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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, 2018

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, 2018. 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
	2018	2017	change
	RMB'000	RMB'000	(%)
Revenue	3,754,959	2,547,982	47.4%
Gross profit	2,356,246	1,742,028	35.3%
Operating loss	(139,444)	(66,028)	111.2%
Loss before income tax	(148,044)	(75,834)	95.2%
Loss for the year	(138,396)	(76,013)	82.1%
Adjusted EBITDA	229,212	169,338	35.4%
Adjusted net profit*	89,681	124,066	-27.7%

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

BUSINESS REVIEW AND OUTLOOK

Financial Highlights

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

* As mentioned in the section “Performance Highlights” above, during the years ended December 31, 2017 and 2018, we defined adjusted net profit/(loss) as net profit/(loss) for the year adjusted by adding back share-based compensation, net losses of convertible bonds and financial liabilities at fair value through profit or loss and listing expenses.

Business Review

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

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

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

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

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

Outlook

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

2018 Review

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

Revenue

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

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

Online Entertainment Ticketing Services

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

Entertainment Content Services

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

E-commerce Services

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

Advertising Services and Others

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

Cost of revenue

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

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

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

Gross Profit and Gross Margin

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

Selling and Marketing Expenses

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

General and Administrative Expenses

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

Other Losses, Net

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

Operating Loss

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

Finance Costs, Net

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

Income Tax Credits/(Expenses)

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

Loss for the Year

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

Non-IFRS Financial Measure

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

Adjusted Net Profit/(Loss), EBITDA, and Adjusted EBITDA

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

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

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

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

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

Other Financial Information

Capital Structure

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

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

Liquidity, Financial Resources, and Gearing

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

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

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

	RMB million	Interest rate
Secured	200.0	4.3500%
Guaranteed	300.0	4.7850%~5.4375%
Unsecured	100.0	4.9590%
	<hr/>	<hr/>
Total	600.0	NA
	<hr/> <hr/>	<hr/> <hr/>

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

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

As of December 31, 2018, we had a gearing ratio¹ of 20.3% (62.8% as of December 31, 2017).

Capital Expenditure

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

Material Acquisitions and Future Plans for Major Investments

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

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

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

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

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

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

Significant Investments Held

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

Foreign Exchange Risk Management

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

Employees and Remuneration Policy

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

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

EVENTS AFTER THE REPORTING PERIOD

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

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

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

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

ANNUAL RESULTS OF THE YEAR ENDED DECEMBER 31, 2018

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Year ended December 31,	
		2018	2017
	Note	RMB'000	RMB'000
Revenue	4	<u>3,754,959</u>	<u>2,547,982</u>
Cost of revenue	5	<u>(1,398,713)</u>	<u>(805,954)</u>
Gross profit		2,356,246	1,742,028
Selling and marketing expenses	5	<u>(1,940,402)</u>	<u>(1,419,510)</u>
General and administrative expenses	5	<u>(523,035)</u>	<u>(381,270)</u>
Other losses, net	6	<u>(32,253)</u>	<u>(7,276)</u>
Operating loss		(139,444)	(66,028)
Finance costs, net		<u>(6,824)</u>	<u>(11,245)</u>
Share of (losses)/profits of investments accounted for using the equity method		<u>(1,776)</u>	<u>1,439</u>
Loss before income tax		(148,044)	(75,834)
Income tax credits/(expenses)	7	<u>9,648</u>	<u>(179)</u>
Loss for the year		<u>(138,396)</u>	<u>(76,013)</u>
Loss attributable to:			
– Equity holders of the Company		<u>(137,088)</u>	<u>(75,469)</u>
– Non-controlling interests		<u>(1,308)</u>	<u>(544)</u>
		<u>(138,396)</u>	<u>(76,013)</u>
Loss per share attributable to equity holders of the Company (expressed in RMB per share)			
– Basic and diluted	8	<u>(0.14)</u>	<u>(0.08)</u>
Loss for the year		<u>(138,396)</u>	<u>(76,013)</u>
Other comprehensive income/(loss):			
<i>Items that may be subsequently reclassified to profit or loss</i>			
Currency translation differences		<u>572</u>	<u>(275)</u>
Total comprehensive loss for the year		<u>(137,824)</u>	<u>(76,288)</u>
Total comprehensive loss attributable to:			
– Equity holders of the Company		<u>(136,652)</u>	<u>(75,609)</u>
– Non-controlling interests		<u>(1,172)</u>	<u>(679)</u>
Total comprehensive loss for the year		<u>(137,824)</u>	<u>(76,288)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at December 31,	
		2018	2017
	Note	RMB'000	RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment		30,910	31,795
Intangible assets	10	5,390,766	5,608,223
Investments accounted for using the equity method		37,297	39,073
Financial assets at fair value through profit or loss	11	38,801	32,801
Deferred income tax assets		4,142	3,497
		<u>5,501,916</u>	<u>5,715,389</u>
Current assets			
Inventories		13,472	3,646
Accounts receivables	12	324,587	311,000
Prepayments, deposits and other receivables	13	1,315,251	875,487
Financial assets at fair value through profit or loss	11	384,716	963,139
Cash and cash equivalents		1,536,456	1,170,130
		<u>3,574,482</u>	<u>3,323,402</u>
Total assets		<u>9,076,398</u>	<u>9,038,791</u>
EQUITY			
Share capital		130	–
Reserves		6,156,971	5,838,285
Accumulated losses		(455,152)	(318,064)
		<u>5,701,949</u>	<u>5,520,221</u>
Equity attributable to equity holders of the Company		5,701,949	5,520,221
Non-controlling interests		4,599	11,062
		<u>5,706,548</u>	<u>5,531,283</u>
Total equity		5,706,548	5,531,283
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		196,997	221,776
Current liabilities			
Borrowings	14	600,000	–
Financial liabilities at fair value through profit or loss	15	358,005	–
Accounts payables	16	295,195	331,198
Other payables, accruals and other liabilities	17	1,904,830	2,932,551
Current income tax liabilities		14,823	21,983
		<u>3,172,853</u>	<u>3,285,732</u>
Total liabilities		3,369,850	3,507,508
Total equity and liabilities		<u>9,076,398</u>	<u>9,038,791</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

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 Group principally engaged in the provision of online entertainment ticketing, entertainment content services, e-commerce services, advertising services and others (the "**Listing Business**") to users in the PRC.

The financial statements for the year ended December 31, 2018 are presented in RMB and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

2 BASIS OF PREPARATION

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

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

The preparation of the consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies.

(a) Application of IFRS 9 and IFRS 15

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

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

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

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

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

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

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

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

IFRS 16 Leases

Nature of change

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

Impact

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

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

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

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

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

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

Date of adoption by the Group

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

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.

As a result of this evaluation, the executive directors of the Group consider that the Group's operations are operated and managed as a single segment; accordingly no segment information is presented.

The Company is domiciled in the Cayman Islands while the Group mainly operates its businesses in the PRC and earns substantially all of the revenue from external customers in the PRC.

As at December 31, 2018 substantially all of the non-current assets were located in the PRC.

4 REVENUE

	Year ended December 31,	
	2018	2017
	RMB'000	RMB'000
Online entertainment ticketing	2,280,238	1,490,037
Entertainment content services	1,068,615	852,299
E-commerce services	195,849	127,229
Advertising services and others	210,257	78,417
	<hr/>	<hr/>
Total revenue	3,754,959	2,547,982
	<hr/> <hr/>	<hr/> <hr/>
	Year ended December 31,	
	2018	2017
	RMB'000	RMB'000
Revenue at a point in time	2,476,087	1,617,266
Revenue over time	1,278,872	930,716
	<hr/>	<hr/>
Total revenue	3,754,959	2,547,982
	<hr/> <hr/>	<hr/> <hr/>

	Year ended December 31,	
	2018	2017
	RMB'000	RMB'000
Revenue on a net basis	2,477,840	1,617,969
– Online entertainment ticketing (<i>Note(a)</i>)	2,280,238	1,490,037
– E-commerce services (<i>Note(a)</i>)	195,849	127,229
– Entertainment content services (<i>Note(b)</i>)	1,753	703
Revenue on a gross basis	1,277,119	930,013
– Entertainment content services (<i>Note(b)</i>)	1,066,862	851,596
– Advertising services and others (<i>Note(b)</i>)	210,257	78,417
Total revenue	3,754,959	2,547,982

- (a) Revenue from online entertainment ticketing services and e-commerce services are recognized on a net basis.
- (b) Revenue from entertainment content services (which include user incentive funded by business partners and promotional payments when engaged by movie producer as a distributor) and advertising services are recognized on a gross basis, except that certain investments in movie production projects are recognized on a net basis.

5 EXPENSES BY NATURE

	Year ended December 31,	
	2018	2017
	RMB'000	RMB'000
Marketing and promotion expenses	1,738,629	1,289,594
Ticketing system cost	545,664	393,531
Staff costs excluding share options granted to directors and employees	390,771	248,533
Content distribution and promotion cost	269,812	126,558
Internet infrastructure cost	193,054	136,761
Share options granted to directors and employees	161,850	184,542
Amortization of intangible assets (<i>Note 10</i>)	137,704	45,058
Content production cost	136,305	59,798
Listing expenses	58,233	2,300
Tax and levies	30,230	20,957
Depreciation of property, plant and equipment	10,869	3,465
Auditors' remuneration	3,562	200
Provision for impairment of accounts receivables (<i>Note 12</i>)	2,451	7,412
Other expenses	183,016	88,025
Total cost of revenues, selling and marketing expenses, general and administrative expenses	3,862,150	2,606,734

- (a) During the years ended December 31, 2018, the Group incurred expenses for the purpose of research and development of approximately RMB214,421,000 (2017: RMB143,970,000), which comprised employee benefits expenses of RMB211,443,000 (2017: RMB143,441,000).

No significant development expenses had been capitalised for the year ended December 31, 2018 (2017: Nil).

6 OTHER LOSSES, NET

	Year ended December 31,	
	2018	2017
	RMB'000	RMB'000
Impairment of goodwill arising from the acquisition of Beijing Jietong Wuxian Technology Co., Ltd. (“ Jietong Wuxian ”) (Note 10)	(62,763)	(46,931)
Fair value gain on financial assets at fair value through profit or loss (Note 11)	26,950	25,702
Fair value loss on financial liabilities at fair value through profit or loss (Note 15)	(7,994)	–
Government subsidies	9,872	20,382
Losses on disposal of property, plant and equipment	–	(6,274)
Gains from disposal of subsidiaries	3,832	–
Others	(2,150)	(155)
	(32,253)	(7,276)
	(32,253)	(7,276)

7 INCOME TAX (CREDITS)/EXPENSES

	Year ended December 31,	
	2018	2017
	RMB'000	RMB'000
Current income tax	12,769	13,900
Deferred income tax	(22,417)	(13,721)
	(9,648)	179
	(9,648)	179

(i) Cayman Islands corporate income tax (“CIT”)

Under the current laws of Cayman Islands, the Company is not subject to tax on income or capital gain. In addition, upon payments of dividends by the Company to its shareholders, no Cayman Islands withholding tax will be imposed.

(ii) Hong Kong profits tax

Hong Kong profits tax has been provided for at the rate of 16.5% on the estimated assessable profits for the year ended December 31, 2018 (2017: 16.5%).

(iii) PRC corporate income tax

CIT provision was made on the estimated assessable profits of entities within the Group incorporated in the PRC and was calculated in accordance with the relevant regulations of the PRC after considering the available tax benefits from refunds and allowances. The general PRC CIT rate is 25% for the year ended December 31, 2018 (2017: 25%). According to the relevant tax circulars issued by the PRC tax authorities, a subsidiary of the Group is entitled to tax concessions and is exempted from CIT during the period from its incorporation to December 31, 2020.

(iv) BVI income tax

No provision for income tax in BVI has been made as the Group has no income assessable to income tax in BVI for the year ended December 31, 2018 (2017: Nil).

8 LOSS PER SHARE

(a) Basic loss per share

	Year ended December 31,	
	2018	2017
Loss attributable to equity holders of the Company (RMB'000)	(137,088)	(75,469)
Weighted average number of ordinary shares in issue (thousand)	184,551	184,551
Weighted average number of preferred shares in issue (thousand)	4,831	4,831
Weighted average number of vested restricted shares in issue (thousand)	2,614	2,570
Total weighted average number of shares in issue (thousand)	191,996	191,952
Share Subdivision (thousand) (<i>Note (i)</i>)	959,980	959,760
Basic loss per share (in RMB)	<u>(0.14)</u>	<u>(0.08)</u>

Basic losses per share are calculated by dividing the loss attributable to equity holders of the Company by the weighted average number of ordinary shares in issue, weighted average number of preferred shares in issue and weighted average number of vested restricted shares in issue during the respective years.

- (i) On January 11, 2019, the shareholders of the Company resolved that all the issued and unissued ordinary shares and preferred shares were to be redesignated as ordinary shares on a one-for-one basis (the “**Redesignation**”) immediately before Listing. Following the Redesignation, each issued and unissued ordinary share of then par value of USD0.0001 each will be subdivided into five shares of par value of USD0.00002 each (the “**Subdivision**”). As at February 4, 2019, the Group was listed and the Subdivision has been adjusted retrospectively in the calculation of loss per share as if the Subdivision was effective since the beginning of the year ended December 31, 2017.

(b) Diluted loss per share

Diluted loss per share is calculated by adjusting the weighted average number of shares outstanding to assume conversion of all dilutive potential shares. For the years ended December 31, 2018 and 2017, the Company had share options granted to employees. As the Group incurred losses for the years ended December 31, 2018 and 2017, the potential ordinary shares were not included in the calculation of the diluted loss per share as their inclusion would be anti-dilutive.

Accordingly, diluted losses per share for the years ended December 31, 2018 and 2017 are the same as basic loss per share of the respective years.

9 DIVIDENDS

No dividends have been paid or declared by the Company during the year ended December 31, 2018 (2017: Nil).

10 INTANGIBLE ASSETS

	Goodwill	Trademarks	Software	Business cooperation agreement	Customers' relationship	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
As at January 1, 2017	–	–	–	–	–	–
Year ended December 31, 2017						
Opening net book amount	–	–	–	–	–	–
Business combinations	4,569,254	686,736	24,443	245,111	174,832	5,700,376
Amortization of intangible assets resulting from business combinations	–	(22,938)	(481)	(16,341)	(5,298)	(45,058)
Impairment of goodwill arising from the acquisition of the Jietong Wuxian	(46,931)	–	–	–	–	(46,931)
Currency translation differences	–	–	(164)	–	–	(164)
Closing net book amount	<u>4,522,323</u>	<u>663,798</u>	<u>23,798</u>	<u>228,770</u>	<u>169,534</u>	<u>5,608,223</u>
As at December 31, 2017						
Cost	4,569,254	686,736	24,236	245,111	174,832	5,700,169
Accumulated amortization	–	(22,938)	(438)	(16,341)	(5,298)	(45,015)
Impairment	(46,931)	–	–	–	–	(46,931)
Net book amount	<u>4,522,323</u>	<u>663,798</u>	<u>23,798</u>	<u>228,770</u>	<u>169,534</u>	<u>5,608,223</u>
Year ended December 31, 2018						
Opening net book amount	4,522,323	663,798	23,798	228,770	169,534	5,608,223
Additions	–	–	2,462	–	–	2,462
Disposals of subsidiaries	(7,586)	(2,502)	(9,863)	–	–	(19,951)
Amortization of intangible assets resulting from business combinations	–	(68,535)	(4,108)	(49,022)	(15,894)	(137,559)
Amortization of purchased intangible assets	–	–	(145)	–	–	(145)
Impairment of goodwill arising from the acquisition of the Jietong Wuxian	(62,763)	–	–	–	–	(62,763)
Currency translation differences	–	–	499	–	–	499
Closing net book amount	<u>4,451,974</u>	<u>592,761</u>	<u>12,643</u>	<u>179,748</u>	<u>153,640</u>	<u>5,390,766</u>
As at December 31, 2018						
Cost	4,451,974	683,955	16,005	245,111	174,832	5,571,877
Accumulated amortization	–	(91,194)	(3,362)	(65,363)	(21,192)	(181,111)
Net book amount	<u>4,451,974</u>	<u>592,761</u>	<u>12,643</u>	<u>179,748</u>	<u>153,640</u>	<u>5,390,766</u>

Amortization expenses have been charged to the consolidated statement of comprehensive income as follows:

	Year ended December 31,	
	2018	2017
	RMB'000	RMB'000
Cost of revenue	133,451	44,577
Selling and marketing expenses	7	17
General and administrative expenses	4,246	464
	137,704	45,058

(a) Goodwill impairment

The goodwill balance mainly arose from the acquisition of 68.55% equity interest in Jietong Wuxian in 2017 from Beijing Enlight Media Co., Ltd., and the acquisition of 100% equity interests in Beijing Weige Shidai Entertainment Technology Co., Ltd (“**Beijing Weige Shidai**”) and Shenzhen Ruihai Fangyuan Technology Co., Ltd. (“**Ruihai Fangyuan**”) in 2017. Goodwill is attributable to the acquired market share and economies of scale expected to be derived from combining with the operations of the Group.

The Group carries out its annual impairment test on goodwill by comparing the recoverable amounts of cash generating units (“**CGUs**”) to the carrying amounts. Upon completion of acquisition of Beijing Weige Shidai and Ruihai Fangyuan, the Group integrated the business (including the management, assets, customers, users and systems) of Beijing Weige Shidai and Ruihai Fangyuan with the Group’s movie ticketing business in order to improve the operation efficiency. The management considers that the business of Beijing Weige Shidai and Ruihai Fangyuan and the Group’s remaining business (excluding Jietong Wuxian, collectively the “**Combined business**”) represents the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets. As a result, the goodwill of RMB117,280,000 was allocated and monitored to the CGU of Jietong Wuxiang and the goodwill of RMB4,451,974,000 arising from the acquisition of Beijing Weige Shidai and Ruihai Fangyuan was allocated and monitored to the CGU of Combined business. The following is a summary of goodwill allocation for each CGU:

	Combined business RMB'000	Jietong Wuxian RMB'000
Year ended December 31, 2017		
Opening	–	–
Additions	4,451,974	117,280
Impairment	–	(46,931)
Closing	4,451,974	70,349
Year ended December 31, 2018		
Opening	4,451,974	70,349
Impairment	–	(62,763)
Disposal of Jietong Wuxian	–	(7,586)
Closing	4,451,974	–

Impairment review on the goodwill of the Group has been conducted by the management as at December 31, 2018 and 2017. For the purpose of impairment review, the recoverable amount of CGUs is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets prepared by management covering a five/seven-year period. Cash flows beyond the five/seven-year period are extrapolated using the estimated terminal growth rates stated below.

The key parameters used for value-in-use calculations are as follows:

As at December 31, 2018

	Combined business
Gross margin	58.3%~60.9%
Growth rate of the first five years	13.8%~26.9%
Terminal growth rate	2.4%
Discount rate	19.4%

As at December 31, 2017

	Combined business	Jietong Wuxian
Gross margin	56.9%~61.0%	21.0%~23.0%
Growth rate of the first five years	13.8%~22.3%	7.6%~70.2%
Terminal growth rate	2.5%	2.5%
Discount rate	19.2%	23.5%

The growth rates used do not exceed the industry growth forecast for the market in which the Group operates. The discount rate used is pre-tax and reflects market assessments of the time value and the specific risks relating to the industry. The budgeted gross margin was determined by the management based on past performance and its expectation for market development.

Combined business

Impairment review on the goodwill of the Combined business has been conducted by the management as at December 31, 2018 and 2017. For the purpose of impairment review, the recoverable amount of CGU is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets prepared by management covering a seven-year period.

Under IAS 36, a period longer than five years can be used projections if it is justifiable, and the management of the Group used a seven-year period, which takes into account the length of the post projection period for the cash flow forecast will be perpetuity, and this shall be achieved by identifying a 'steady state' set of assumptions for the cash flows in the last year of the forecasts and applying a terminal value multiple to those cash flows. Therefore, given the Group expects to maintain an extended high growth rate over a period longer than 5 years, management of the Group considers that the Group's business is expected to reach a steady and stable terminal growth state, which is likely after a seven-year period of gradually declining revenue growth. As a result, management considered that before the projections move into a long term stable period, such momentum of revenue growth during 2019 to 2023 will continue for another two years after 2023, during which the annual revenue growth rate will gradually drop from 13.8% in year 2023 to 11.0% in year 2024 and will further drop to a normal level of 7.3% in year 2025.

Based on the result of the goodwill impairment testing, the estimated recoverable amount of the Combined business far exceeded its carrying amount as at December 31, 2018 and 2017. The management of the Group has not identified that a reasonable possible change in any of the key assumptions that could cause the carrying amount to exceed the recoverable amount.

Based on the result of the goodwill impairment testing, the headroom of the Combined business were RMB11,717,261,000 as at December 31, 2018 (2017: RMB10,378,295,000).

The key assumptions used in the value in use calculations are as follows:

- Revenue is directly related to the Group's GMV and box office of the Group's business partners. When predicting revenue, the Group referred to the forecast of China's movie market, as well as the service fee rate and the Group's market share in China.
- For items of cost of revenue that are related to GMV of the Group, the Group referred to current fee rate and GMV projection to project the ticket system cost and internet infrastructure cost.
- The gross margin is determined by the management based on past performance and current market conditions.
- Selling and marketing expenses and general and administrative expenses are based on the Group's structure, business plan and the management's estimates.
- A terminal growth rate of 2.4% has been used in estimating cash flows beyond a period of 7 years.
- The cash flow projections are discounted using a pre-tax discount rate of 19.4%. The discount rate reflects the current market assessments of the time value of money and is based on the estimated cost of capital.

The Group performs the sensitivity analysis based on the assumptions that revenue growth rate or terminal growth rate or the discount rate have been changed. Had the estimated key assumptions during the forecast period been changed as below, the headroom would be decreased to as below:

	As at	
	December 31,	
	2018	2017
	RMB'000	RMB'000
Revenue growth rate decreases by 10%	6,316,000	4,720,000
Terminal growth rate decreases by 10%	11,063,000	9,794,000
Discount rate increases by 5%	10,788,000	9,477,000

Jietong Wuxian

Since Jietong Wuxian's performance began to decline, the Group conducted the impairment review on the goodwill as at December 31, 2017. For the purpose of impairment review, the recoverable amount of CGUs is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets prepared by management covering a five-year period. As a result, an impairment loss of RMB46,931,000 related to the CGU of Jietong Wuxian has been recognized in the consolidated statement of comprehensive income for the year ended December 31, 2017.

On June 30, 2018, the Group entered into an equity interest transfer agreement with Jiang Chunyang, an individual minority shareholder of Jietong Wuxian, for the disposal of 76.6% equity interest in Jietong Wuxian for a consideration of RMB22,000,000. As a result, the recoverable amount of Jietong Wuxian was below the carrying amount of the net assets and an impairment loss of RMB62,763,000 was recognized in the consolidated statement of comprehensive income. The disposal was completed on August 10, 2018.

11 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at December 31,	
	2018	2017
	RMB'000	RMB'000
Investment in wealth management products <i>(Note (a))</i>	276,269	963,139
Investment in movies and TV series <i>(Note (b))</i>	108,447	–
Investment in unlisted investments <i>(Note (c))</i>	38,801	32,801
	<u>423,517</u>	<u>995,940</u>

(a) Investment in wealth management products

Movements in investment in wealth management products were as follows:

	Year ended December 31,	
	2018	2017
	RMB'000	RMB'000
At the beginning of the year	963,139	–
Business combinations	–	30,000
Additions	3,134,700	10,735,000
Disposals	(3,805,113)	(9,827,563)
Disposal of Jietong Wuxian	(35,007)	–
Changes in fair value	18,550	25,702
	<u>276,269</u>	<u>963,139</u>
At the end of the year		

The investment in wealth management products mainly represent the investment in wealth management products issued by banks in the PRC with expected investment income rates for the year ended December 31, 2018 ranging from 1.55%~4.66% (2017: 2.40%~4.66%). The returns on all of these wealth management products are not guaranteed, and therefore the Group designated them as financial assets at fair value through profit or loss. The fair values are based on cash flows discounted using the expected return based on management judgment and are within level 3 of the fair value hierarchy. Changes in fair value (realized and unrealized) of these financial assets are recognized in “Other losses, net” in the consolidated statement of comprehensive income.

The maximum exposure to credit risk at the reporting date is the carrying value of these investment in wealth management products. None of the investment is either past due or impaired.

(b) Investment in movies and TV series

Movements in investment in movies and TV series were as follows:

	Year ended December 31,	
	2018	2017
	RMB'000	RMB'000
At the beginning of the year	–	–
Additions	100,047	–
Changes in fair value	8,400	–
	<hr/>	<hr/>
At the end of the year	108,447	–
	<hr/> <hr/>	<hr/> <hr/>

(c) Unlisted investments

The Group's unlisted investments assets include investment in certain privately companies. Movements of unlisted investments were as follows:

	Year ended December 31,	
	2018	2017
	RMB'000	RMB'000
At the beginning of the year	32,801	–
Additions	6,000	20,000
Business combinations	–	12,801
	<hr/>	<hr/>
At the end of the year	38,801	32,801
	<hr/> <hr/>	<hr/> <hr/>

12 ACCOUNTS RECEIVABLES

	As at December 31,	
	2018	2017
	RMB'000	RMB'000
Related parties	30,158	6,145
Third parties	305,833	313,808
	<hr/>	<hr/>
	335,991	319,953
Less: allowance for impairment	(11,404)	(8,953)
	<hr/>	<hr/>
	324,587	311,000
	<hr/> <hr/>	<hr/> <hr/>

- (a) The carrying amounts of the accounts receivables balances approximated to their fair value as at December 31, 2018 and 2017. All the accounts receivables balances were denominated in RMB.
- (b) Online advertising customers and agencies are usually granted with a credit period of 90 days after full execution of the contracted advertisement orders. Aging analysis of the gross accounts receivables based on recognition date is as follows:

	As at December 31,	
	2018	2017
	RMB'000	RMB'000
0-90 days	82,063	178,245
91-180 days	80,486	80,622
181-365 days	83,257	55,432
Over 365 days	90,185	5,654
	335,991	319,953

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

	Year ended December 31,	
	2018	2017
	RMB'000	RMB'000
At the beginning of the year	(8,953)	(1,541)
Impairment provision	(2,451)	(7,412)
At the end of the year	(11,404)	(8,953)

- (d) The Group applies the simplified approach to provide for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all accounts receivables. To measure the expected credit losses, accounts receivables have been grouped based on shared credit risk characteristics and the days past due. The expected credit losses below have also incorporated forward looking information. The loss allowance provisions as at December 31, 2018 and 2017 are determined as follows:

	Current	Up to	3 to 6	Over	Total
	RMB'000	3 months	months	6 months	RMB'000
		past due	past due	past due	
		RMB'000	RMB'000	RMB'000	RMB'000
As at December 31, 2018					
Expected loss rate	0.05%	1.00%	2.00%	5.24%	
Gross carrying amount	10,592	71,800	80,652	172,947	335,991
Loss allowance provision	5	718	1,613	9,068	11,404
As at December 31, 2017					
Expected loss rate	0.05%	1.00%	2.00%	9.35%	
Gross carrying amount	16,300	161,944	80,622	61,087	319,953
Loss allowance provision	8	1,619	1,612	5,714	8,953

Since the actual loss rates for each type of the trade receivables and the adjustments for forward looking macroeconomic data did not have significant changes during the years ended December 31, 2018 and 2017, the directors of the Company consider that the changes in the expected credit loss rate for provision matrix are insignificant throughout the years ended December 31, 2018 and 2017.

13 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at December 31,	
	2018	2017
	RMB'000	RMB'000
Amounts due from related parties	434,221	389,144
Deposits for online entertainment ticketing and e-commerce services	363,489	320,089
Prepayment for investments in movies and TV series	395,808	32,796
Value-added tax allowance	56,167	45,684
Prepayment for ticketing system cost	14,151	60,034
Prepaid income tax	19,525	8,876
Staff advances	13,199	11,444
Others	18,691	7,420
	<hr/>	<hr/>
Less: allowance for impairment of other receivables (<i>Note (a)</i>)	–	–
	<hr/>	<hr/>
	1,315,251	875,487
	<hr/> <hr/>	<hr/> <hr/>

- (a) The carrying amounts of the prepayments, deposits and other receivables (excluding prepayments) approximated to their fair value as at December 31, 2018 and 2017. Their recoverability was assessed with reference to the credit status of the recipients, and there is no expected credit loss for future 12 months.

14 BORROWINGS

	As at December 31,	
	2018	2017
	RMB'000	RMB'000
Current		
Bank borrowings – due within one year		
– Secured (<i>Note (a)</i>)	200,000	–
– Guaranteed (<i>Note (b)</i>)	300,000	–
– Unsecured (<i>Note (c)</i>)	100,000	–
	<hr/>	<hr/>
	600,000	–
	<hr/> <hr/>	<hr/> <hr/>

- (a) The secured borrowing of RMB200,000,000 with a fixed rate of 4.35% per annum was secured by the wealth management products of RMB208,700,000.
- (b) The guaranteed borrowing of RMB300,000,000 was guaranteed by a subsidiary of the Group, Beijing Maoyan Cultural Media Co Ltd., among which RMB200,000,000 is with fixed rate of 4.785% per annum, and RMB100,000,000 is with fixed rate of 5.4375% per annum.
- (c) The unsecured borrowing of RMB100,000,000 was at fixed rate of 4.959% per annum.
- (d) The borrowings as at December 31, 2018 were all denominated in RMB.

15 FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	Year ended December 31,	
	2018	2017
	RMB'000	RMB'000
Opening balance	–	–
Addition	350,011	–
Changes in fair value	7,994	–
	<hr/>	<hr/>
Closing balance	358,005	–
	<hr/> <hr/>	<hr/> <hr/>

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 balance sheet dates is as follows:

	As at December 31,	
	2018	2017
	RMB'000	RMB'000
0-90 days	192,186	191,438
91-180 days	27,310	108,574
181-365 days	43,678	20,042
Over 365 days	32,021	11,144
	<hr/>	<hr/>
	295,195	331,198
	<hr/> <hr/>	<hr/> <hr/>

17 OTHER PAYABLES, ACCRUALS AND OTHER LIABILITIES

	As at December 31,	
	2018	2017
	<i>RMB'000</i>	<i>RMB'000</i>
Amounts due to related parties	184,717	293,281
Payables in respect of share in the box office receipts (<i>Note (a)</i>)	252,008	625,321
Payables in respect of online entertainment ticketing and e-commerce services (<i>Note (b)</i>)	1,313,657	1,917,365
Payroll and welfare payable	65,814	50,084
Other tax liabilities	32,675	38,616
Others	55,959	7,884
	<u>1,904,830</u>	<u>2,932,551</u>

- (a) It represents the box office share received on behalf of the movie producers. This amount will be paid to the movie producers and others and therefore is not considered as trade payables to the Group's suppliers.
- (b) It represents the cash paid by the users for the movie/event ticket, after deducting the commission fee entitled by the Group, it will be remitted back to cinemas/theaters. As such amount is paid to cinemas/theaters, which are the Group's customers instead of the suppliers. The Group recognizes it as "Other payables".

OTHER INFORMATION

Final Dividend

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

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

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

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

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transactions. As the Company's shares were not listed on the Stock Exchange as at December 31, 2018, related rules under the Model Code that Directors shall observe did not apply to the Company for the year ended December 31, 2018.

Purchase, Sale or Redemption of Listed Securities

As the Shares of the Company were not listed on the Stock Exchange as at December 31, 2018, neither the Company nor any of its subsidiaries or Consolidated Affiliated Entities has purchased, sold or redeemed any of the Company's listed securities during the year ended December 31, 2018.

Audit Committee

The Audit Committee of the Company has, together with the Board and the auditor of the Company, reviewed the consolidated financial statements of the Group for the year ended December 31, 2018. The Audit Committee of the Company 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, 2018 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, 2018 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, 2018. 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 Tuesday, June 18, 2019. The register of members of the Company will be closed from Wednesday, June 12, 2019 to Tuesday, June 18, 2019, both days inclusive, in order to determine the identity of the Shareholders who are entitled to attend the attend and vote at the AGM, during which period no share transfers will be registered. To be eligible to attend and vote at the AGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Tuesday, June 11, 2019.

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;
“Audit Committee”	the audit committee of the Company;
“Beijing Weying Shidai” or “Weying”	Beijing Weying Shidai Technology Co., Ltd. (北京微影時代科技有限公司), a company established under the laws of the PRC with limited liability, and/or its subsidiaries, as the case may be;
“Board”	the board of directors of the Company;
“Company” or “our Company”	Maoyan Entertainment, an exempted company incorporated in the Cayman Islands with limited liability and whose Shares are listed on the Main Board of the Stock Exchange (stock code: 1896);
“Consolidated Affiliated Entities”	entities whose financial have been consolidated and accounted for as subsidiaries of the Company by virtue of the contractual arrangements of the Group;
“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 Date”	February 4, 2019, the date on which the Shares became listed on the Main Board of the Stock Exchange;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Offer Price”	the final offer price of HK\$14.80 per share in connection with the Company’s global offering and listing of shares;
“PRC” or “China”	the People’s Republic of China, which, for the purpose of this announcement only, excludes Hong Kong, Macau Special Administrative Region of the PRC and Taiwan;
“Prospectus”	the prospectus of the Company dated January 23, 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”	U.S. dollars, the lawful currency of the United States of America;
“Weiyang Acquisition”	the acquisition by the Group of Beijing Weiyang Shidai;
“%”	per cent.

By order of the Board
Maoyan Entertainment
Zheng Zhihao
Executive Director

Hong Kong, March 25, 2019

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.

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 and Mr. Lin Ning 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.