares at par value of USD0.00002 per share. The respective share capital amount was approximately RMB152,413.

19 RESERVES

	Share premium *RMB'000*	Capital reserves *RMB'000*	Currency translation differences *RMB'000*	Financial assets at fair value through other comprehensive income	Convertible bonds *RMB'000*	Share-based compensation reserve *RMB'000*	Other reserves *RMB'000*	Total *RMB'000*
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	–	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
As at January 1, 2019	**–**	**5,592,299**	**296**	**–**	**(3,676)**	**576,452**	**(8,400)**	**6,156,971**
Issuance of new shares	**1,675,267**	**–**	**–**	**–**	**–**	**–**	**–**	**1,675,267**
Issuance of new shares for conversion of convertible bond *(Note 15)*	**350,660**	**–**	**–**	**–**	**–**	**–**	**–**	**350,660**
Share issuance costs *(a)*	**(43,054)**	**–**	**–**	**–**	**–**	**–**	**–**	**(43,054)**
Issuance of new shares under share option scheme	**44,922**	**–**	**–**	**–**	**–**	**(44,626)**	**–**	**296**
Currency translation difference	**–**	**–**	**66,715**	**–**	**–**	**–**	**–**	**66,715**
Changes in the FVOCI	**–**	**–**	**–**	**(30,496)**	**–**	**–**	**–**	**(30,496)**
Transfer to retained earnings	**–**	**–**	**–**	**3,444**	**–**	**–**	**–**	**3,444**
Share-based compensation expenses	**–**	**–**	**–**	**–**	**–**	**103,228**	**–**	**103,228**
Transfer of vested restricted share unit from treasury shares	**249,103**	**–**	**–**	**–**	**–**	**(249,103)**	**–**	**–**
As at December 31, 2019	**2,276,898**	**5,592,299**	**67,011**	**(27,052)**	**(3,676)**	**385,951**	**(8,400)**	**8,283,031**

(a) Share issuance costs mainly include share underwriting commissions, lawyers' fees, reporting accountant's fee and other related costs associated with the listing. Incremental costs that are directly attributable to the issue of the new shares amounting to approximately RMB43,054,000 was treated as a deduction against the share premium arising from the issuance.

OTHER INFORMATION

Final Dividend

The Board has resolved not to recommend the payment of a final dividend for the year ended December 31, 2019 (2018: Nil).

Use of Proceeds

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. The following table sets forth the Company's use of the proceeds from the listing and the planned timetable as of December 31, 2019.

Intended use of net proceeds	Allocation of net proceeds	Amount of net proceeds utilized as of December 31, 2019	Balance of net proceeds as of December 31, 2019	Expected timeline for balance of net proceeds
		HK$ in millions		
Funding for improving integrated platform capabilities	551.8	57.0	494.8	By December 31, 2022
Research and development and technical infrastructure	551.8	100.0	451.8	By December 31, 2022
Funding potential investments and acquisitions	551.8	401.4	150.4	By December 31, 2021
Working capital and general corporate purposes	183.9	30.1	153.8	By December 31, 2020

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.

Compliance with Corporate Governance Code

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. The Board considered that the Company has complied with all applicable code provisions set out in the Corporate Governance Code during the Reporting Period.

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. Specific enquiries were made with all of the Directors and each of the Directors confirmed that they had complied with the Model Code during the Reporting Period.

Purchase, Sale or Redemption of Listed Securities

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the Reporting Period.

Audit Committee

The Audit Committee has, together with the Board of the Company, reviewed the consolidated financial statements of the Group for the year ended December 31, 2019. The Audit Committee has also reviewed the accounting principles and practices adopted by the Group and discussed matters in relation to, among others, the auditing, risk management, internal control and financial reporting of the Company. Based on the above review and discussion, the Audit Committee is satisfied that the consolidated financial statements of the Group for the year ended December 31, 2019 have been prepared in accordance with the applicable accounting principles and practices.

Scope of Work of the Company's Auditor on the Results Announcement

The figures in respect of the consolidated financial statements of the Group and the related notes thereto for the year ended December 31, 2019 as set out in this announcement have been agreed by the Company's auditor, PricewaterhouseCoopers, to the amounts set out in the consolidated financial statements of the Group for the year ended December 31, 2019. The work performed by the Company's auditor in this respect did not constitute an audit, review or other assurance engagement and consequently no assurance has been expressed by the Company's auditor on this announcement.

Closure of Register of Members

The Company will hold the AGM on Monday, June 29, 2020. The register of members of the Company will be closed from Tuesday, June 23, 2020 to Monday, June 29, 2020, 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 Monday, June 22, 2020.

Publication of the Annual Results and Annual Report

This annual results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.maoyan.com), and the annual report containing all the information required by the Listing Rules will be published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.maoyan.com) and will be despatched to the Shareholders in due course.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise:

"AGM"	the annual general meeting of the Company to be held on June 29, 2020
"Audit Committee"	the audit committee of the Company
"Board"	the board of directors of the Company
"Company", "our Company" or "Maoyan"	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)
"Consolidated Affiliated Entities"	entities whose financial have been consolidated and accounted for as subsidiaries of the Company by virtue of the contractual arrangements
"Corporate Governance Code"	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules
"Director(s)"	the director(s) of the Company
"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
"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
"Model Code"	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
"Listing"	listing of the Shares on the Main Board of the Stock Exchange
"Listing Date"	February 4, 2019, the date on which the Company's Shares became listed on the Main Board of the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange

"Offer Price"	the final offer price of HK$14.80 per Share in connection with the global offering and Listing
"PRC" or "China"	the People's Republic of China, which, for the purpose of this annual results only, excludes Hong Kong, Macau Special Administrative Region of the PRC and Taiwan;
"Reporting Period"	the period since the Listing Date to December 31, 2019
"RMB"	Renminbi, the lawful currency of the PRC
"Share(s)"	ordinary share(s) in the share capital of the Company with a par value of US$0.00002
"Shareholder(s)"	holder(s) of the Share(s)
"Stock Exchange"	the Stock Exchange of Hong Kong Limited
"subsidiary(ies)"	has the meaning ascribed to it under the Listing Rules
"US dollars", "USD" or "US$"	U.S. dollars, the lawful currency of the United States of America
"%"	per cent.

The English names of the PRC nationals, enterprises and entities are translation and/or transliterations of their Chinese names and are included for identification purposes only. In the event of inconsistency between the Chinese names and translations and/or transliterations, the Chinese names shall prevail.

By order of the Board
Maoyan Entertainment
Zheng Zhihao
Executive Director

Hong Kong, March 24, 2020

As at the date of this announcement, the Board of Directors of the Company comprises Mr. Zheng Zhihao as Executive Director, Mr. Wang Changtian, Ms. Li Xiaoping, Ms. Wang Jian, Mr. Zhan Weibiao, Mr. Chen Shaohui, Mr. Lin Ning and Mr. Tang Lichun, Troy as Non-executive Directors, and Mr. Wang Hua, Mr. Chan Charles Sheung Wai, Mr. Ma Dong and Mr. Luo Zhenyu as Independent Non-executive Directors.