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Maoyan Entertainment

貓眼娛樂

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1896)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED JUNE 30, 2023

The board of directors (the “**Board**”) of Maoyan Entertainment (the “**Company**”) is pleased to announce the unaudited consolidated results of the Company, its subsidiaries and the Consolidated Affiliated Entities (the “**Group**”) for the six months ended June 30, 2023. The results have been reviewed by the Audit Committee, together with the management of the Company and the Auditor.

PERFORMANCE HIGHLIGHTS

	Six Months ended June 30,		Year-on-year change %
	2023	2022	
	<i>RMB million</i>	<i>RMB million</i>	
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	
Revenue	2,196.9	1,191.4	84.4
Gross profit	1,101.2	622.4	76.9
Operating profit	518.4	184.7	180.7
Profit for the period	405.2	151.9	166.8
Adjusted EBITDA	584.4	282.0	107.2
Adjusted net profit ^(Note)	455.7	233.7	95.0

Note: In the first half of 2023 and 2022, we defined adjusted net profit as net profit for the six months adjusted by adding back share-based compensation (share options and restricted stock units (“**RSUs**”) granted to directors and employees and expenses from other share-based payment transaction) and amortization of intangible assets resulting from business combinations.

FINANCIAL HIGHLIGHTS

Our revenue increased from RMB1,191.4 million in the first half of 2022 to RMB2,196.9 million in the first half of 2023. Gross profit for the first half of 2023 was RMB1,101.2 million, and gross profit for the first half of 2022 was RMB622.4 million. Net profit for the period in the first half of 2023 was RMB405.2 million, as compared to net profit for the period of RMB151.9 million in the first half of 2022. Our adjusted EBITDA for the period in the first half of 2023 was RMB584.4 million, compared to adjusted EBITDA of RMB282.0 million in the first half of 2022; our adjusted net profit^(Note) in the first half of 2023 was RMB455.7 million, compared to adjusted net profit^(Note) of RMB233.7 million in the first half of 2022.

BUSINESS REVIEW

In the first half of 2023, the entertainment industry experienced an all-encompassing recovery fueled by a rebound in domestic consumption and robust support from national policies. According to data released by the China Film Administration (國家電影局), Chinese Mainland's total box office (including service fees) in the first half of 2023 was RMB26.271 billion, representing a year-over-year increase of 52.91%. The recovery in the national performing arts market also demonstrated significant momentum. According to the *National Performance Market Briefing for the First Half of 2023* (2023上半年全國演出市場簡報) published by the China Association of Performing Arts (中國演出行業協會), the box office revenue of commercial performances nationwide in the first half of 2023 increased by 673.49% compared with the same period last year, and audience size increased more than 10 times year-on-year.

In the midst of this full recovery in the entertainment industry, the Company seized the opportunity to vigorously resume the development of various businesses, outperforming the wider market in overall terms with the continual optimization of its revenue structure. Revenue and profitability hit record highs over the same period in previous years. In particular, the entertainment content service business achieved impressive results in its performance. The Company continued to maintain a leading edge in terms of its distribution and promotion services and market coverage.

Note: In the first half of 2023 and 2022, we defined adjusted net profit as net profit for the six months adjusted by adding back share-based compensation (share options and RSUs granted to directors and employees and expenses from other share-based payment transaction) and amortization of intangible assets resulting from business combinations.

Entertainment content services

As a leading player in the entertainment industry, we further deepened our involvement in movie promotion and distribution, production, and self-production of theatrical movies. In the first half of 2023, owing to our forward-looking deployment of content, abundant content reserves in our pipeline, constantly refined promotion and distribution capabilities, and excellent movie selection capabilities, our entertainment content service business continued to achieve outstanding business performance, consistently outperforming the market, as evidenced by our participation in the distribution/production of 24 domestic movies, among which we acted as a lead distributor in 13 of them, representing a significant increase as compared to the same period in previous years. We participated in domestic movies that accounted for over 80% of the total box office of domestic movies during the same period, including 9 of the top 10 domestic movies in terms of box office during the Reporting Period. Our market coverage rate and coverage rate for top-tier movies reached historical highs.

In particular, we continued to achieve significant improvements in our promotion and distribution capabilities and achievements. We currently have an industry-leading promotion and distribution system in place, with high-quality service capabilities in the promotion and distribution supported by a professional and efficient team. As a result, we delivered stellar performances in our market coverage, industry influence, and revenue contribution, all of which show ongoing improvements. We continue to build an open, transparent, accurate, and real-time data system, providing comprehensive professional services for the industry. For example, during the movie promotion and release stages, we achieve precise marketing by mining and using real-time data to execute “one strategy for one movie,” “one strategy for one city,” and “one strategy for one day” to promote movies “to a wider audience base” and generate box office growth. At the same time, we also continue to enrich our intelligent promotion and distribution of products and services. For example, with the improvement in comprehensiveness, stability and accuracy after multiple iterations, our “Real-Time Trending List” (實時熱搜) function has become an indispensable and practical tool for industry practitioners. Our “Cloud Block Booking” (雲包場) services, which have served over 100 movies, saw orders grow by over 140% year-on-year. During the Spring Festival and Labor Day holidays, we entered into in-depth collaborations with over 50 platforms to provide nearly 20 movies with a total exposure of over 47.5 billion times. At the same time, in terms of customized promotion and marketing services, we have been exploring innovative promotion and distribution solutions, and we have successfully implemented in various movie projects, which have gradually developed industry-leading models. For example, in the promotion and distribution service plan for *Full River Red* (滿江紅), we collaborated with multiple airlines and high-speed railway companies to implement an innovative “by-air-and-by-land” promotion and distribution model and developed voice cards and role cards for movie characters, using creative materials to enrich communication channels between users and characters.

Based on the above, we accomplished an outstanding performance in terms of movie promotion and distribution in the first half of 2023. During the Reporting Period, we participated in the promotion and distribution of 23 domestic movies, accounting for approximately 80% of the total domestic box office, with both the number of movies and share of box office hitting record highs for the same period in previous years. Among them were 13 movies for which we acted as a lead distributor, exceeding the historical records in terms of quantity, and many of these movies ranked a top-tier box office performance during their respective release period. For example, *Full River Red* (滿江紅), for which we acted as a lead distributor and producer, became a champion of the Spring Festival season with a box office over RMB4.5 billion and ranked sixth in China's movie history. *Godspeed* (人生路不熟), for which we acted as a lead distributor and producer, became the box office champion during the Labor Day holiday with a box office over RMB1.1 billion. In particular, we have seen a steady increase in the number and market coverage rate of movies for which we were a lead distributor from 2021 to 2023, reporting outstanding performances in popular box office periods each year. For example, during the past three Spring Festival seasons, the movies for which we acted as a lead distributor successfully claimed the top two places in the box office performance, which once again proved Maoyan's ability to select top-tier movies, as well as its exceptional capacity on promotion and distribution services and consistent financial performances.

Furthermore, with our high-quality promotion and distribution capabilities, as well as our progressively improving movie selection capabilities, we increased our participation in high-quality movies in terms of both breadth and depth. Our professional promotion and distribution capabilities and movie selection capabilities complement each other, together with our mature promotion and distribution system, provided fundamental support for our sustainable outstanding performance in business and finance. The number of movies we participated in gradually increased, with the number of movies in which we served as the producer/distributor during the Reporting Period reaching an all-time high. At the same time, we have been redoubling our efforts to participate in the highest-ranking movies. We participated in the production/distribution of the top three movies in terms of box office performance during the Spring Festival season, including *Full River Red* (滿江紅), *The Wandering Earth 2* (流浪地球2) and *Boonie Bears: Guardian Code* (熊出沒·伴我「熊芯」), as well as the box office champion and runner-up movies during the Labor Day season, including *Godspeed* (人生路不熟) and *Born to Fly* (長空之王), and the box office champion movie during the Dragon Boat Festival season, *Lost in the Stars* (消失的她).

During the summer movie season, we distributed/produced a number of movies, released successively, such as *Lost in the Stars* (消失的她), *Never Say Never* (八角籠中), *Chang'an* (長安三萬里), and *Creation of the Gods I: Kingdom of Storms* (封神第一部), many of which performed well in terms of box office and reputation. There will be a series of high-quality movies, including *Papa* (學爸), *The Woman in the Storm* (我經過風暴), *Just for Meeting You* (念念相忘), *Flaming Cloud* (三貴情史), *Lose to Win* (好像也沒那麼熱血沸騰), *One and Four* (一個和四個), *Who's The Suspect* (拯救嫌疑人), *Johnny Keep Walking!* (年會不能停!) and *The Goldfinger* (金手指), which are scheduled for release at various time slots in the second half of this year. In addition, we continue to maintain an abundant reserve of movie content. The movies in which we participated as a distributor/producer include *High Forces* (危機航線), *Shining For One Thing* (一閃一閃亮星星), *Burning Star* (盜火者), *Follow You* (藏地白皮書), and *Shuke and Beita: Flying Saucer* (舒克貝塔之五角飛碟), as well as the movies we have self-produced, such as *Game Start* (天才遊戲), *Endless Journey of Love* (時間之子), *Sanshaonv* (傘少女), and *Chongsheng* (重生), all of which are making steady progress and will be released in due course.

Online Entertainment Ticketing Services

In the first half of 2023, we progressed with enhancing the service capabilities of our online movie ticketing platform, further optimizing the users' consumption experience, and strengthening the interaction between online and offline resources in order to maintain our competitive edge in the market. During the Reporting Period, we provided more diversified products and marketing solutions to support the sales of products and exclusive memberships in cinemas. We continued to serve as the official designated screening and ticketing platform of the 13th Beijing International Film Festival by providing various thematic promotion and ticketing services, allowing more movie fans to experience the cultural connotations of the film festival and local culture. We received unanimous recognition from the organizing committee and movie fans. In addition, we also supported cultural activities held by various provincial and municipal governments, such as those in Sichuan, Zhejiang, Guangxi, and Hangzhou.

Since 2023, the offline performance market has shown robust and rapid growth in both supply and demand. Capitalizing on this opportunity, we continued to invest in and develop live entertainment services, including online ticketing services, with an emphasis on concerts by top-tier artists. We also actively explored and developed the investment in, the production of, and the IP development for performance events. During the Reporting Period, Maoyan's total GMV and the number of orders for performances exceeded pre-pandemic levels, and several sub-categories, such as concerts, sports events, and music festivals, achieved breakthrough growth. In terms of large-scale concerts, we provided on-site ticketing services as the general ticketing agents for a number of concerts featuring artists such as Jacky Cheung, Jay Chou, and JJ Lin. In addition, we continue to extend our business cooperation with large sports venues in various regions and various kinds of small and medium-sized performance venues, effectively providing these venues with ticketing solutions and services. To better serve various types of performance activities, we have upgraded the hardware system for ticket checking and validation, effectively supporting diverse categories of performance activities of varying scales and admission models in different regions across China. In terms of local entertainment, we continued to deepen our business collaborations with other platforms, for example, our entry interfaced with Meituan's leisure/play channel to exchange data, and our immersive and successfully premiered gaming drama *Legend of the Pearl* (明珠傳奇), for which we participated in the production/self-production. In addition, we continued to tap into the box office aftermarket of movie IPs to explore more commercial opportunities.

We continued to make steady progress in expanding our ticketing-related business outside of mainland China. During the Reporting Period, we provided high-quality ticketing systems and operational services in Hong Kong for URBTIX, as well as served a number of large-scale performance projects in Hong Kong, including, among others, the You & Mi Sammi Cheng World Tour Hong Kong Station (You & Mi 鄭秀文世界巡回演唱會香港站), the 47th Hong Kong International Film Festival (第四十七屆香港國際電影節), and the FIVB Volleyball Nations League Hong Kong 2023 presented by China Life (Overseas) (中國人壽海外FIVB世界女排聯賽).

Advertising Services and Others

We continued to enhance and launch various self-owned promotion and distribution products and services and increase their commercial value. During the Reporting Period, the platforms we covered for collaboration purposes have expanded to a broader range, including gaming platforms, music platforms, travel terminals, and mobile manufacturers, allowing us to utilize diverse scenarios to enhance the promotion exposure and user coverage of movies while also providing channel-centric quality services for the promotion and distribution of the movies. In addition, in terms of movie content marketing services, commercial efficiency has been further improved, with the total number of movie projects served in the first half of the year reaching a new high, an increase of 85% compared with the same period last year.

In terms of promotional data, we have integrated data from multiple channels, such as Douyin, Weibo, Kuaishou, WeChat, and Baidu, in order to achieve one-stop promotional data services. In addition to creating an industry-leading movie data system, our Maoyan Pro (貓眼專業版) has further refined its data visualization capabilities, addressing industrial pain points. For example, the “by province” box office map for the movies released during the Labor Day holiday assisted industry practitioners to analyze and interpret box office and market trends more clearly. Global Box Office Ranking (全球票房榜) has become the first in the industry to provide updates on box office performances across the global movie market on a daily basis.

Given our Company’s technology attributes and strong R&D prowess, we continued to explore the possibility of integrating new technologies such as AI into the entertainment industry, leveraging our technological capabilities to promote the development of the industry. We are currently evaluating and implementing the application of AI technology and products in several stages of the movie industry chain, including planning, production, promotion, marketing, and distribution. In the promotion and distribution stage, for example, we have been able to use AI technology to analyze and mine the relevant data including hotspot events to aid promotion and distribution strategies, guide the output of promotion and distribution materials, and produce promotion and distribution materials by using AI technology, thereby helping to improve marketing effectiveness. We have provided corresponding services for several movies, including *Never Say Never* (八角籠中), *Lost in the Stars* (消失的她) and *Transformers* (變形金剛). We continued to apply AI technology to strengthen our data analysis capabilities, and by using our AI big data model, we have improved the intelligence of Maoyan Pro (貓眼專業版)’s box office predictions. We also launched AI+ Movie & TV Entertainment related products aimed at relevant industry professionals, such as “AI Poster Assistant” (AI海報助手), “AI Outline Mapping” (AI大綱配圖), and “AI Conceptual Drawing Service” (AI概念圖服務), etc., to help the industry understand and explore the integration of AI and movie & TV creation both as a space and in terms of its direction. In addition, we are also exploring the application of AI technology in pre-project planning and creation, such as employing AI data models to develop specific IP subjects and aid story analysis, providing plot clues and inspiration for the creative team.

OUTLOOK

Driven by the tremendous support of national policies under the strong leadership of the Publicity Department of the CPC Central Committee (中宣部) and the China Film Administration (國家電影局), the movie industry has been united in its determination to move forward, promoting the sustained recovery and development of the movie market. Since the beginning of the year, the industry has witnessed a full revival, achieving the second-highest same-period box office performance in China’s movie history during both the Spring Festival and Dragon Boat Festival holidays. The summer season has also seen continuous growth. As of August 16, 2023, the box office for the summer season had surpassed RMB17 billion, the accumulated box office of 2023 had reached RMB39.7 billion. These achievements reflect the remarkable resilience and vitality of the Chinese movie market, greatly bolstering confidence across the industry.

As one of the key participants in the entertainment industry, Maoyan is fully confident in the future of the Chinese entertainment industry. Embracing the opportunities arising from the recovery, we will adhere to the core development strategy of “Technology + Pan-entertainment” by continuing to deepen our presence in the pan-entertainment industry while constantly improving our core competitiveness and profitability to better serve high-quality movie content and contribute to the growth of the industry.

- In terms of entertainment content services, we will continue to maintain and leverage our leading advantages and capabilities in movie promotion and distribution. By upholding the strategy of “distribution drives investment,” we will increase our participation in the lead distribution and production of blockbusters during key movie periods while maintaining outstanding business operations and financial performances.
- Live entertainment is one of our Company’s strategic development focuses. By closely riding on the momentum of the strong market recovery, we will increase investments in key performance projects while continuing to enhance market participation and competitiveness. Furthermore, we will continue to strengthen the infrastructure and service capabilities of our movie ticketing business.
- Capitalizing on our comprehensive capabilities covering both technology services and the entertainment industry, we will continue to strengthen technological integration and exploration efforts in the entertainment industry. We will build our team armed with AI research and development capabilities to explore and implement AI technology in various segments across the entertainment industry chain. Additionally, we will leverage our technical advantages to drive the development of this entertainment industry.
- Furthermore, we will continue to consolidate our cooperation in the performance business in the Hong Kong region and further expand commercial cooperation in other countries and regions as part of our campaign to identify new growth opportunities for the Company’s development.

Last but not least, we would like to express our sincere gratitude to all of our colleagues, shareholders, and industry partners for their trust and support. Let us forge ahead together and contribute our efforts to promote the high-quality development of the entertainment industry and build China a major cinematic player.

MANAGEMENT DISCUSSION AND ANALYSIS

Interim Period Review

	Six months ended June 30,			
	2023		2022	
	<i>RMB million</i>	<i>%</i>	<i>RMB million</i>	<i>%</i>
	<i>(Unaudited)</i>		<i>(Unaudited)</i>	
Revenue	2,196.9	100.0	1,191.4	100.0
Cost of revenue	<u>(1,095.7)</u>	<u>(49.9)</u>	<u>(569.0)</u>	<u>(47.8)</u>
Gross profit	1,101.2	50.1	622.4	52.2
Selling and marketing expenses	(366.0)	(16.6)	(275.8)	(23.1)
General and administrative expenses	(186.7)	(8.5)	(179.0)	(15.0)
Net impairment losses on financial assets	(35.3)	(1.6)	(4.6)	(0.4)
Other income	26.3	1.2	24.7	2.1
Other losses, net	<u>(21.1)</u>	<u>(1.0)</u>	<u>(3.0)</u>	<u>(0.3)</u>
Operating profit	518.4	23.6	184.7	15.5
Finance income	34.3	1.6	14.6	1.2
Finance costs	(3.6)	(0.2)	(7.2)	(0.6)
Finance income, net	30.7	1.4	7.4	0.6
Share of losses of investments accounted for using the equity method	(0.5)	(0.0)	(0.8)	(0.1)
Impairment losses of investments accounted for using the equity method	<u>(8.5)</u>	<u>(0.4)</u>	<u>–</u>	<u>–</u>
Profit before income tax	540.1	24.6	191.3	16.0
Income tax expenses	<u>(134.9)</u>	<u>(6.2)</u>	<u>(39.4)</u>	<u>(3.3)</u>
Profit for the period	405.2	18.4	151.9	12.7
Non-IFRS Measures:				
EBITDA	578.7	26.3	269.3	22.6
Adjusted EBITDA	584.4	26.6	282.0	23.7
Adjusted net profit ^(Note)	<u>455.7</u>	<u>20.7</u>	<u>233.7</u>	<u>19.6</u>

Note: In the first half of 2023 and 2022, we defined adjusted net profit as net profit for the six months adjusted by adding back share-based compensation (share options and RSUs granted to directors and employees and expenses from other share-based payment transaction) and amortization of intangible assets resulting from business combinations.

Revenue

Our revenue increased from RMB1,191.4 million in the first half of 2022 to RMB2,196.9 million in the first half of 2023. Such increase was primarily due to increase in revenue from entertainment content services, online entertainment ticketing services and advertising services and others as a result of the recovery in the entertainment industry during the first half of 2023. The following table sets forth our revenue by service in the first half of 2023 and 2022.

	Six months ended June 30,			
	2023		2022	
	<i>RMB million</i>	<i>%</i>	<i>RMB million</i>	<i>%</i>
	<i>(Unaudited)</i>		<i>(Unaudited)</i>	
Revenue				
Entertainment content services ^(Note)	1,100.1	50.1	533.4	44.8
Online entertainment ticketing services	1,015.8	46.2	592.3	49.7
Advertising services and others	81.0	3.7	65.7	5.5
Total	<u>2,196.9</u>	<u>100.0</u>	<u>1,191.4</u>	<u>100.0</u>

Note: This amount included fair value gains on the Group's investments in movies and TV series amounting to RMB8.2 million for the six months ended June 30, 2023 (for the six months ended June 30, 2022: fair value gains of RMB11.1 million).

Entertainment content services

Revenue from entertainment content services increased from RMB533.4 million in the first half of 2022 to RMB1,100.1 million in the first half of 2023. Such increase was mainly due to the substantial increase in numbers of the domestic movies, which we participated in distribution/production in the first half of 2023 as compared to the corresponding period in the previous years, and a number of such movies performed well in terms of box office.

Online entertainment ticketing services

Revenue from online entertainment ticketing business increased from RMB592.3 million in the first half of 2022 to RMB1,015.8 million in the first half of 2023. According to the data released by the China Film Administration (國家電影局), the total box office of the film market in the Chinese film market in the first half of 2023 was RMB26.271 billion, representing an increase of 52.91% from RMB17.181 billion in the first half of 2022. According to the Briefs of National Performing Arts Markets in the First Half of 2023 (《2023上半年全國演出市場簡報》) published by the China Association of Performing Arts (中國演出行業協會), in the first half of 2023, the box office of commercial performances nationwide increased by 673.49% as compared with that of the first half of 2022.

Advertising services and others

Revenue from advertising services and others increased from RMB65.7 million in the first half of 2022 to RMB81.0 million in the first half of 2023. The increase in revenue was mainly due to the growth of our E-commerce services, represented by in-venue food and beverage preordering services, with the full recovery of China's film industry in the first half of 2023.

Cost of revenue

Cost of revenue increased by 92.6% from RMB569.0 million in the first half of 2022 to RMB1,095.7 million in the first half of 2023. The increase in cost of revenue was primarily due to the increase in the cost of ticketing system (which was in line with the increase in revenue from our online movie ticketing services); the increase in the cost of internet infrastructure (which was in line with the level of investment in infrastructure cost under our normal operation); and the increase in content promotion, distribution and production costs.

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 revenue for the period indicated:

	Six months ended June 30,					
	2023			2022		
	<i>RMB</i>	<i>%</i>	<i>%</i>	<i>RMB</i>	<i>%</i>	<i>%</i>
	<i>million</i>	<i>of cost</i>	<i>of revenue</i>	<i>million</i>	<i>of cost</i>	<i>of revenue</i>
	<i>(Unaudited)</i>			<i>(Unaudited)</i>		
Content distribution and promotion cost	330.6	30.2	15.0	153.7	27.0	12.9
Ticketing system cost	234.2	21.4	10.7	143.4	25.2	12.1
Content production cost	220.2	20.1	10.0	60.9	10.7	5.1
Internet infrastructure cost	209.1	19.1	9.5	89.7	15.8	7.5
Amortization of intangible assets	44.8	4.1	2.1	68.9	12.1	5.8
Depreciation of property, plant and equipment	3.9	0.3	0.2	5.1	0.9	0.4
Other expenses	52.9	4.8	2.4	47.3	8.3	4.0
Total	1,095.7	100.0	49.9	569.0	100.0	47.8

Gross Profit and Gross Margin

Our gross profit increased from RMB622.4 million in the first half of 2022 to RMB1,101.2 million in the first half of 2023, and our gross profit margin was 52.2% and 50.1% in the first half of 2022 and 2023, respectively. The increase in our gross profit was primarily due to the increase in our revenue of RMB1,005.5 million compared with the first half of 2022, while the gross profit margin remained relatively stable.

Selling and Marketing Expenses

Selling and marketing expenses increased by 32.7% from RMB275.8 million in the first half of 2022 to RMB366.0 million in the first half of 2023, primarily due to the increase in marketing and promotion expenses.

General and Administrative Expenses

General and administrative expenses increased by 4.3% from RMB179.0 million in the first half of 2022 to RMB186.7 million in the first half of 2023, basically remained stable.

Net Impairment Losses on Financial Assets

We recorded net impairment losses on financial assets of RMB35.3 million in the first half of 2023, compared to net impairment losses on financial assets of RMB4.6 million in the first half of 2022. We evaluated the expected credit loss of financial assets as at June 30, 2023 on prudent basis, and made provisions for the impairments.

Other Income and Other Losses, Net

We had other income and net other losses in total of RMB5.2 million and RMB21.7 million in the first half of 2023 and 2022, respectively, mainly for government subsidies and net exchange loss arising from exchange rate fluctuation.

Operating Profit

As a result of the foregoing, our operating profit was RMB518.4 million in the first half of 2023, compared to an operating profit of RMB184.7 million in the first half of 2022.

Net Finance Income

We had net finance income of RMB30.7 million in the first half of 2023, compared to net finance income of RMB7.4 million in the first half of 2022, primarily due to the improvement of fund management efficiency, which in turn resulted in an increase in finance income and a decrease in finance costs.

Income Tax Expenses

Income tax expense was RMB134.9 million in the first half of 2023, compared to income tax expense of RMB39.4 million in the first half of 2022. This was mainly due to the increase in operating profit.

Non-IFRS Financial Measures

To supplement our consolidated financial statements which are presented in accordance with IFRS, we also use EBITDA, adjusted EBITDA and adjusted net profit as additional financial measures, which are not required by, or presented in accordance with IFRS. We believe that these non-IFRS measures, which have excluded certain effects of one-off or non cash projects and M&A transactions for the previous years, 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 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 and EBITDA and adjusted EBITDA for the period presented to the most directly comparable financial measure calculated and presented in accordance with IFRS:

	Six months ended June 30,	
	2023	2022
	RMB million	RMB million
	(Unaudited)	(Unaudited)
Reconciliation of net profit to adjusted net profit		
Net profit for the period	405.2	151.9
Add:		
Share-based compensation	5.7	12.7
Amortization of intangible assets resulting from business combinations	44.8	69.1
	<hr/>	<hr/>
Adjusted net profit ^(Note)	455.7	233.7
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Note: In the first half of 2023 and 2022, we defined adjusted net profit as net profit for the six months adjusted by adding back share-based compensation (share options and RSUs granted to directors and employees and expenses from other share-based payment transaction) and amortization of intangible assets resulting from business combinations.

	Six months ended June 30,	
	2023	2022
	RMB million	RMB million
	(Unaudited)	(Unaudited)
Reconciliation of operating profit to EBITDA and adjusted EBITDA		
Operating profit for the period	518.4	184.7
Add:		
Depreciation of property, plant and equipment	4.7	8.2
Amortization of intangible assets	48.6	69.6
Depreciation of right-of-use assets	7.0	6.8
EBITDA ^(Note)	<u>578.7</u>	<u>269.3</u>
Add:		
Share-based compensation	5.7	12.7
Adjusted EBITDA ^(Note)	<u>584.4</u>	<u>282.0</u>

Note: In the first half of 2023 and 2022, we defined EBITDA as operating profit for the period adjusted for depreciation and amortization expenses. We derived adjusted EBITDA by adding back share-based compensation (share options and RSUs granted to directors and employees and expenses from other share-based payment transaction) to EBITDA.

Other Financial Information

Capital Structure

The Company continued to maintain a healthy and sound financial position. Our total assets changed from RMB10,258.0 million as of December 31, 2022 to RMB12,517.1 million as of June 30, 2023, whilst our total liabilities increased from RMB2,084.2 million as of December 31, 2022 to RMB3,872.5 million as of June 30, 2023. Liabilities-to-assets ratio increased from 20.3% as of December 31, 2022 to 30.9% as of June 30, 2023.

As of June 30, 2023, we pledged bank deposits of RMB71.0 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 RMB or USD. 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 June 30, 2023, we had cash and cash equivalents and other forms of bank deposits of RMB3,761.5 million, which were predominantly denominated in RMB and USD. Going forward, we believe that our liquidity requirements will be satisfied by using a combination of cash generated from operating activities and other funds raised from the capital markets from time to time.

As of June 30, 2023, our total borrowings were approximately RMB100.0 million, which were all bank borrowings denominated in RMB. The following table sets forth further details of our banking borrowings as of June 30, 2023:

	RMB million	Interest rate
Secured	<u>100.0</u>	<u>1.25%</u>

As of June 30, 2023, we had unutilized banking facilities of RMB750 million.

As of June 30, 2023, 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 June 30, 2023 and December 31, 2022, the Group has a net cash position.

Capital Expenditure

Our capital expenditure primarily included purchase of property, plant and equipment and intangible assets. Our capital expenditure increased by 184.6% to RMB7.4 million in the first half of 2023 from RMB2.6 million in the first half of 2022. We plan to fund our planned capital expenditure using cash generated from operations.

Material Acquisitions, Disposals and Future Plans for Major Investments

The Group did not have any plans for major investments and capital assets as of June 30, 2023. During the six months ended June 30, 2023, we did not have any material acquisitions and disposals of subsidiaries and affiliated companies.

Major Investments Held

On March 12, 2019, we entered into a subscription agreement and a strategic cooperation agreement with Huanxi Media Group Limited. Pursuant to the subscription agreement, we have conditionally agreed to subscribe for, and Huanxi Media Group Limited has conditionally agreed to allot and issue to us, 236,600,000 shares at a total consideration of HK\$390,555,620. Under such agreements, we planned to establish strategic cooperation with Huanxi Media Group Limited 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 for 2018 and 2019. As at June 30, 2023, we held 5.7% equity interest of Huanxi Media Group Limited.

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 the first half of 2023.

Employees and Remuneration Policy

As of June 30, 2023, we had 738 full-time employees, who were based in mainland China and Hong Kong, 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. 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.

As required under the PRC regulations, we participate in housing fund and various employee social security plans that are organized by applicable local municipal and provincial governments, including housing, pension, medical, maternity, work-related injury and unemployment benefit plans, under which the Group and its employees who are based in mainland China are required to make monthly contributions to these plans at specified percentages of the salaries of the employees. There was no forfeited contribution utilized to offset employers' contributions and there was no forfeited contribution available to reduce the contribution for the six months ended June 30, 2023. The Group also provides a mandatory provident fund scheme for employees employed under the Hong Kong Employment Ordinance.

EVENTS AFTER THE REPORTING PERIOD

No important events affecting the Group occurred since June 30, 2023 and up to the date of this announcement.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	<i>Note</i>	Six months ended June 30,	
		2023	2022
		<i>(Unaudited)</i>	<i>(Unaudited)</i>
		RMB'000	RMB'000
Revenue	5	2,196,877	1,191,393
Cost of revenue	6	<u>(1,095,695)</u>	<u>(569,040)</u>
Gross profit		1,101,182	622,353
Selling and marketing expenses	6	(366,022)	(275,826)
General and administrative expenses	6	(186,706)	(178,979)
Net impairment losses on financial assets		(35,266)	(4,581)
Other income	7	26,253	24,675
Other losses, net	7	<u>(21,054)</u>	<u>(2,897)</u>
Operating profit		518,387	184,745
Finance income		34,341	14,585
Finance costs		<u>(3,623)</u>	<u>(7,178)</u>
Finance income, net		30,718	7,407
Share of losses of investments accounted for using the equity method		(541)	(843)
Impairment losses of investments accounted for using the equity method		<u>(8,459)</u>	<u>–</u>
Profit before income tax		540,105	191,309
Income tax expenses	8	<u>(134,929)</u>	<u>(39,444)</u>
Profit for the period		<u>405,176</u>	<u>151,865</u>
Profit attributable to:			
– Owners of the Company		406,646	151,865
– Non-controlling interests		<u>(1,470)</u>	<u>–</u>
		<u>405,176</u>	<u>151,865</u>

		Six months ended June 30,	
	<i>Note</i>	2023	2022
		<i>(Unaudited)</i>	<i>(Unaudited)</i>
		RMB'000	RMB'000
Earnings per share attributable to owners			
of the Company (expressed in RMB per share)			
– Basic earnings per share	9	0.36	0.13
– Diluted earnings per share	9	<u>0.35</u>	<u>0.13</u>
Profit for the period		<u>405,176</u>	<u>151,865</u>
Other comprehensive income:			
<i>Item that may be reclassified to profit or loss</i>			
Currency translation differences from foreign operations		658	–
<i>Items that will not be reclassified to profit or loss</i>			
Currency translation differences from the Company		50,711	61,501
Changes in the fair value of equity investments at fair value through other comprehensive income		<u>8,435</u>	<u>(27,269)</u>
Other comprehensive income for the period, net of tax		<u>59,804</u>	<u>34,232</u>
Total comprehensive income for the period		464,980	186,097
Total comprehensive income attributable to:			
– Owners of the Company		466,450	186,097
– Non-controlling interests		<u>(1,470)</u>	–
Total comprehensive income for the period		<u>464,980</u>	<u>186,097</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at June 30, 2023 <i>(Unaudited)</i> RMB'000	As at December 31, 2022 <i>(Audited)</i> RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment		20,872	18,477
Right-of-use assets		34,027	37,596
Intangible assets		4,899,587	4,947,969
Investments accounted for using the equity method		25,866	44,946
Financial assets at fair value through other comprehensive income		508,976	430,552
Financial assets at fair value through profit or loss		20,000	23,245
Deferred income tax assets		8,411	–
Prepayments, deposits and other receivables	12	70,488	62,560
		5,588,227	5,565,345
Current assets			
Inventories		18,903	19,274
Accounts receivables	11	486,375	436,922
Prepayments, deposits and other receivables	12	2,599,266	1,782,797
Prepaid income tax		9,912	9,828
Financial assets at fair value through profit or loss		52,919	42,476
Term deposits with original maturity over three months		272,093	515,285
Restricted bank deposits		255,895	165,216
Cash and cash equivalents		3,233,468	1,720,875
		6,928,831	4,692,673
Total assets		12,517,058	10,258,018

	<i>Note</i>	As at June 30, 2023 <i>(Unaudited)</i> RMB'000	As at December 31, 2022 <i>(Audited)</i> RMB'000
EQUITY			
Equity attributable to owners of the Company			
Share capital		154	154
Reserves		8,393,945	8,328,722
Retained earnings/(accumulated losses)		<u>250,130</u>	<u>(156,516)</u>
Equity attributable to owners of the Company		8,644,229	8,172,360
Non-controlling interests		<u>284</u>	<u>1,415</u>
Total equity		<u>8,644,513</u>	<u>8,173,775</u>
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		99,977	111,184
Lease liabilities		<u>18,858</u>	<u>23,719</u>
		<u>118,535</u>	<u>134,903</u>
Current liabilities			
Borrowings	<i>13</i>	100,000	335,000
Accounts payables	<i>14</i>	655,543	386,670
Other payables, accruals and other liabilities	<i>15</i>	2,921,941	1,178,284
Lease liabilities		15,883	14,333
Current income tax liabilities		<u>60,643</u>	<u>35,053</u>
		<u>3,754,010</u>	<u>1,949,340</u>
Total liabilities		<u>3,872,545</u>	<u>2,084,243</u>
Total equity and liabilities		<u>12,517,058</u>	<u>10,258,018</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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 Act (as revised) of the Cayman Islands. The address of the Company’s registered office is Walkers Corporate Limited, Cayman Corporate Centre, 190 Elgin Avenue, 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 interim condensed consolidated financial information (“**Interim Financial Information**”) is presented in Renminbi (“**RMB**”) and all values are rounded to the nearest thousand (RMB’000) except when otherwise indicated.

This Interim Financial Information was approved for issue by the board of directors on August 17, 2023 and has not been audited.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

2.1 Basis of preparation

The Interim Financial Information for the six months ended June 30, 2023 has been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” and should be read in conjunction with the annual consolidated financial statements for year ended December 31, 2022 (“**2022 Financial Statements**”), which have been prepared in accordance with International Financial Reporting Standards (“**IFRSs**”).

2.2 Accounting policies

The accounting policies applied are consistent with those of the 2022 Financial Statements, as described in those annual consolidated financial statements, except for the adoption of amended IFRSs effective as of January 1, 2023. Income tax expense was recognised based on management’s estimate of the annual income tax rate expected for the full financial year.

New and amended standards adopted by the Group

The Group has applied new and amended standards effective for the financial period beginning on January 1, 2023. The adoption of these new and revised standards does not have any significant impact on the interim condensed consolidated financial information.

New and amended standards and interpretations not yet adopted

Up to the date of issuance of this report, the International Accounting Standards Board has issued the following new standards and amendments to existing standards which are not yet effective and have not been early adopted by the Group:

		Effective for annual periods beginning on or after
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback	January 1, 2024
Amendments to IAS 1	Classification of Liabilities as Current or Non-current	January 1, 2024
Amendments to IAS 1	Non-current Liabilities with Covenants	January 1, 2024

The Group will adopt the above new or revised standards, amendments and interpretations to existing standards as and when they become effective. Management has performed preliminary assessment and does not anticipate any significant impact on the Group's financial position and results of operations upon adopting these standards, amendments to standards and interpretations to the existing IFRSs.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the Interim Financial Information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this Interim Financial Information, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the 2022 Financial Statements.

4 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 June 30, 2023, substantially all of the non-current assets were located in the PRC.

5 REVENUE

	Six months ended June 30,	
	2023	2022
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	RMB'000	RMB'000
Revenue from contracts with customers under IFRS 15		
Entertainment content services	1,091,872	522,345
Online entertainment ticketing services	1,015,845	592,299
Advertising services and others	<u>80,958</u>	<u>65,693</u>
	2,188,675	1,180,337
Gains on movies and TV series investments	<u>8,202</u>	<u>11,056</u>
Total revenue	<u>2,196,877</u>	<u>1,191,393</u>
	Six months ended June 30,	
	2023	2022
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	RMB'000	RMB'000
Revenue over time	1,142,318	566,717
Revenue at a point in time	<u>1,046,357</u>	<u>613,620</u>
Revenue from contract with customers under IFRS 15	<u>2,188,675</u>	<u>1,180,337</u>

6 EXPENSES BY NATURE

	Six months ended June 30,	
	2023	2022
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	RMB'000	RMB'000
Content distribution and promotion cost	330,591	153,716
Marketing and promotion expenses	261,835	190,202
Ticketing system cost	234,165	143,361
Staff costs excluding share options and restricted stock units ("RSUs") granted to directors and employees	222,668	199,133
Content production cost	220,229	60,910
Internet infrastructure cost	209,104	89,739
Amortization of intangible assets	48,569	69,635
Tax and levies	10,350	7,911
Depreciation of right-of-use assets	7,039	6,833
Share options and RSUs granted to directors and employees	5,404	12,735
Rental expense for short-term and low-value leases	4,862	3,342
Depreciation of property, plant and equipment	4,716	8,227
Expenses from other share-based payment transaction	339	–
Other expenses	88,552	78,101
	<hr/>	<hr/>
Total cost of revenue, selling and marketing expenses and general and administrative expenses	<u>1,648,423</u>	<u>1,023,845</u>

During the six months ended June 30, 2023, the Group incurred expenses for the purpose of research and development of approximately RMB112,148,000 (during the six months ended June 30, 2022: approximately RMB117,394,000), which primarily comprised employee benefits expenses of approximately RMB103,362,000 (during the six months ended June 30, 2022: approximately RMB103,155,000).

7 OTHER INCOME AND OTHER LOSSES, NET

	Six months ended June 30,	
	2023	2022
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	RMB'000	RMB'000
Other income		
Government subsidies (a)	22,143	20,321
Tax credit of input tax additional deduction	<u>4,110</u>	<u>4,354</u>
	<u>26,253</u>	<u>24,675</u>
Other losses, net		
Net foreign exchange losses	(10,660)	(2,766)
Loss on disposals of investments accounted for using the equity method	(7,663)	–
Fair value loss on unlisted investments classified as financial assets at fair value through profit or losses	(3,245)	–
Loss on disposals of property, plant and equipment	(62)	(131)
Dividend from unlisted investments classified as financial assets at fair value through profit or loss	515	–
Others	<u>61</u>	<u>–</u>
	<u>(21,054)</u>	<u>(2,897)</u>

- (a) During the six months ended June 30, 2023, the Group received unconditional subsidies amounting to a total of approximately RMB17,158,000 (during the six months ended June 30, 2022: approximately RMB18,500,000) in respect of certain corporate development funding programs operated by the PRC government for which certain of its key operating subsidiaries were eligible and successfully applied.

8 INCOME TAX EXPENSES

	Six months ended June 30,	
	2023	2022
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	RMB'000	RMB'000
Current income tax	154,547	50,697
Deferred income tax	<u>(19,618)</u>	<u>(11,253)</u>
Income tax expenses	<u>134,929</u>	<u>39,444</u>

9 EARNINGS PER SHARE

(a) Basic earnings per share

	Six months ended June 30,	
	2023	2022
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Profit attributable to owners of the Company (RMB'000)	<u>406,646</u>	<u>151,865</u>
Weighted average number of ordinary shares outstanding (thousand)	1,119,468	1,119,232
Weighted average number of vested restricted shares outstanding (thousand)	<u>25,206</u>	<u>23,529</u>
Total weighted average number of shares outstanding (thousand)	<u>1,144,674</u>	<u>1,142,761</u>
Basic earnings per share (in RMB)	<u><u>0.36</u></u>	<u><u>0.13</u></u>

Basic earnings per share are calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares outstanding and weighted average number of vested restricted shares outstanding during the respective periods.

(b) Diluted earnings per share

	Six months ended June 30,	
	2023	2022
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Profit attributable to owners of the Company (RMB'000)	<u>406,646</u>	<u>151,865</u>
Total weighted average number of shares outstanding (thousand)	1,144,674	1,142,761
Adjustments for share-based compensation – share options (thousand)	302	458
Adjustments for share-based compensation – RSUs (thousand)	<u>1,999</u>	<u>1,762</u>
Weighted average number of shares for diluted earnings per share (thousand)	<u>1,146,975</u>	<u>1,144,981</u>
Diluted earnings per share (in RMB)	<u><u>0.35</u></u>	<u><u>0.13</u></u>

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

For the six months ended June 30, 2023 and 2022, the Company had dilutive potential ordinary shares of share options and RSUs granted to employees. 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 assumed exercise price (determined as any amount that the employees must pay upon exercise and the balance of any amounts calculated under IFRS that have not yet been charged to income statement) are incremental shares issued for nil consideration which causes dilution to earnings per share. The number of shares that would have been issued also assuming the exercise of the RSUs less the number of shares that would have been issued at assumed exercise price (determined as the balance of any amounts calculated under IFRS that have not yet been charged to income statement) are incremental shares issued for nil consideration which causes dilution to earnings per share.

10 DIVIDENDS

No dividends have been paid or declared by the Company during the six months ended June 30, 2023 (during the six months ended June 30, 2022: Nil).

11 ACCOUNTS RECEIVABLES

	As at June 30, 2023 <i>(Unaudited)</i> RMB'000	As at December 31, 2022 <i>(Audited)</i> RMB'000
Related parties	14,148	41,793
Third parties	<u>751,528</u>	<u>647,659</u>
	765,676	689,452
Less: allowance for impairment	<u>(279,301)</u>	<u>(252,530)</u>
	<u>486,375</u>	<u>436,922</u>

(a) The carrying amounts of the accounts receivables balances approximated to their fair value as at June 30, 2023 and as at December 31, 2022.

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

	As at June 30, 2023 (Unaudited) RMB'000	As at December 31, 2022 (Audited) RMB'000
0 – 90 days	285,443	313,706
91 – 180 days	120,441	50,431
181 – 365 days	63,618	138,441
Over 365 days	<u>296,174</u>	<u>186,874</u>
	<u>765,676</u>	<u>689,452</u>

12 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at June 30, 2023 <i>(Unaudited)</i> RMB'000	As at December 31, 2022 <i>(Audited)</i> RMB'000
Prepayments for:		
– investments and productions in movies and TV series (a)	1,495,943	1,246,817
– contract fulfilment costs for movie productions (b)	119,513	126,340
– operating expenses (c)	102,612	74,531
– others	9,488	10,785
	<hr/>	<hr/>
Total of prepayments	1,727,556	1,458,473
Less: impairment for prepayments (a)	(167,099)	(103,916)
	<hr/>	<hr/>
Total of prepayments – net	1,560,457	1,354,557
	<hr/>	<hr/>
Deposits and other receivables:		
Deposits and receivables for online entertainment ticketing, e-commerce and other services (d)	1,028,651	508,345
Amounts due from related parties	194,867	124,906
Loans to third parties (e)	189,493	142,933
Receivables from investments in movies and TV series (f)	62,538	89,357
Deposits for rentals and others	43,941	26,591
Others	37,637	38,003
	<hr/>	<hr/>
Total of deposits and other receivables	1,557,127	930,135
Less: impairment for financial assets at amortised cost	(447,830)	(439,335)
	<hr/>	<hr/>
Total of deposits and other receivables – net	1,109,297	490,800
	<hr/>	<hr/>
Total of prepayment, deposits and other receivables – net	2,669,754	1,845,357
Less: non-current portion	(70,488)	(62,560)
	<hr/>	<hr/>
	2,599,266	1,782,797
	<hr/> <hr/>	<hr/> <hr/>

- (a) The Group offers distribution and promotion services, which is considered as one of the principal activities of the Group. The investments and productions in movies and TV series with distribution and promotion services are designated as prepayments. The impairment provision mainly represents impairment of prepayments for investments and productions in movies and TV series, which are capitalised movie production and distribution costs subject to impairment assessment. During the six months ended June 30, 2023, due to factors including but not limited to major actors of certain projects being replaced, the risk of being unable to be released in the foreseeable future, and the deterioration of financial and operational position of the business partners, the Group further assessed the probability of non-performance (i.e. the movies or TV series not able to be exhibited) and made impairment provision of approximately RMB72,183,000, which were recognized in cost of revenue, against prepayments for investments and productions in movies and TV series based on the expected recoverable amount estimated by the directors in light of the aforementioned considerations; and reverse RMB9,000,000 since there is cash receipt from a certain impaired investment.
- (b) The contract fulfilment costs for movie productions represents the certain movie production costs when the Group controls the movie production process and is considered to be a producer.
- (c) The amounts mainly represents marketing and promotion expenses which would be recognized as expenses when the services are provided to the Group.
- (d) In line with the general industry practice and after prudently considering factors including creditworthiness and cooperation relationships with relevant business partners to control potential risk, the Group prepaid deposits or advance payments to some cinemas and large-scale concerts organizers operating within China, and then deducted or recovered such prepayment during the settlement with such business partners at a later stage.
- (e) As at June 30, 2023, except for a loan to third party with carrying amount of USD6,096,000 (equivalent to approximately RMB44,051,000) repayable on December 15, 2024, the remaining loans are repayable within 1 year. Except for interest-free and unsecured loans amounting to approximately RMB30,500,000, the remaining loans are interest-bearing at fixed rates ranging from 3% to 13% per annum. Included in the interest-bearing loans, an aggregate of RMB94,907,000 are secured by the debtors' certain receivables.
- (f) The amounts mainly represent the investments with fixed returns in certain movies and TV series projects.

13 BORROWINGS

	As at June 30, 2023 (Unaudited) RMB'000	As at December 31, 2022 (Audited) RMB'000
Current		
Bank borrowings – due within one year		
– Secured	100,000	190,000
– Guaranteed	–	80,000
– Unsecured	–	65,000
	<u>100,000</u>	<u>335,000</u>

14 ACCOUNTS PAYABLES

Aging analysis of the accounts payables based on invoice date at the respective balance sheet dates is as follows:

	As at June 30, 2023 <i>(Unaudited)</i> RMB'000	As at December 31, 2022 <i>(Audited)</i> RMB'000
0 – 90 days	248,004	117,718
91 – 180 days	185,282	68,959
181 – 365 days	60,401	72,158
Over 365 days	<u>161,856</u>	<u>127,835</u>
	<u>655,543</u>	<u>386,670</u>

15 OTHER PAYABLES, ACCRUALS AND OTHER LIABILITIES

	As at June 30, 2023 <i>(Unaudited)</i> RMB'000	As at December 31, 2022 <i>(Audited)</i> RMB'000
Payables in respect of online entertainment ticketing, e-commerce services and advance in respect of content production	1,640,572	691,042
Payables in respect of share in the box office receipts	1,005,688	252,436
Amounts due to related parties	139,704	86,121
Payroll and welfare payable	110,947	110,079
Other tax liabilities	4,159	8,112
Others	<u>20,871</u>	<u>30,494</u>
	<u>2,921,941</u>	<u>1,178,284</u>

OTHER INFORMATION

INTERIM DIVIDEND

The Board has resolved not to pay any interim dividend for the six months ended June 30, 2023.

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 Board considers that the Company has complied with all the 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 its own code of conduct for directors' securities transactions. Having made specific enquiry with the Directors, all of the Directors confirm that they have complied with the required standard as set out in the Model Code during the Reporting Period.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

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 Ms. Liu Lin. Mr. Chan Charles Sheung Wai currently serves as the chairman of the Audit Committee.

The Audit Committee, together with management and the Auditor, PricewaterhouseCoopers, has reviewed the unaudited condensed consolidated results of the Group for the six months ended June 30, 2023.

FROZEN EQUITY INTERESTS OF TIANJIN MAOYAN WEYING

Reference is made to the 2021 annual results announcement, 2021 annual report, 2022 interim results announcement, 2022 interim report, 2022 annual results announcement and 2022 annual report of the Company published on March 24, 2022, April 26, 2022, August 18, 2022, September 15, 2022, March 23, 2023 and April 25, 2023 respectively, including the disclosure in relation to the frozen equity interests of Tianjin Maoyan Weying. As further advised by Weying, Weying and the plaintiff had reached a dispute settlement agreement and are proceeding with such settlement agreement accordingly. As of June 30, 2023, the equity interests held by Weying Culture in Tianjin Maoyan Weying remains frozen.

The Directors, based on the advice of Company's PRC legal advisors, consider that the Contractual Arrangements and the Confirmation are in compliance with relevant PRC laws and regulations and are legally binding and enforceable. There is no material adverse impact on the Contractual Arrangements.

PUBLICATION OF THE INTERIM RESULTS AND INTERIM REPORT

This interim results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.maoyan.com), and the interim 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.

DEFINITION AND GLOSSARY

Unless the context otherwise requires, the following expressions in this interim results announcement shall have the following meanings:

“Audit Committee”	the audit committee of the Company
“Auditor”	the external auditor 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)

“Confirmation”	In response to the lawsuits in which Weying acted as defendants and the equity interests held by Weying Culture in Tianjin Maoyan Weying were therefore frozen as disclosed in the 2021 annual results announcement, 2021 annual report, 2022 interim results announcement, 2022 interim report, 2022 annual results announcement and 2022 annual report of the Company dated March 24, 2022, April 26, 2022, August 18, 2022, September 15, 2022, March 23, 2023 and April 25, 2023, the confirmation letter co-issued by Weying Technology and Weying Culture to Tianjin Maoyan Weying and WFOE, pursuant to which Weying undertook to comply with and fulfil the terms and conditions, responsibilities and obligations under the Contractual Arrangements including but not limited to fully cooperating with the WFOE’s instructions when the WFOE exercises its irrevocable and exclusive right to purchase the frozen equity interests, or transfer the frozen equity interests to the WFOE’s assignee at the WFOE’s request
“Consolidated Affiliated Entities”	entities whose financial results have been consolidated and accounted for as subsidiaries of the Company by virtue of the contractual arrangements of the Group
“Contractual Arrangements”	the series of contractual arrangements entered into by, among others, the WFOE, Tianjin Maoyan Weying and its registered shareholders
“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
“Group”, “our Group”, “we” or “us”	the Company, its subsidiaries and the Consolidated Affiliated Entities
“HK\$” or “HKD”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Hong Kong Stock Exchange” or “Stock Exchange”	The Stock Exchange of Hong Kong Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited

“Listing”	listing of the Shares on the Main Board of the Stock Exchange of Hong Kong
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“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
“Model Code”	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
“PRC” or “China”	the People’s Republic of China, which, for the purpose of this interim results announcement only, excludes Hong Kong, Macau Special Administrative Region and Taiwan
“Reporting Period”	the six months ended June 30, 2023
“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)
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“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
“US\$” or “US dollars” or “USD”	U.S. dollars, the lawful currency of the United States of America

“Weying”	Weying Culture and Weying Technology
“Weying Culture”	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
“Weying Technology”	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
“%”	per cent

By order of the Board
Maoyan Entertainment
Zheng Zhihao
Executive Director

Hong Kong, August 17, 2023

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. Sun Zhonghuai, Mr. Chen Shaohui and Mr. Tang Lichun, Troy as Non-executive Directors, and Mr. Wang Hua, Mr. Chan Charles Sheung Wai, Mr. Yin Hong and Ms. Liu Lin as Independent Non-executive Directors.